

RR/TC/BW/WPSC

ORIGINAL

Decision 82 08 013 AUG 4 - 1982

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND)
ELECTRIC COMPANY to issue and sell)
not exceeding 10,000,000 shares of)
Common Stock, \$10 par value, in)
connection with the Savings Fund)
Plan.)
_____)

Application 82-06-54
(Filed June 22, 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, for the following:

1. To issue, sell and deliver up to 10,000,000 shares of its Common Stock, \$10 par value, in connection with the Savings Fund Plan (Plan); and
2. To modify the requirements of General Order Series 24 to permit the filing of the required reports on a quarterly basis.

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 June 24, 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, distributing, and selling 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 quarter ended March 31, 1982, PG&E reported total operating revenues of \$1,677,537,000 and net income of \$196,921,000 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 March 31, 1982 summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$ 9,699,784,000
Other Property and Investments	534,307,000
Current and Accrued Assets	1,668,023,000
Deferred Debits	<u>35,420,000</u>
Total	\$11,937,534,000
 <u>Liabilities and Equity</u>	
Common Equity	\$ 3,995,140,000
Preferred Stock	1,577,451,000
Long-Term Debt	4,494,253,000
Current and Accrued Liabilities	1,587,268,000
Deferred Credits	<u>283,422,000</u>
Total	\$11,937,534,000

PG&E proposes to issue, sell, and deliver up to 10,000,000 shares of its common stock for use in connection with the Plan, a copy of which is attached to the application as Exhibit C.

The Plan went into effect on April 1, 1959 and has since been amended from time to time. The most recent authority was granted by Decision (D.) 90873, dated October 10, 1979 in Application (A.) 59052, which authorized issuance of 10,000,000 shares. Of that amount 1,685,788 shares remain authorized but unissued at April 30, 1982. PG&E estimates that all of these shares will be issued later this year.

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The Plan consists of Part I and Part II. Part I, which is comprised of a Basic Fund and a Diversified Investment Fund, applies solely to management employees. Part II is comprised of the Basic^{ic} Fund, a Diversified Investment Fund, and a Tax Reduction Act Stock Ownership Fund (TRASOP Fund). Only nonmanagement employees may participate in the Basic and Diversified Investment Funds of Part II. All employees (management and nonmanagement) participate in the TRASOP Fund of Part II.

In Part I, for every dollar a participant contributes to the Basic Fund, the employer contributes seventy-five cents. In Part II, for every dollar a participant contributes to the Basic

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Fund, the employer contributes fifty cents. Participants may elect to have the contributions they make to the Basic Fund invested entirely in PG&E common stock or entirely in United States bonds, or one half in each. PG&E states that the amount of employer contributions may change in the future based upon labor negotiations.

Amendments to the federal tax laws in 1975 entitled PG&E to claim an additional 1% investment tax credit if PG&E contributed its common stock to a TRASOP Fund in an amount equal to such credit. Effective January 1, 1978, the TRASOP Fund was amended to provide for an additional 1/2% investment tax credit provided this amount was matched by contributions of participating employees. Effective with the tax year 1983, the Economic Recovery Tax Act of 1981 eliminates the additional tax credits which entitled PG&E to fund the TRASOP for the benefit of its employees. Participants do not contribute to the 1% portion of the TRASOP Fund. All such TRASOP contributions made by PG&E and other employers for a year are allocated among all eligible employees who received covered compensation at any time during that year without regard to whether or not they contributed to the Basic Fund or the Diversified Investment Fund.

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 would have been payable under (2).

If and when the purchases of PG&E common stock are made directly from PG&E for the Basic 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 for a two-week period or a monthly period as appropriate, depending on which basis 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 for the five trading days immediately preceding receipt of the dividends.

The price to the Trustee of all PG&E common stock allocated to the TRASOP Fund will be the average of the closing prices on the New York Stock Exchange for the 20 consecutive trading days immediately preceding the date PG&E makes the election to take the additional investment tax credit permitted by Internal Revenue Code Section 46(a)(1)(B).

Request for Exemption From General Order Series 24

PG&E is unable to state the total number of 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 Series 24. In lieu of a report or reports under the General Order, PG&E proposes to file, 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 issuance and sale of the common stock under the Plan. This proposal is consistent with the reports requested by the Commission for PG&E's Dividend Reinvestment and Common Stock Purchase Plan, and the Shelf Registration Program.

The Commission's Revenue Requirements Division has reviewed PG&E's request and has concluded that an exemption from strict compliance with General Order Series 24 should be granted.

PG&E's capital expenditures which have not been reimbursed from the sale of securities amounted to \$1,150,574,000 as shown in Exhibit B attached to the application.

PG&E is making extensive additions and improvements in its facilities. At March 30, 1982 the unexpended balance of the General Manager's authorizations for capital additions and improvements to PG&E's properties under construction amounted to \$3,365,835,706. The distribution of the construction budget is summarized as follows:

<u>Purpose</u>	<u>Amount</u>
Electric Plant	\$3,218,372,566
Gas Plant	108,071,521
Water and Steam Sales Plant	168,497
Utility Plant Held for Future Use	27,990,079
	<u>11,233,043</u>
Total	\$3,365,835,706

Expenditures for capital purposes in 1982 are expected to be approximately \$1,288,000,000.

PG&E's capital ratios reported as of March 31, 1982 are shown below as recorded and adjusted to give pro forma effect to the transactions that follow:

	<u>March 31, 1982</u>	<u>Pro Forma</u>
Long-Term Debt	44.6%	45.2%
Preferred Stock	15.7	14.9
Common Equity	<u>39.7</u>	<u>39.9</u>
Total	100.0%	100.0%

1. The proposed issuance of 10,000,000 shares of \$10 par value New Stock at an assumed price of \$23 per share to produce estimated net proceeds of \$230,000,000 (A.82-06-54 filed June 22, 1982).
2. The issuance and sale in June 1982 of \$200,000,000 principal amount of PG&E's first and refunding mortgage bonds. (D.93738 and D.82-05-008 dated November 13, 1981 and May 4, 1982 in A.60927).
3. The issuance and sale in April 1982 of \$45,000,000 principal amount of PG&E's debt securities in connection with a Eurobond offering (the remaining amount authorized in D.93265 dated July 7, 1981 in A.60613).
4. The issuance and sale of 10,000,000 shares of PG&E's common stock estimated to produce proceeds of \$230,000,000 (D.93730 dated November 13, 1981 in A.60925).
5. The issuance and sale of \$250,000,000 principal amount of PG&E's first and refunding mortgage bonds (D.82-05-003 dated May 4, 1982 in A.82-03-33).

6. The issuance and sale of \$45,000,000 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).
7. The issue and sale of \$200,000,000 principal amount of PG&E's debt securities in connection with a Eurobond offering (D.82-05-079 dated May 18, 1982 in A. 82-03-34).
8. The issuance and sale of either 1,000,000 shares of PG&E's first preferred stock \$100 par value, or 4,000,000 shares of first preferred stock \$25 par value (D.82-05-080, dated May 18, 1982 in A.82-03-36).
9. The issuance and sale of 1,500,000 shares of PG&E's common stock, estimated to produce proceeds of \$34,500,000 in connection with a Shelf Registration Program (D.82-16-017, dated June 2, 1982 in A.82-04-19); and
10. The retirement of \$52,770,000 principal amount of PG&E's first and refunding mortgage bonds, Series R, due June 1, 1982, and \$139,771,000 principal amount of first and refunding mortgage bonds, Series 74B, due June 1, 1982.

The Commission's Revenue Requirements Division has reviewed PG&E's construction programs and concludes the estimated construction expenditures are reasonable. The Division has no objection to the proposed security issue specified in the application. The Division reserves the right, however, to reconsider the reasonableness of any specific construction expenditure in future rate proceedings.

The Revenue Requirements Division has analyzed PG&E's cash requirements forecast for 1982 and 1983 provided the Commission in supplemental data and concludes that internally generated funds will provide 32% of the capital expenditures required for 1982 and 46% of those estimated for 1983. The Division concludes that the sale of the proposed stock issue will be necessary to meet current cash requirements, and is a reasonable means to accomplish the purposes of the Plan.

Findings of Fact

1. PG&E, a California corporation, operates as a public utility under the jurisdiction of the Commission.
2. The proceeds of the proposed stock issuance would be used for proper purposes.
3. PG&E has need for external funds for the purposes set forth in the application.
4. The provisions of the Plan, and the related beneficial interests conferred under the Plan, as amended, are reasonable and not adverse to the public interest.
5. The common stock issue is for lawful purposes and the money, property or labor to be procured or paid for by the stock

issue authorized is reasonably required for these purposes. Proceeds from the sale of the security issue may not be charged to operating expenses or to income.

6. In respect to the 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.

7. There is no known opposition to the application 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.

In issuing our order, we place PG&E and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the share nor the dividends paid as measuring the return it should be allowed to earn on its investment in plant, and that the authority granted is not to be construed as a finding of the value of the company's stock, or properties nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

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 proceed with its sale of 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, sell, and deliver not to exceed 10,000,000 shares of its \$10 par value common stock, in in connection with the Savings Fund Plan (Plan), ^{at} prices to be fixed in a manner prescribed in Exhibit C attached to the application. S

2. PG&E shall use the net proceeds from the sale of its common stock for the purposes referred to in the application.

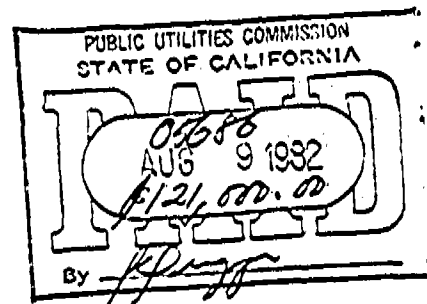
3. PG&E is relieved of the necessity of filing reports under General Order Series 24. In place of this requirement, PG&E shall file with the Commission, on or before the 25th of the month following each quarter, a statement for the preceding quarter showing the number of shares of common stock sold in 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.

4. The authority granted by this order to issue securities will be effective when PG&E pays \$121,000, the fee set by PU Code Section 1904.1.

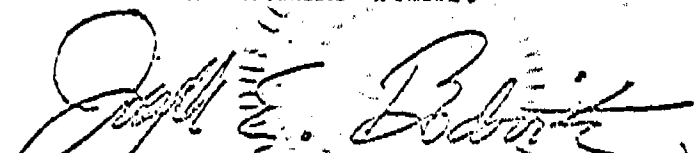
Dated AUG 4 1982, at San Francisco, California.

JOHN E. BRYSON
President
LEONARD M. GRIMES, JR.
VICTOR CALVO
PRISCILLA C. GREW
COMMISSIONERS

Commissioner Richard D. Gravelle, being necessarily absent, did not participate in the disposition of this proceeding.



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


Joseph E. Bodovitz, Executive Director