

ORIGINAL

Decision No. 87545 July 6, 1977

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND)	
ELECTRIC COMPANY to issue and sell)	Application No. 57344
up to a maximum of 5,000,000 shares)	(Filed May 26, 1977)
of Common Stock, \$10 par value, for)	
use in connection with the Savings)	
Fund Plan.)	

O P I N I O N

Pacific Gas and Electric Company (PG&E) requests authorization to issue and sell up to 5,000,000 shares of \$10 par value common stock in accordance with PG&E's Savings Fund Plan (Plan), and to use the net proceeds derived from selling the stock to reimburse its treasury for capital expenditures.

The Plan in effect on and after January 1, 1976 covers eligible employees and is a further revision of the one originally placed in effect by PG&E as of April 1, 1959. It has since been amended from time to time. The Plan, a copy of which is attached to the application as Exhibit C, is comprised of three funds to which contributions are made and from which benefits are paid. These funds are: (1) the Basic Fund, (2) the Diversified Investment Fund, and (3) the Tax Reduction Act Stock Ownership Plan Fund (TRASOP Fund). For every dollar a participant contributes to the Basic Fund, the employer contributes fifty cents. A participant who contributes to the Basic Fund may also contribute to the Diversified Investment Fund, but no employer contributions are made to the Diversified Investment Fund. Effective January 1, 1976, a TRASOP Fund was added to hold TRASOP contributions. Participants do not contribute to the TRASOP Fund. All 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 Plan.

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. DIF contributions are invested in the Diversified Investment Fund.

As more fully set forth in Exhibit D, attached to the application, the Trust Agreement portion of the Plan provides that whenever the Trustee is directed to invest cash in PG&E common stock, the Trustee shall be 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 such purchases of PG&E common stock are made directly from PG&E for the Basic Fund, 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 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 (subject to verification) for the five trading days immediately preceding receipt of said 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 twenty 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).

As of March 31, 1977 PG&E reports unreimbursed capital expenditures totalling \$1,257,869,000 and outstanding short-term notes payable aggregating \$154,825,000. The utility plans to apply proceeds received from the stock sold under the Plan toward reimbursing its treasury for capital expenditures.

Assuming a price of \$25 per share for the common stock issue proposed herein and considering the effect of securities previously authorized by the Commission and sold in the second quarter of 1977, PG&E's pro forma capitalization ratios as of March 31, 1977 are summarized as follows:

<u>Pro Forma</u> <u>March 31, 1977</u>	
Long-term debt	47.7%
Preferred stock	14.1
Common stock equity	<u>38.2</u>
Total	<u>100.0%</u>

After considering this matter the Commission finds that:

1. The proposed stock would be for a proper purpose.
2. Pacific Gas and Electric Company has need for external funds for the purpose set forth in this proceeding.
3. The Savings Fund Plan would not be adverse to the public interest.
4. The money, property or labor to be procured or paid for by the 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.
5. There is no known opposition and no reason to delay granting the authorization requested herein.

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.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company, on or after the effective date hereof, may issue and sell up to a maximum of 5,000,000 shares of its common stock (par value \$10 per share), such stock to be offered to the Trustee of the Savings Fund Plan at prices to be fixed in the manner described in Exhibit C attached to the application.
2. Pacific Gas and Electric Company shall use the net proceeds to be derived through the issuance and sale of said common stock to reimburse its treasury for capital expenditures.
3. On or before the twenty-fifth day of the month following each quarter, Pacific Gas and Electric Company shall file with the Commission a statement for the preceding quarter showing the number of shares of common stock purchased under the Savings Fund Plan, the gross proceeds received, and the expenses incurred by it in connection with the issue and sale of the common stock. These filings shall be in lieu of reports required under General Order No. 24-B.

4. 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 \$68,500.

Dated at San Francisco, California, this 6th day of JULY, 1977.

Robert Bateman

President

William S. Lyons, Jr.

Vernon L. Stanger

Richard D. Cavale

Commissioners

J. D. Decker
Chairman

