

Page

General Counsel to (winning) also the main sponsor

Application No. 57933 (Filed March 16, 1978)

**ORIGINAL**

Decision No. 88714 APR 18 1978

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of PACIFIC GAS AND ELECTRIC COMPANY to issue and sell through competitive bidding \$200,000,000 aggregate principal amount of its First and Refunding Mortgage Bonds, Series 78A due February 1, 2011. Application No. 57933 (Filed March 16, 1978)

**O P I N I O N**

Pacific Gas and Electric Company (PGandE) seeks authorization from this Commission to issue and sell, through competitive bidding, \$200,000,000 aggregate principal amount of its First and Refunding Mortgage Bonds, Series 78A, due February 1, 2011.

The bonds dated June 1, 1978, would be secured by PGandE's First and Refunding Mortgage as amended by eleven supplemental indentures and would be subject to a restricted redemption provision until June 1, 1983. The utility alleges that the restriction upon early redemption would result in securing funds at a lower interest cost than would otherwise be possible.

PGandE proposes publicly to invite sealed bids for purchase of the bonds on or about May 30, 1978, in accordance with the Statement of Terms and Conditions, a copy of which is attached to the application as Exhibit C. The statement provides, among other things, that the price to be paid to the company for the bonds (exclusive of accrued interest) shall not be less than 98% of their principal amount, with the annual interest rate to be determined by the successful bid.

\$200,000,000

Proceeds from the sale (exclusive of accrued interest) would be used to reimburse the treasury for capital expenditures and thereafter to repay a portion of short-term notes issued for the purpose of temporarily financing additions to utility plant. Accrued interest would be used for general corporate purposes.

As of December 31, 1977, the outstanding balance of short-term notes was \$97,628,000, and unreimbursed capital expenditures amounted to \$1,302,912,000 as shown in the following summary:

	<u>Thousands of Dollars</u>
Unreimbursed capital expenditures at October 31, 1977 per Exhibit B in Application No. 57787 = = = = =	\$1,447,599
Additions:	
Net capital expenditures, November 1, 1977 through December 31, 1977	\$111,812 <sup>1/</sup>
Bonds purchased for sinking fund	3,098
Payments of bank loans and notes	<u>298,340</u> 413,250
Subtotal	1,860,849
Deductions:	
Proceeds from bank loans and notes payable	352,368
Common stock issued	176,832
Accumulated depreciation increase	<u>28,737</u> 557,937
Unreimbursed capital expenditures at December 31, 1977	<u>\$1,302,912</u>

<sup>1/</sup> Reflects revision of Exhibit B of the application as set forth in the attachment to a letter dated March 30, 1978 from PGandE.

As of January 31, 1978 the unexpended balance of General Manager's authorizations for capital additions and improvements to PGandE's properties under construction amounted to \$1,984,660,234. The estimated cost of such capital outlays for the year 1978 is \$837,000,000.

PGandE's capital ratios as of December 31, 1977 and as adjusted to give effect to the proposed bonds, as well as to the Series A, B, and C 7.90% bonds issued in February 1978 and to the contemplated issue of preferred stock proposed in Application No. 57934 filed March 16, 1978, are set forth below:

	<u>December 31, 1977</u>	<u>Pro Forma</u>
Long-Term Debt	45.9%	47.4%
Preferred Stock	13.9	14.7
Common Equity	40.2	37.9
<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 Applications Nos. 57284 and 57285, and takes no exception to the proposed financing. The Division reserves the right, however, to consider further the reasonableness of construction expenditures in any future rate proceeding.

The Finance Division has reviewed the application and concludes that the proposed bond sale is necessary to reimburse the treasury for capital expenditures and to refund short-term notes issued for temporary financing of construction.

After consideration the Commission finds that:

1. The proposed bond issue is for proper purposes.
2. The proposed restricted redemption provision is reasonable.
3. PGandE has need for external funds for the purposes set forth in the application.
4. The money, property or labor to be procured or paid for by the issue of the bonds herein authorized is reasonably required for the purposes specified herein, which purposes, except as otherwise authorized for accrued interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income.

There is no known opposition to PGandE's application and no reason to delay granting the authority requested. A public hearing is not necessary. The action taken herein is for the purposes of this proceeding only and is not to be construed as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

ORDER

IT IS ORDERED that:

1. Pacific Gas and Electric Company may issue and sell, at competitive bidding, not exceeding \$200,000,000 aggregate principal amount of its First and Refunding Mortgage Bonds, Series 78A, due February 1, 2011, at the price offered in a bid which shall provide the lowest annual cost of money to the utility calculated in the manner provided in the Statement of Terms and Conditions Relating to Bids, a copy of which is attached to the application as Exhibit C.
2. Pacific Gas and Electric Company shall use the proceeds from the sale of said bonds, exclusive of accrued interest, for the purposes specified in the application. The accrued interest may be used for such purposes or for general corporate purposes.
3. Promptly after awarding the contract for the sale of said bonds, Pacific Gas and Electric Company shall file a written report with the Commission showing, as to each bid received, the name of the bidder, the price, the interest rate and the cost of money to the company based on such price and interest rate.
4. As soon as available, Pacific Gas and Electric Company shall file with the Commission three copies of its Prospectus pertaining to said bonds.

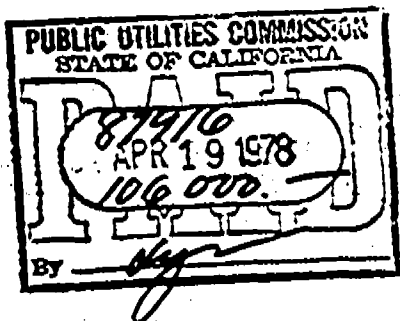
5. Pacific Gas and Electric Company shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

6. This order shall become effective when Pacific Gas and Electric Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$106,000.

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

Robert Bateman  
President  
William J. Quinn  
James R. Sturgeon

\_\_\_\_\_  
\_\_\_\_\_  
Commissioners



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

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