

Decision No. 88712 APR 18 1978

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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND ELECTRIC COMPANY to issue and sell up to a maximum of 2,000,000 shares of Common Stock, \$10 par value, for use in connection with the Dividend Reinvestment and Stock Purchase Plan. Application No. 57905 (Filed March 1, 1978)

O P I N I O N

Pacific Gas and Electric Company (PGandE) seeks authority to issue and sell not exceeding 2,000,000 shares of its common stock in accordance with its Dividend Reinvestment and Stock Purchase Plan (Plan).

The Plan provides holders of the company's common and/or first preferred stock with a simple and convenient method of reinvesting their cash dividends and investing optional cash payments in additional new shares of the utility's common stock. Bank of America National Trust and Savings Association, or its successors or assigns, acts as agent for the participating shareholders and administers the Plan.

The purchase price would be the average of the daily high and low sales prices for applicant's common stock on the composite tape, as recorded in the Pacific Coast Edition of the Wall Street Journal (subject to verification) for the period of five New York Stock Exchange trading days ending with the monthly investment date. Should the exchange be closed on an investment date, the reported prices for the next preceding five trading days would be used for determining the purchase price of the shares. Stock issued under the Plan would not be sold at less than its par value of \$10 per share.

1/ On March 24, 1978, PGandE's common stock closed at 24-1/4.

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PGandE plans to apply the proceeds toward reimbursement of its treasury, for capital expenditures, and for repayment of a portion of outstanding short-term notes issued for temporary financing of plant additions. As of December 31, 1977, the utility's unreimbursed capital expenditures totalled \$1,285,116,000 and the balance of short-term notes amounted to \$97,628,000. The unexpended balance of General Manager's authorizations at December 31, 1977 for property additions and improvements totalled \$2,011,632,228 as follows:

<u>General Manager's Authorizations</u>	<u>Amount</u>
Electric	\$1,828,275,257
Gas	54,423,655
Water	248,484
Utility Plant Held for Future Use	35,230,328
Common Utility	93,454,504
<b>Total</b>	<b>\$2,011,632,228</b>

For the year 1978, PGandE estimates that capital outlays will amount to \$837,000,000, about half of which may be financed with funds in the treasury and with internally generated funds.

The utility's capital ratios as of December 31, 1977, and as adjusted to give effect to the previously authorized sale of bonds on February 16, 1978 and to the proposed stock issue, assuming a price of \$25 per share, are as follows:

	<u>December 31, 1977</u>	<u>Pro Forma</u>
Long-Term Debt	45.9%	46.0%
Preferred Stock	13.9	13.7
Common Stock Equity	40.2	40.3
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

The Operations Division recently completed an examination of PGandE's proposed construction budgets for 1977 and 1978 in connection with the company's general rate increase request in Application No. 57284, and the Division takes no exception to the financing proposed herein.

The Finance Division has reviewed the Plan and has concluded that the proceeds from the proposed sale of common stock are needed for the purposes specified in the application.

After consideration the Commission finds that:

1. The proposed stock issue would be for a proper purpose.

2. Applicant has need for external funds for the purpose set forth in this proceeding.

3. The Dividend Reinvestment and Stock Purchase 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.

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 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 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.

ORDER

ORDERED that the following conditions shall apply to the issuance of common stock by Pacific Gas and Electric Company:

IT IS ORDERED that:

1. Pacific Gas and Electric Company, on or after the effective date hereof, may issue and sell not exceeding 2,000,000 shares of its common stock substantially in accordance with the Dividend Reinvestment and Stock Purchase Plan set forth 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, and thereafter to repay a portion of outstanding short-term notes issued for temporary financing of additions to its utility plant.

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 Dividend Reinvestment and Stock Purchase Plan, the price or prices at which such shares were issued, the total proceeds received and the purpose for which the proceeds were used. Expenses incurred by the company in connection with the issue and sale of the common stock shall be reported on an annual basis following the last quarter of each year. These filings shall be in lieu of reports 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 \$31,000.

Dated at San Francisco, California, this 18<sup>th</sup> day of April, 1978.

Robert Baty  
President

William J. ...

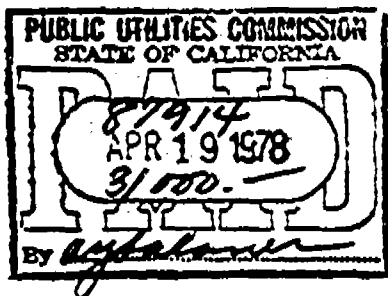
Vernon L. ...

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Commissioners



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

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