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Decision No. 89673 NOV 28 1978**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND ELECTRIC)
 COMPANY to issue and sell privately an)
 amount not to exceed \$2,870,000 aggregate) Application No. 58463
 principal amount of its First and) (Filed November 13, 1978)
 Refunding Mortgage Bonds, Pollution)
 Control Series A, due June 1, 2011;)
 execute and deliver an Installment Sales)
 Agreement; and sell utility plant.)

O P I N I O N

Pacific Gas and Electric Company (PGandE) requests authority (a) to execute and deliver an Installment Sale Agreement with the California Pollution Control Financing Authority, and (b) to issue, sell and deliver not exceeding \$2,870,000 aggregate principal amount of its First and Refunding Mortgage Bonds, Pollution Control Series A, due June 1, 2011.

PGandE proposes to engage in California pollution control facility financing by executing an Installment Sale Agreement with the California Pollution Control Financing Authority (Authority) pursuant to which the Authority would sell not exceeding \$2,870,000 aggregate principal amount of its Pollution Control Revenue Bonds (Pacific Gas and Electric Company) 1978 Series A, plus accrued interest, if any, to Blyth Eastman Dillon & Co. Incorporated and Dean Witter Reynolds Inc. who will ultimately market the bonds to the general public. Concurrently with the sale and delivery of the Authority Bonds, PGandE will sell to the Authority pollution control facilities previously acquired or constructed by PGandE at Geysers Unit No. 12 and the Authority shall purchase the same free and clear of all liens, charges and encumbrances, except the lien of PGandE's Mortgage, at a price equal to the utility's cost of construction for the facilities. In addition, the Authority

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would cause certain pollution control facilities to be constructed and installed according to plans and specifications provided by PGandE. Upon completion of construction of a pollution control facility, the Authority would convey title to the facility to PGandE.

A description of the facilities to be constructed by PGandE is attached to the application as Exhibit D. This exhibit indicates that PGandE has underway a program to abate hydrogen sulphide emissions at the existing and future generating units of its Geysers Geothermal Power Project.

In consideration of the conveyance back to PGandE of title to the constructed facilities at Geysers Unit No. 12, and the agreement of the Authority to construct additional facilities, PGandE would issue, sell and deliver to the Authority not exceeding \$2,870,000 aggregate principal amount of its First and Refunding Mortgage Bonds, Pollution Control Series, A, due June 1, 2011 (Series A Bonds). The terms and conditions of the New Bonds, including aggregate principal amount, interest rate, sinking fund provisions, maturity date, redemption provisions, if any, and prepayment provisions would be consistent with the terms and conditions of the Authority Bonds. PGandE anticipates that the interest rate applicable to its Series A bonds would not exceed 7% per annum.

The Series A Bonds will be issued in conformity with the provisions of, and secured by PGandE's existing First and Refunding Mortgage as amended by supplemental indentures.

According to the Commission's Competitive Bidding Rule, as most recently promulgated by Decision No. 81908, dated September 25, 1973, in Case No. 4761, competitive bidding is not required for debt security issues of \$5,000,000 or less.

The Operations Division has reviewed the application and concurs with the Finance Division that PGandE's request is reasonable.

After consideration the Commission finds that:

1. The proposed Installment Sale Agreement would not be adverse to the public interest.
2. The proposed bonds would be for a proper purpose.
3. The proposed sale and delivery of constructed facilities would not be adverse to the public interest.
4. The money, property or labor to be procured or paid for by the bonds herein authorized is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.
5. 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, and that the effective date of the order should be the date on which PGandE pays the prescribed fee. A public hearing is not necessary. The authorization herein granted is for the purpose of this proceeding only, and is not to be construed 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 may execute and deliver an Installment Sale Agreement in substantially the form attached to the application as Exhibit C.

2. Pacific Gas and Electric Company may issue, sell and deliver not exceeding \$2,870,000 aggregate principal amount of its First and Refunding Mortgage Bonds, Pollution Control Series A, due June 1, 2011, at the price and upon the terms and conditions as set forth in the Application.

3. Pacific Gas and Electric Company may sell and deliver to the California Pollution Control Financing Authority the constructed facilities pursuant to the terms and conditions set forth in the application.

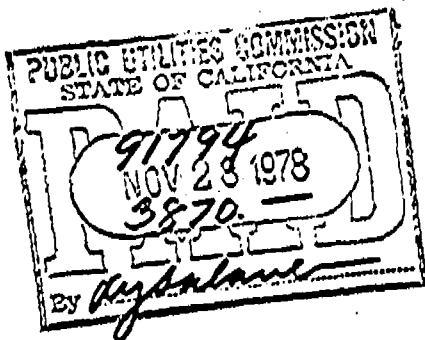
4. Pacific Gas and Electric Company shall issue the bonds herein authorized for the purpose of acquiring property and for the purpose of construction, completion, extension or improvement of its facilities.

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 \$3,870.

Dated at San Francisco, California this 28th day of NOVEMBER, 1978.

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.



Robert Babinich
President
William S. Jones
Michael D. Powell
Clare T. Smith
Commissioners