

Decision No. 86977**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND ELECTRIC )  
 COMPANY to issue and sell not exceeding ) Application No. 57049  
 5,000,000 shares of Redeemable First ) (Filed February 2, 1977)  
 Preferred Stock, \$25 par value. )

O P I N I O N

Pacific Gas and Electric Company seeks authority to issue and sell not exceeding 5,000,000 shares of its \$25 par value preferred stock with the aggregate par value not exceeding \$125,000,000.

The utility intends to use the net proceeds to be derived through the issue and sale of the preferred stock to reimburse its treasury for capital expenditures.

The company's capitalization ratios as of December 31, 1976, and as adjusted to give effect to the maximum proposed preferred stock issue, are summarized from the application as follows:

	<u>December 31, 1976</u>	<u>Pro Forma</u>
Long-term debt	48.1%	47.1%
Preferred stock	13.5	15.3
Common stock equity	<u>38.4</u>	<u>37.6</u>
Total	<u>100.0%</u>	<u>100.0%</u>

The new stock issue would consist of not exceeding 5,000,000 shares of Redeemable First Preferred Stock, \$25 par value. The offering would be underwritten by a nationwide group of underwriters represented by Dean Witter & Co. Incorporated and Blyth Eastman Dillon & Co. Incorporated.

On or about March 1, 1977, applicant expects to finalize negotiations with the underwriters pertaining to the price to be paid to it for said shares, together with related underwriting commission, dividend rate and redemption provisions.

After consideration the Commission finds that:

1. The proposed stock would be for a proper purpose.
2. Applicant has need for external funds for the purpose set forth in this proceeding.
3. The money, property or labor to be procured or paid for by the issue and sale of the preferred stock herein authorized is reasonably required for the purpose specified herein, which purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.
4. There is no known opposition and there is no reason to delay granting the relief requested.

On the basis of the foregoing findings we conclude that the application should be granted. A public hearing is not necessary.

In issuing our order herein, we place applicant and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares nor the dividends paid as measuring the return it should be allowed to earn on its investment in plant, and that the authorization herein 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.

Applicant is hereby placed on further notice that, if the Commission should believe the negotiated dividend rate, price or underwriters' compensation pertaining to the proposed stock issue would result in excessive effective costs, it would take into consideration in rate proceedings only that which it deems reasonable.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company may issue and sell not exceeding 5,000,000 shares of its Redeemable First Preferred Stock, \$25 par value, and of the aggregate par value of not exceeding \$125,000,000, the terms to be fixed in the manner described in the application.

2. Pacific Gas and Electric Company shall use the net proceeds from the sale of said stock to reimburse its treasury for capital expenditures.

3. Promptly after Pacific Gas and Electric Company ascertains the dividend rate, underwriting commission, and price to be paid to it for the preferred stock herein authorized, the company shall notify the Commission of each in writing.

4. As soon as available, Pacific Gas and Electric Company shall file with the Commission three copies of its final prospectus pertaining to said stock.

5. Within one month after issuing and selling the stock herein authorized, Pacific Gas and Electric Company shall file with the Commission a statement, in lieu of a report under General Order 24-B, disclosing the purpose to which the stock proceeds were applied.

6. This order shall become effective when Pacific Gas and Electric Company has paid the fee prescribed by Section 1904.1 of the Public Utilities Code, which fee is \$74,750.

Dated at San Francisco, California, this 15<sup>th</sup> day of February, 1977.

Robert B. ...  
 President

William ... Jr.

...

Richard P. ...  
 Commissioners

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.

