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ORIGINAL

Decision No. 88715 APR 18 1978

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND ELECTRIC COMPANY to issue and sell not exceeding 5,000,000 shares of Redeemable First Preferred Stock, \$25 par value.)	Application No. 57934
)	(Filed March 16, 1978)

O P I N I O N

Pacific Gas and Electric Company (PGandE) requests authority to issue and sell not exceeding 5,000,000 shares of its Redeemable First Preferred Stock having a par value of \$25 per share.

PGandE has commenced negotiations for sale of the preferred stock through a nationwide group of underwriters pursuant to terms of an underwriting agreement, a preliminary copy of which is attached to the application as Exhibit C. Final negotiations will occur on or about May 23, 1978 to determine, among other things, the price to be paid to the utility for the 5,000,000 shares of preferred stock, the underwriting commission, and the dividend rate. The utility anticipates restrictions upon redemption precluding, until June 1, 1983, the refunding of said preferred stock through issuance of common stock or through use of borrowed funds or proceeds from issues of any other securities having an effective cost of money below that of the preferred stock issue proposed herein.

The company intends to use the net proceeds to be derived from the issue and sale of the preferred 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.

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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 November 1, 1977 to December 31, 1977.

Thousands of Dollars

Unreimbursed capital expenditures at October 31, 1977 per Exhibit B in Application No. 57787	\$1,447,599
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Additions:

Net capital expenditures November 1, 1977 through December 31, 1977	\$111,812
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Bonds purchased for sinking fund	3,098
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Payments of bank loans and notes	298,340
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Subtotal	1,860,849
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Deductions:

Proceeds from bank loans and notes payable	352,368
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Common stock issued	176,832
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Accumulated depreciation-increase	28,737
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Unreimbursed capital expenditures at December 31, 1977	\$1,302,912
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1/ Reflects revision of Exhibit B of the application as set forth in the attachment to a letter dated March 30, 1978 from PGandE.

The application indicates that since December 31, 1977 PGandE has received \$49,725,000 in net proceeds from the sale of bonds, and approximately \$12,000,000 from sales of common stock under the company's Savings Fund Plan and Dividend Reinvestment and Stock Purchase Plan. The utility has not been recompensed for any other material portion of unreimbursed capital expenditures

since December 31, 1977 and subsequent capital outlays exceed any such reimbursement received.

PGandE is making extensive additions and improvements to its facilities, and at January 31, 1978 the unexpended balance of General Manager's authorizations for capital additions and improvements to its properties in process of construction amounted to \$1,984,660,234 made up of the following items:

<u>General Manager's Authorizations</u>	<u>Aggregate Amounts</u>
Electric	\$1,799,298,230
Gas	53,533,532
Water	233,161
Utility Plant Held for Future Use	34,972,486
Common Utility	96,622,825
Total	\$1,984,660,234

Expenditures for capital purposes in 1978 are expected to be approximately \$837,000,000.

Following is a summary of PGandE's reported capitalization ratios as of December 31, 1977, and as adjusted to give effect to (a) the preferred stock issue proposed herein at an assumed price of \$25 per share, (b) the recent sale of bonds in the aggregate principal amount of \$50,000,000, and (c) the \$200,000,000 bond issue proposed in Application No. 57933 filed on March 16, 1978:

	<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
Totals	100.0%	100.0%

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

The staff of the Finance Division has reviewed the application and has concluded that the proposed preferred stock is needed to provide funds for the purposes specified in the application.

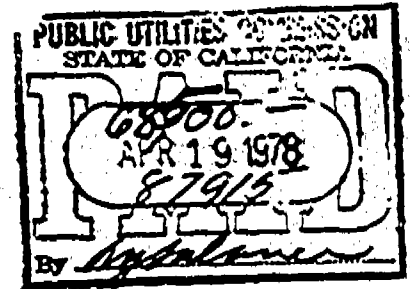
After consideration the Commission finds that:

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. A restricted redemption provision would not be adverse to the public interest.
4. The money, property or labor to be procured or paid for by the issue and sale of Pacific Gas and Electric Company preferred 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 PG&E 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 August 31, 1978, may issue and sell not exceeding 5,000,000 shares of its \$25 par value Redeemable First Preferred Stock on terms and conditions to be negotiated with the underwriters.

2. Pacific Gas and Electric Company shall use the net proceeds from the sale of preferred stock herein authorized for the purposes set forth in the application.

3. Promptly after Pacific Gas and Electric Company ascertains the dividend rate, the underwriting compensation and the price to be paid to the company for the preferred stock herein authorized, the utility 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 preferred stock.

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 1904.1 of the Public Utilities Code, which fee is \$68,500.

Dated at San Francisco, California, this 18th day of APRIL, 1978.

Commissioner Richard D. Gravelle, 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.

Robert B. Fricand
President
William J. Quinn
James L. Stinson

Commissioners