RR/KLH/ARM/WPSC

ORIGINAL

Decision 82 05 079 MAY 18 1982

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND ELECTRIC COMPANY to issue, sell and deliver one or more series of its First and Refunding Mortgage Bonds, debentures, promissory notes and/or other evidences of indebtedness in the aggregate principal amount not exceeding $200,000,000 in connection with a Eurobond offering; to guarantee the obligations of another in respect of the issuance of securities; and for an exemption from the Competitive Bidding Rule.	Application 82-03-34 (Filed March 10, 1982)

O P I N I O N

Pacific Gas and Electric Company (PG&E) requests authority, under Public Utilities (PU) Code Sections 816 through 818 and 830, for the following:

1. To issue, sell, and deliver, on a negotiated basis, up to $200,000,000 aggregate principal amount of PG&E's First and Refunding Mortgage Bonds (New Bonds), debentures, promissory notes, and/or other evidences of indebtedness (collectively referred to as Debt Securities), in one or more series, to Pacific Gas and Electric Finance Company N.V., a wholly owned Subsidiary;

2. To guarantee unconditionally up to $200,000,000 aggregate principal amount, interest, premium (if any), and other charges on Eurobonds issued by the Subsidiary; and

3. To have each proposed issue of Debt Securities exempted from the Commission's competitive bidding requirements.

Summary of Decision

This decision grants PG&E the authority requested in its application.

Notice of the filing of the application appeared on the Commission's Daily Calendar of March 12, 1982. No protests have been received.

PG&E, a California corporation, operates as a public utility under the jurisdiction of this Commission. PG&E is principally engaged in the business of generating, purchasing, transmitting, and selling electricity and of purchasing, transporting, distributing, and selling natural gas to 47 counties in central and northern California. The company also provides a small amount of incidental water and steam services.

For the year ended December 31, 1981, PG&E reported it generated total operating revenues of $5,956,518,000 and net income of $564,606,000 as shown in its Income Statement attached to the application as part of Exhibit A.

Also shown as part of Exhibit A is PG&E's Balance Sheet as of December 31, 1981 summarized as follows:

Assets	Amount
Net Utility Plant	$ 9,513,759,000
Other Property and Investments	488,831,000
Current and Accrued Assets	1,763,169,000
Deferred Debits	34,327,000
Total	$11,800,086,000
Liabilities and Equity	
Common Equity	$ 3,924,671,000
Preferred Stock	1,502,451,000
Long-Term Debt	4,392,676,000
Current and Accrued Liabilities	1,704,387,000
Deferred Credits	275,901,000
Total	$11,800,086,000

PG&E requests authorization to issue, sell, and deliver one or more series of its Debt Securities in an aggregate principal amount of up to $200,000,000 in connection with a Eurobond offering. Additional background information relating to the Eurobond market and Eurobond issues was set forth as Exhibits C and D in PG&E's Application (A.) 60613, and that information was incorporated by reference in the application.

The maturity date, interest rate, and other terms and conditions of Eurobonds issued by PG&E's Subsidiary will be negotiated at the time of offering because PG&E is informed that there is no competitive bidding market for Eurobonds. The terms and conditions of each series of Debt Securities issued to the Subsidiary by PG&E will be determined by PG&E and the Subsidiary on the basis of the terms and conditions of the Eurobonds.

In the application, PG&E states that the Subsidiary's Eurobonds will mature between five and 15 years from their date of issuance. However, PG&E has informed the Commission by letter dated April 19, 1982 that the maturities of Eurobonds may differ from the typical five to 15 years referred to in the application. PG&E indicates in its letter that the maturities may be as short as three years, with an option on the part of the issuer or holders thereof, or both, to extend the maturity up to 15 years from the date of issue based on various formulas appropriate to intruments of that kind or on rates to be negotiated between the issuer and the holders at the issuance date.

Because of the volatility of the Eurobond market, PG&E states that it is impractical at this time to provide the Commission with a meaningful estimate of interest rates or other terms of its contemplated issue of Eurobonds and Debt Securities. However, PG&E states that the Eurobonds would be issued and sold only when the issuances would result in an overall cost of money to PG&E at least as advantageous as issuances of comparable domestic bonds in the U.S. market.

PG&E contemplates that the Eurobonds and Debt Securities will bear call provisions more favorable to PG&E than those typically found in domestic bond issues. It is contemplated that the call restrictions will be for a period shorter than five years, and the initial call price will command a premium over par of less than one full year's interest payments.

PG&E states it will advise the Commission by letter promptly after the date of sale of the Eurobonds of the terms and conditions of the financing.

The financing structure which PG&E contemplates may require that it guarantee the obligations of the Subsidiary evidenced by the Subsidiary's Eurobonds. Therefore, PG&E requests authorization to guarantee unconditionally the Subsidiary's payment of up to $200,000,000 aggregate amount of principal, interest, premium (if any), and other charges on the Eurobonds. This guarantee is common in Eurobond offerings, and it would be in PG&E's best interests to have the flexibility to effect Eurobond offerings in a form that is familiar to foreign investors. The definitive terms and conditions of a guarantee and/or a security arrangement will be determined at the time of, and be consistent with, each offering of Eurobonds.

Each series of New Bonds, if required to be issued under a security arrangement, would be issued in conformity with the provisions of, and secured by, PG&E's First and Refunding Mortgage dated December 1, 1920, as amended. Other terms and conditions will be consistent with the obligations of the Subsidiary.

Request for Exemption from Competitive Bidding

PG&E states that the nature, mechanics, and timing of Eurobond offerings require an exemption for PG&E's issuances of Debt Securities from the Commission's competitive bidding requirements established by Decision (D.) 38614 dated January 15, 1946, as amended by D.49941, D.75556, and D.81908 in Case 4761.

Because the interest rate and other terms and conditions of Eurobonds offered by the Subsidiary must be determined on a negotiated basis, PG&E's Debt Securities must be placed privately, on a negotiated basis, with the Subsidiary. Consequently, unless the Commission authorizes an exemption from the rule, PG&E will be precluded from participating in Eurobond financings.

The Commission's Revenue Requirements Division has reviewed PG&E's request and has concluded that an exemption from this Commission's competitive bidding rule should be granted.

PG&E is put on notice that in its next general rate proceeding before the Commission, the reasonables of the resulting interest rate and cost of money to the company will be closely scrutinized and may result in a disallowance of interest expense if it is determined that the cost of money incurred was not prudent.

We will also require PG&E to provide us with a showing of why it believes that the resulting interest rate and cost of money were advantageous to the company and its ratepayers. We will require this showing within a reasonable period after the issuance and sale of the proposed securities.

Use of Proceeds

Proceeds from the sale of the Debt Securities (exclusive of accrued interest) would be used to partially reimburse the treasury for capital expenditures and, thereafter, to repay a portion of outstanding short-term notes issued for temporary financing of capital additions and improvements to PG&E's utility plant. Accrued interest (if any) would be used for general corporate purposes.

PG&E's capital ratios reported as of December 31, 1981 are shown below as recorded and adjusted to give pro forma effect to the transactions that follow:

	December 31, 1981	Pro Forma
Long-Term Debt	44.7%	46.6%
Preferred Stock	15.3	15.3
Common Equity	40.0	38.1
Total	100.0%	100.0%

1. The proposed sale of up to $200,000,000 aggregate principal amount of PG&E's Debt Securities in connection with a Eurobond offering;

2. The issuance and sale of $30,000,000 aggregate principal amount of PG&E's First and Refunding Mortgage Bonds, Series 81B, in January, 1982 (D.93384 dated August 4, 1981 in A.60591);

3. The issuance and sale of $80,000,000 aggregate principal amount of PG&E's First and Refunding Mortgage Bonds in connection with a Eurobond offering in January, 1982 (D.93265 dated July 7, 1981 in A.60613);

4. The issuance and sale of 3,000,000 shares of First Preferred Stock, $25 par value, in January, 1982 that produced $79,310,000 in net proceeds (D.93269 dated July 7, 1981 and D.82-01-14 dated January 5, 1982 in A.60632);

5. The proposed sale of $250,000,000 aggregate principal amount of PG&E's First and Refunding Mortgage Bonds in connection with a Eurobond offering (D.93738 dated November 13, 1981 in A.60927);

6. The proposed sale of an additional $45,000,000 aggregate principal amount of PG&E's Debt Securities in connection with a Eurobond offering (D.93265 dated July 7, 1981 in A.60613);

7. The proposed sale of 10,000,000 shares of Common Stock, $10 par value, at an assumed price of $23 per share, estimated to produce net proceeds of $230,000,000 (D.93730 dated November 13, 1981 in A.60925);

8. The proposed sale of up to $45,000,000 aggregate principal amount of PG&E's Debt Securities in connection with a pollution control financing (D.82-05-004 dated May 4, 1982 in A.82-03-35);

9. The proposed issuance and sale of up to $250,000,000 aggregate principal amount of Debt Securities (D.82-05-003 dated May 4, 1982 in A.82-03-33);

10. The proposed issuance and sale of either 1,000,000 shares of $100 First Preferred Stock, $100 par value, or 4,000,000 shares of First Preferred Stock, $25 par value (A.82-03-36 filed March 10, 1982);

11. The retirement of $52,770,000 aggregate principal amount of 3-1/8% First and Refunding Mortgage Bonds, Series R, due June 1, 1982 (D.42071 dated October 5, 1948 in A.29674);

12. The retirement of $139,771,000 aggregate principal amount of 9.85% First and Refunding Mortgage Bonds, Series 74B, due June 1, 1982 (D.83504 dated September 24, 1974 in A.55116);

13. The payment of $1,140,000 principal amount of the current portion of a long-term promissory note issued for the purpose of purchasing the Swett Ranch for wind generation (D.93051 dated May 19, 1981 in A.60448);

14. The transfer of $43,547,000 into the sinking fund for payments due in 1982; and

15. The reacquisition of First and Refunding Mortgage Bonds in the amount of $34,017,000.

The Commission's Revenue Requirements Division has analyzed PG&E's cash requirement forecast for 1982 and 1983 provided the Commission in Supplemental Data and has concluded that internally generated funds will provide only 32% of the capital expenditures for 1982 and about 46% of those estimated for 1983. The Division concludes that the proposed issuance of Debt Securities will be necessary to help meet forecasted cash requirements.

Findings of Fact

1. PG&E, a California corporation, operates as a public utility under the jurisdiction of this Commission.

2. PG&E has need for external funds for the purposes set forth in the application.

3. The proposed Debt Securities would be for proper purposes.

4. The money, property, or labor to be procured or paid for by the proposed Debt Securities is reasonably required for the purposes specified in the application.

5. The issue(s) of proposed Debt Securities are not required to be by competitive bidding.

6. There is no known opposition to the proceeding and no reason to delay granting the authority requested.

CORRECTION

CORRECTION

THIS DOCUMENT

HAS BEEN REPHOTOGRAPHED

TO ASSURE LEGIBILITY

8. The proposed sale of up to $45,000,000 aggregate principal amount of PG&E's Debt Securities in connection with a pollution control financing (D.82-05-004 dated May 4, 1982 in A.82-03-35);

9. The proposed issuance and sale of up to $250,000,000 aggregate principal amount of Debt Securities (D.82-05-003 dated May 4, 1982 in A.82-03-33);

10. The proposed issuance and sale of either 1,000,000 shares of $100 First Preferred Stock, $100 par value, or 4,000,000 shares of First Preferred Stock, $25 par value (A.82-03-36 filed March 10, 1982);

11. The retirement of $52,770,000 aggregate principal amount of 3-1/8% First and Refunding Mortgage Bonds, Series R, due June 1, 1982 (D.42071 dated October 5, 1948 in A.29674);

12. The retirement of $139,771,000 aggregate principal amount of 9.85% First and Refunding Mortgage Bonds, Series 74B, due June 1, 1982 (D.83504 dated September 24, 1974 in A.55116);

13. The payment of $1,140,000 principal amount of the current portion of a long-term promissory note issued for the purpose of purchasing the Swett Ranch for wind generation (D.93051 dated May 19, 1981 in A.60448);

14. The transfer of $43,547,000 into the sinking fund for payments due in 1982; and

15. The reacquisition of First and Refunding Mortgage Bonds in the amount of $34,017,000.

As of December 31, 1981, PG&E's construction expenditures unreimbursed from the sale of securities amounted to $788,995,000 as shown in Exhibit B attached to the application. PG&E's unexpended balance of its General Manager's Authorizations for capital additions and improvements under construction as of December 31, 1981 totaled $3,462,228,614. The distribution of the above construction budget is summarized as follows:

Purpose	Amount
Electric Plant	$3,320,304,414
Gas Plant	99,662,342
Water Plant	19,264
Steam Sales	260,031
Utility Plant Held for Future Use	22,153,479
Common Utility Plant	19,829,084
Total	$3,462,228,614

PG&E estimates that the cost of capital additions and improvements to its plant, properties, and facilities for the year 1982 will be approximately $1,280,000,000.

The Commission's Revenue Requirements Division has reviewed PG&E's construction program and has concluded the utility's estimated construction expenditures are necessary. The Division has no objection to the proposed security issue or issues specified in the application but reserves the right to reconsider the reasonableness of any specific construction expenditures in future rate proceedings.

The Commission's Revenue Requirements Division has analyzed PG&E's cash requirement forecast for 1982 and 1983 provided the Commission in Supplemental Data and has concluded that internally generated funds will provide only 32% of the capital expenditures for 1982 and about 46% of those estimated for 1983. The Division concludes that the proposed issuance of Debt Securities will be necessary to help meet forecasted cash requirements.

Findings of Fact

1. PG&E, a California corporation, operates as a public utility under the jurisdiction of this Commission.

2. PG&E has need for external funds for the purposes set forth in the application.

3. The proposed Debt Securities would be for proper purposes.

4. The money, property, or labor to be procured or paid for by the proposed Debt Securities is reasonably required for the purposes specified in the application.

5. The issue(s) of proposed Debt Securities are not required to be by competitive bidding.

6. There is no known opposition to the proceeding and no reason to delay granting the authority 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 Debt Securities are for lawful purposes and the money, property, or labor to be obtained by them is required for these purposes. Proceeds from the Debt Securities may not be charged to operating expenses or income.

The following order should be effective on the date of signature and payment of the fee set by PU Code Section 1904(b) to enable PG&E to issue its securities 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, sell, and deliver on a negotiated basis to Pacific Gas and Electric Finance Company, N.V., a wholly owned Subsidiary of PG&E, one or more series of its First and Refunding Mortgage Bonds, debentures, promissory notes, and/or other evidences of indebtedness, or any combination of them, in an aggregate principal amount up to $200,000,000, with all the issues and sales of the Debt Securities being upon terms and conditions substantially consistent with those set forth in, or contemplated by, the application.

2. PG&E may guarantee unconditionally up to $200,000,000 of principal, interest, premium (if any), and other charges on Eurobonds issued by Pacific Gas and Electric Finance Company N.V.

3. PG&E's proposed issue(s) of its Debt Securities are exempted from the Commission's competitive bidding rule set forth in D.38614, as amended.

4. PG&E shall use the net proceeds from the sale of its Debt Securities for the purposes referred to in the application.

5. PG&E shall file the reports required by General Order Series 24.

6. Within 30 days after the issuance and sale of the Debt Securities, PG&E shall file with the Commission a report setting forth the reason the company believes the resulting interest rate and cost of money were advantageous to the company and its ratepayers.

7. The authority granted by this order will be effective when PG&E pays $106,000, the fee set by PU Code Section 1904(b).

Dated MAY 18 1982, at San Francisco, California.

JOHN E. BRYSON
President
RICHARD D. GRAVELLE
LEONARD M. GRIMES, JR.
VICTOR CALVO
PRISCILLA C. GREW
Commissioners

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
04764
MAY 20 1982
$106,000.00
BY

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

Joseph E. Bodovitz, Executive Director

8. The proposed sale of up to $45,000,000 aggregate principal amount of PG&E's Debt Securities in connection with a pollution control financing (D.82-05-004 dated May 4, 1982 in A.82-03-35);

9. The proposed issuance and sale of up to $250,000,000 aggregate principal amount of Debt Securities (D.82-05-003 dated May 4, 1982 in A.82-03-33);

10. The proposed issuance and sale of either 1,000,000 shares of $100 First Preferred Stock, $100 par value, or 4,000,000 shares of First Preferred Stock, $25 par value (A.82-03-36 filed March 10, 1982);

11. The retirement of $52,770,000 aggregate principal amount of 3-1/8% First and Refunding Mortgage Bonds, Series R, due June 1, 1982 (D.42071 dated October 5, 1948 in A.29674);

12. The retirement of $139,771,000 aggregate principal amount of 9.85% First and Refunding Mortgage Bonds, Series 74B, due June 1, 1982 (D.83504 dated September 24, 1974 in A.55116);

13. The payment of $1,140,000 principal amount of the current portion of a long-term promissory note issued for the purpose of purchasing the Swett Ranch for wind generation (D.93051 dated May 19, 1981 in A.60448);

14. The transfer of $43,547,000 into the sinking fund for payments due in 1982; and

15. The reacquisition of First and Refunding Mortgage Bonds in the amount of $34,017,000.

As of December 31, 1981, PG&E's construction expenditures unreimbursed from the sale of securities amounted to $788,995,000 as shown in Exhibit B attached to the application. PG&E's unexpended balance of its General Manager's Authorizations for capital additions and improvements under construction as of December 31, 1981 totaled $3,462,228,614. The distribution of the above construction budget is summarized as follows:

Purpose	Amount
Electric Plant	$3,320,304,414
Gas Plant	99,662,342
Water Plant	19,264
Steam Sales	260,031
Utility Plant Held for Future Use	22,153,479
Common Utility Plant	19,829,084
Total	$3,462,228,614

PG&E estimates that the cost of capital additions and improvements to its plant, properties, and facilities for the year 1982 will be approximately $1,280,000,000.

The Commission's Revenue Requirements Division has reviewed PG&E's construction program and has concluded the utility's estimated construction expenditures are necessary. The Division has no objection to the proposed security issue or issues specified in the application but reserves the right to reconsider SS the ~~reasonabless~~ reasonableness of any specific construction expenditures in future rate proceedings.