

Decision 90 03 067 MAR 28 1990

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
PACIFIC GAS AND ELECTRIC COMPANY to )  
issue and sell not exceeding )  
20,000,000 shares of Common Stock, )  
\$5 par value, in connection with the )  
Savings Fund Plan (U39M) )

Application 90-01-024  
(Filed January 16, 1990)

**ORIGINAL**

O P I N I O N

Summary of Decision

This decision grants Pacific Gas and Electric Company (PG&E) the authority requested in the application.

PG&E requests authority, under Public Utilities (PU) Code Sections 818 through 830, for the following:

1. To issue and sell up to 20,000,000 shares of its Common Stock, \$5 par value in connection with its Savings Fund Plan;
2. To use the net proceeds to be derived through the issuance and sale of Common Stock for capital additions and improvements to its utility plant, or to partially reimburse its treasury for amounts previously expended for these purposes, or for the possible redemption or purchase and retirement of a portion of its outstanding debt or stock; and
3. To modify the requirements of General Order Series 24 to permit the filing of the required reports on a quarterly basis.

Notice of the filing of the application appeared on the Commission's Daily Calendar of January 23, 1990. No protests have been received.

PG&E, a California corporation, operates as a public utility subject to the jurisdiction of this Commission. PG&E generates, purchases, transmits, and sells electricity and

purchases, transports, distributes and sells natural gas to 47 counties in Central and Northern California. PG&E also provides a small amount of incidental water and steam services.

For the 12 months ended September 30, 1989, PG&E reported total operating revenues of \$8,332,482,000 and net operating income of \$2,030,786,000, as shown in Exhibit A attached to the application.

Also shown as part of Exhibit A, attached to the application, is PG&E's Balance Sheet as of September 30, 1989, summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$16,461,108,000
Gas Stored Underground -- Noncurrent	44,041,000
Other Property and Investments	690,081,000
Current and Accrued Assets	3,019,288,000
Deferred Debits	<u>3,460,404,000</u>
<b>Total</b>	<b>\$23,674,922,000</b>
<u>Liabilities and Equity</u>	<u>Amount</u>
Proprietary Capital	\$ 7,410,846,000
Preferred Stock	1,179,950,000
Long-Term Debt	7,835,040,000
Current and Accrued Liabilities	1,639,647,000
Other Noncurrent Liabilities	291,420,000
Deferred Credits	<u>5,318,019,000</u>
<b>Total</b>	<b>\$23,674,922,000</b>

As of September 30, 1989, PG&E's construction expenditures unreimbursed from the sale of securities amounted to approximately \$9,148,037,000, as shown in Schedule IV in the Supplemental Financial Data presented to the Commission.

Proposed Common Stock Issue

PG&E proposes to issue, sell and deliver not exceeding 20,000,000 shares of PG&E's Common Stock, \$5 par value, for use in connection with the Savings Fund Plan for employees (the Plan). A copy of the current Plan document was attached as Exhibit C to Application (A.) 86-12-065 filed with the Commission on December 31, 1986. In Decision (D.) 88-03-050 dated March 23, 1988, the Commission approved the issue and sale of not exceeding 20,000,000 shares of Common Stock in connection with the Plan. PG&E estimates that all of those shares will have been issued by March, 1990.

Under the Plan, eligible employees may elect to contribute a specified percentage of their pre-tax salary to the Plan. Participants designate the way in which their contributions are invested and may change their investment designation once each calendar quarter. Eligible employees may designate that their contributions be invested in one or more of certain funds, including the Company Stock Fund, invested in PG&E Common Stock. Participants may transfer investment funds attributable to their own contributions to other investment funds once in each 12-month period. Matching employer contributions are invested solely in PG&E Common Stock and may not be transferred.

Whenever the Trustee of the Plan is directed to invest cash in PG&E Common Stock, the Trustee is directed to purchase it either (1) directly from PG&E, (2) at a public sale on a recognized stock exchange, or (3) from a private source at a price no higher than the price that would have been payable under (2).

If and when such purchases of PG&E Common Stock are made directly from PG&E for the Company Stock Fund, the Plan provides that the Trustee shall pay a price which shall be the average of the mid-points of the daily high and low composite prices as shown in the Pacific Coast Edition of The Wall Street Journal (subject to verification) for a two-week period or monthly

period as appropriate, depending upon the basis on which a participant is paid, so that on an annual basis the price of PG&E's Common Stock will be the average of the daily high and low composite for each trading day of the year. If and when such purchases are made from dividends, the Trustee shall purchase Common Stock at a price which shall be the average of the daily high and low composite shown in the Pacific Coast Edition of The Wall Street Journal (subject to verification) for the five trading days immediately preceding receipt of said dividends.

PG&E is placed on notice, by this decision, that the Commission does not find that the Plan is necessary or reasonable for ratemaking purposes. These are issues which are normally tested in general rate or rate base offset proceedings.

Request For Exemption From General Order 24-B

PG&E is unable to state the total number of the eligible employees who will purchase shares of Common Stock through the Plan. Accordingly, PG&E requests authorization to be relieved of the necessity of complying with the Commission's General Order 24-B. In lieu of a report or reports under the General Order, PG&E proposes to file with the Commission, on or before the 25th day of the month following each quarter, a statement for the preceding quarter showing the number of shares of Common Stock purchased under the Plan; the gross proceeds received; and the expenses incurred by it in connection with the issue and sale of the Common Stock under the Plan. This proposal is consistent with the reports currently requested by the Commission for PG&E's current Shelf Registration Program, Dividend Reinvestment and Common Stock Purchase Plan, and Stock Option Plan.

The Commission Advisory and Compliance Division (CACD) has reviewed PG&E's application and has no objection to PG&E's proposal to issue its Common Stock, \$5 par value, for the purpose specified in the application.

Use of Proceeds

PG&E proposes to use the proceeds from the sale of securities, as requested in the application, after payment and discharge of obligations incurred for expenses incident to the issuance and sale, for the following purposes:

- a. For the acquisition of property;
- b. For the construction, completion, extension or improvement of its facilities;
- c. For the improvement or maintenance of its services;
- d. For the discharge or lawful refunding of its obligations;
- e. For reorganization or readjustment of its indebtedness or capitalization upon merger, consolidation or other reorganization;
- f. For the possible redemption or purchase and retirement of a portion of its outstanding debt or stock;
- g. For partial reimbursement to PG&E for monies actually expended from income or other monies in its treasury not secured by, or obtained from, the issue of stocks, stock certificates or other evidences of interest or ownership, or bonds, notes or other evidences of indebtedness;
- h. For the purposes mentioned above except maintenance of service and replacements; or
- i. For such other purposes as are described in Section 817 of the PU Code.

The amounts so reimbursed will become a part of PG&E's general treasury funds.

Capitalization Ratios

PG&E's capitalization ratios as of September 30, 1989 are shown below as recorded and adjusted to give pro forma effect to the transactions that follow:

<u>Components</u>	<u>September 30, 1989</u>	<u>Pro Forma</u>
Long-Term Debt	47.4%	44.4%
Short-Term Debt	<u>0.1</u>	<u>8.8</u>
Total Debt	47.5%	53.2%
Preferred Stock	7.2	6.2
Common Equity	<u>45.3</u>	<u>40.6</u>
Total	100.0%	100.0%

Debt

1. Credit Facilities not exceeding \$1,000,000,000 aggregate principal amount (authorized by D.86-08-051 dated August 18, 1986, and D.87-05-045 dated May 29, 1987, in A.86-05-012. Standby lines of credit with banks in the amount of \$750,000,000 have been executed but no borrowings have been made);
2. The proposed remaining issuance of long-term debt obligations from PG&E to the State of California, Department of Water Resources in an aggregate principal amount of \$103,623,922 (authorized in the amount of \$73,500,000 by D.82-12-008 dated December 1, 1982, in A.82-10-55 and as increased to \$136,000,000 in D.86-08-024 dated August 6, 1986);
3. The proposed remaining issuance of not exceeding \$30,350,000 aggregate principal amount of Debt Securities (authorized in D.87-03-069 dated March 25, 1987, D.87-05-048 dated May 29, 1987, D.87-12-042 dated December 17, 1987, and D.89-01-014 dated January 11, 1989, in A.86-12-066);
4. The retirement at maturity of \$45,662,000 aggregate principal amount of outstanding First and Refunding Mortgage Bonds in 1989 and 1990;
5. The redemption of (a) \$74,755,000 aggregate principal amount to meet sinking fund requirements and (b) \$426,772,000 aggregate principal amount for early redemptions in 1989 and 1990;
6. The proposed issuance of not exceeding \$1,000,000,000 aggregate principal amount of Debt Securities (authorized in D.88-04-063 dated April 27, 1988, and D.89-12-043 dated December 18, 1989, in A.88-02-007);

7. The proposed remaining issuance (a total \$1,826,261,819 aggregate principal amount) of the maximum amount of short-term debt securities authorized by PU Code Section 823(c) and by D.87-09-056 dated September 23, 1987, in A.87-08-008;

Preferred Stock

8. The proposed issuance of Preferred Stock with an aggregate par value not exceeding \$75,000,000 (authorized by D.84-07-116 dated July 18, 1984, in A.84-04-116);
9. The sinking fund requirements totalling \$40,245,000 aggregate par value and early redemptions totalling \$113,000,000 during the remainder of 1989 and 1990;
10. The proposed issuance of Preferred Stock with an aggregate par value not exceeding \$200,000,000 (authorized in D.87-12-002 dated December 9, 1987, and D.89-01-013 dated January 11, 1989, in A.87-10-010).

Common Stock

11. The issuance of 9,447,900 shares of Common Stock remaining in connection with the existing Shelf Registration Program (estimated proceeds of \$190,138,988 using a stock price of \$20.125) (authorized by D.85-08-098 dated August 21, 1985, and D.88-04-047 dated April 27, 1988, in A.85-06-043);
12. The issuance of 8,644,768 shares of Common Stock remaining in connection with the Savings Fund Plan (estimated proceeds of \$173,975,956 using a stock price of \$20.125) (authorized by D.88-03-050 dated March 23, 1988, in A.88-02-033);
13. The issuance of 16,900,012 shares of Common Stock remaining in connection with the Dividend Reinvestment and Common Stock Purchase Plan (estimated proceeds of \$340,112,742 using a stock price of \$20.125) (authorized by D.89-02-072 dated February 24, 1989, in A.88-11-042);
14. The issuance of 1,500,000 shares of Common Stock in connection with the 1986 Stock Option Plan (estimated proceeds of \$30,187,500 using a stock price of \$20.125) (authorized by D.86-10-043 dated October 16, 1986, in A.86-08-001); and

15. The proposed issuance of not exceeding 20,000,000 shares of Common Stock in connection with the Savings Fund Plan (estimated proceeds of \$402,500,000 using a stock price of \$20.125) requested in the application.

The pro forma capitalization ratios, as reported above, include the maximum amount of securities issued and do not include any future additions to retained earnings. In addition, due to the uncertain timing of the issuances of the debt, preferred stock and common stock previously authorized, and the future economic feasibility of redeeming or refunding of PG&E's debt and preferred stock securities, PG&E has stated that the pro forma capitalization ratios may not be achieved.

PG&E is placed on notice, by this decision, that the Commission does not find that PG&E's capitalization ratios or the inclusion of short-term debt in its capital structure are necessary or reasonable for ratemaking purposes. These are issues which are normally tested in general rate or rate base offset proceedings.

Construction Budgets

PG&E's construction budgets for calendar years 1989 and 1990 amount to about \$3,134,000,000 estimated as of December 18, 1989. Major classifications of the total budgeted construction are summarized as follows:

	<u>1989</u>	<u>1990</u>
Electric	\$1,090,000,000	\$1,244,000,000
Gas	<u>377,000,000</u>	<u>423,000,000</u>
Total (1)	\$1,467,000,000	\$1,667,000,000

(1) Includes Allowance for Funds Used During Construction (AFUDC)



The CACD has reviewed PG&E's construction budgets for the calendar years 1989 and 1990 and concludes that the issuance of Common Stock is necessary to partially reimburse PG&E's treasury for capital additions and improvements to its utility plant or to fund the planned construction. However, PG&E is placed on notice, by this decision, that the Commission does not find that PG&E's construction program is necessary, or reasonable, for ratemaking purposes. These are issues normally tested in general rate or rate base offset proceedings.

Cash Requirements Forecasts

PG&E's cash requirement for 1990, estimated as of December 18, 1989, is as follows:

	<u>1990</u>
Funds Used or Required for Construction Expenditures (Excluding AFUDC)	\$1,473,000,000
Maturities and Redemptions of Long-Term Debt, Including Sinking Fund Requirements and Preferred Stock	700,993,000
Short-Term Debt Outstanding as of Beginning of Year	<u>252,000,000</u>
Subtotal	\$2,425,993,000
Less: Estimated Cash Available from Internal Sources (Excluding AFUDC)	<u>(1,366,993,000)</u>
Additional New Funds Required from Outside Sources	\$1,059,000,000

The CACD has analyzed PG&E's cash requirements forecasts, shown above, as indicated by the utility in its Supplemental Data Sheets dated December 18, 1989, and concludes that internally generated funds will provide about 56% or \$1,366,993,000 for 1990. The CACD concludes that PG&E's proposed

sale of securities, as requested in the application, is necessary to help meet forecasted cash requirements. PG&E will need additional cash from outside sources of \$1,059,000,000 in 1990.

Findings of Fact

1. PG&E, a California corporation, operates as a public utility subject to the jurisdiction of this Commission.
2. PG&E has need for external funds for the purposes set forth in the application.
3. The proposed issue of common stock would be for proper purposes.
4. The money, property or labor to be procured or paid for by the issue of the common stock is reasonably required for the purposes specified in the application.
5. In respect to the proposed issuance and sale of common stock, PG&E should be relieved of the necessity of complying with the requirements of the Commission's General Order Series 24 in lieu of a quarterly filing.
6. There is no known opposition and there is no reason to delay granting the relief requested.

Conclusions of Law

1. A public hearing is not necessary.
2. The application should be granted to the extent set forth in the order which follows.

The proposed security issue is for lawful purposes and the money, property or labor to be obtained by it is required for these purposes. Proceeds from the security issue may not be charged to operating expenses or income.

The number of shares outstanding, the total par value of the shares, and the dividends paid do not determine allowable return on plant investment. This authorization is not a finding of the value of PG&E's stock or property, nor does it indicate the amounts to be included in ratemaking proceedings.

The following order should be effective on the date of signature and payment of the fee set by PU Code Section 1904.1 to enable PG&E to issue its common stock expeditiously.

O R D E R

IT IS ORDERED that:

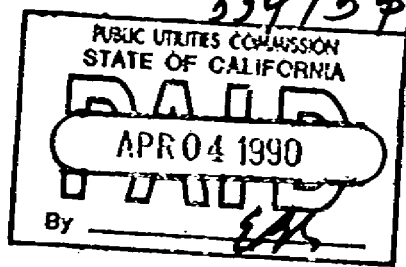
1. Pacific Gas and Electric Company (PG&E), on or after the effective date of this order, may issue and sell up to 20,000,000 shares of its Common Stock, \$5 par value, in connection with the Savings Fund Plan (Plan), such stock to be offered to the Trustee of the Plan upon terms and conditions substantially consistent with those set forth in, or contemplated by, Exhibit C attached to Application (A.) 86-12-065.

2. PG&E is relieved of the necessity of filing reports under General Order Series 24. In place of this requirement, PG&E shall file with the Commission Advisory and Compliance Division (CACD), on or before the 25th of the month following each quarter, a statement for the preceding quarter showing the number of shares of common stock sold in connection with the Plan, the gross proceeds received and the expenses incurred by it in connection with the issuance and sale of the common stock.

3. PG&E shall use the net proceeds from the sale of its common stock for the purposes specified in the application.

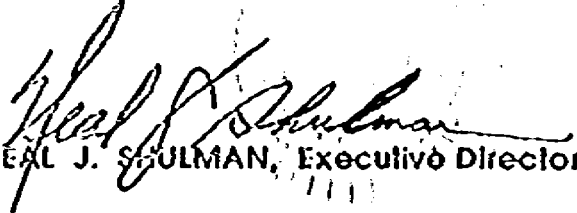
4. The application is granted as set forth above. The authority granted by this order to issue common stock in connection with the Plan will become effective when PG&E pays \$207,250, the fee set by PU Code Section 1904.1. In all other respects, this order is effective today.

Dated MAR 28 1990, at San Francisco, California.



G. MITCHELL WILK  
President  
FREDERICK R. DUDA  
STANLEY W. HULETT  
JOHN B. OHANIAN  
PATRICIA M. ECKERT  
Commissioners

I CERTIFY THAT THIS DECISION  
WAS APPROVED BY THE ABOVE  
COMMISSIONERS TODAY

  
NEAL J. SULMAN, Executive Director  
PB