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ORIGINAL

Decision No. 88084 NOV 8 1977

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS )  
AND ELECTRIC COMPANY to )  
issue and sell 7,500,000 )  
Shares of Common Stock, )  
\$10 par value. )

Application No. 57643  
(Filed October 20, 1977)

O P I N I O N

Pacific Gas and Electric Company (PGandE) requests authorization to issue and sell 7,500,000 shares of its \$10 par value common stock having an aggregate par value of not exceeding \$75,000,000.

PGandE intends to use the net proceeds from the issue and sale of the common stock to reimburse its treasury for capital expenditures, and thereafter to repay a portion of outstanding short-term notes issued for temporary financing of additions to its utility plant. PGandE's short-term notes amounted to \$83,980,000 at September 30, 1977.

PGandE's capital expenditures which have not been reimbursed from the sale of securities are shown in the following tabulation, which covers the period from January 1 to August 31, 1977:

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Thousands of Dollars

Unreimbursed capital expenditures at December 31, 1976 \$1,162,440

Additions:

Net capital expenditures during the period January 1,  
1977 to August 31, 1977 \$ 419,889

Bonds matured or purchased for sinking fund:

Purchased for sinking fund - at cost 24,011

Payments of bank loans and notes payable 1,619,046

Total Additions 2,062,946

Subtotal 3,225,386

Deductions:

Reimbursement received:

Bank loans and notes payable 1,458,038

Common stock, authorized by Decision No.  
85816, dated May 11, 1976, in Application  
No. 56435, for 1,000,000 shares and:

Common stock authorized by Decision No.  
85856, dated May 25, 1976, in Application  
No. 56460, for 2,000,000 shares (1,618,500  
shares sold) 38,280

Preferred stock, authorized by Decision No.  
86977, dated February 15, 1977, in Application  
No. 57049, for 4,000,000 shares 106,480

Bonds-Series 77A, authorized by Decision No.  
87165, dated April 5, 1977, in Application  
No. 57150. 198,814

Accumulated provision for depreciation - increase 123,756

Total Deductions 1,925,368

Unreimbursed capital expenditures at August 31, 1977 \$1,300,018

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PGandE indicates in its application that since August 31, 1977 it received net proceeds in the amount of approximately \$9,500,000 from the issuance and sale of common stock in connection with its Savings Fund Plan and its Dividend Reinvestment and Stock Purchase Plan. These plans were authorized by Decision No. 85856, dated May 25, 1976, in Application No. 56460, and Decision No. 85816 dated May 11, 1977, in Application No. 56435, respectively.

PGandE is making extensive plant additions and improvements. The unexpended balance of the company's General Manager's Authorizations (GM's) for capital additions and improvements to its properties in process of construction amounted \$1,380,207,783 on August 31, 1977. The detail of the GM's are as follows:

<u>Authorizations</u>	<u>Amount</u>
Electric Plant	\$1,241,951,272
Gas Plant	28,465,314
Water Plant	331,876
Utility Plant Held for Future Use	40,843,230
Common Utility Plant	<u>68,616,091</u>
Total	<u>\$1,380,207,783</u>

PGandE estimates that the cost of capital additions and improvements for the year 1977 will approximate the sum of \$660,000,000. About 50 percent of these estimated capital expenditures may be financed with funds in PGandE's treasury and funds expected to be available from internal sources.

PGandE's reported capitalization ratios as of September 30, 1977, and as adjusted to give effect to the proposed issue of common stock, assuming proceeds of \$180,000,000, are as follows:

	<u>September 30, 1977</u>	<u>Pro Forma</u>
Long-term debt	47.8%	46.5%
Preferred stock	14.2	13.9
Common stock equity	<u>38.0</u>	<u>39.6</u>
Total	<u>100.0%</u>	<u>100.0%</u>

PGandE plans to have the offering of its common stock underwritten by a nationwide group of underwriters who will agree to purchase the common stock pursuant to an underwriting agreement to be entered into between PGandE and the representatives of the several underwriters on or about November 29, 1977, with the intention that the underwriters will then offer the common stock to the public. PGandE has commenced negotiations with Blyth Eastman Dillon & Co. Incorporated and Dean Witter & Co. Incorporated, as representatives of a proposed group of underwriters. The preliminary form of the underwriting agreement is attached to the application as Exhibit C.

The final terms of the underwriting agreement and other terms of the proposed offering, including the price of the common stock, the aggregate number of shares to be offered, the underwriting spread, and the price to be paid to PGandE for the shares of stock will be determined by negotiation between PGandE and the underwriters shortly before the proposed public offering. In no event would the price of the stock to be paid to PGandE by the underwriters be less than 90 percent of the last reported sale price of the common stock on the New York Stock Exchange prior to the time the price is fixed. <sup>1/</sup>

The staff of the Finance Division has reviewed the application and has concluded that the proposed common stock issue is required by PGandE to reimburse its treasury for capital expenditures.

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<sup>1/</sup> On October 28, 1977, PGandE's common stock closed at 23-3/8. The book value of the stock on September 30, 1977 was approximately \$28.85 per share.

The Operations Division of the Commission staff has reviewed PGandE's construction budget and has no objection to the proposed security issue. However, the Division reserves the right to consider the reasonableness of construction expenditures in future rate proceedings.

After consideration the Commission finds that:

1. The proposed stock would be for proper purposes.
2. Pacific Gas and Electric Company has need for external funds for the purposes set forth in this proceeding.
3. The money, property or labor to be procured or paid for by the issue and sale of Pacific Gas and Electric Company common stock is reasonably required for the purposes stated herein, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

There is no known opposition and no reason to delay granting the authority 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 PGandE 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 value of the company's stock or properties nor as indicative of the 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 and on or before January 31, 1978, may issue and sell not exceeding 7,500,000 shares of its common stock \$10 par value, on terms and conditions to be negotiated with the underwriters in accordance with the application.

2. Pacific Gas and Electric Company shall use the net proceeds to be derived through the issue and sale of said common stock to reimburse its treasury for capital expenditures.

3. Promptly after Pacific Gas and Electric Company ascertains the underwriting compensation and the price to be paid for the common 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 the common stock herein authorized.

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 No. 24-B, disclosing the purposes to which the stock proceeds were applied.

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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 \$96,000.

Dated at San Francisco, California, this 8<sup>th</sup> day of NOVEMBER, 1977.

Robert B. Johnson  
President  
William J. Synon, Jr.  
James L. Stalger  
Richard D. Howell  
Commissioners

PUBLIC UTILITIES COMMISSION  
STATE OF CALIFORNIA  
85793  
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96,000.  
By W. J. Synon, Jr.

Commissioner Claire E. Dedrick, being necessarily absent, did not participate in the disposition of this proceeding.