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Decision No. 90702 AUG 28 1979

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND ELECTRIC)
COMPANY to issue and sell not exceeding)
1,250,000 shares of Redeemable \$100)
First Preferred Stock, \$100 par value.)

Application No. 58978
(Filed July 3, 1979)
and Amendment
(Filed July 16, 1979)

O P I N I O N

By this application, as amended, Pacific Gas and Electric Company (PGandE) requests authority to issue and sell not exceeding 1,500,000 shares of its Redeemable \$100 First Preferred Stock having a par value of \$100 per share.

PGandE requests this authority pursuant to Sections 816 through 818 of the Public Utilities Code. Notices of the filings of the application and amendment were published on the Commission's Daily Calendar of July 6 and July 19, 1979, respectively.

PGandE has commenced preliminary negotiations for sale of the preferred stock through a private placement to approximately 47 institutional purchasers listed in revised Exhibit D, attached to the amended application. PGandE has commenced preliminary negotiations with prospective purchasers regarding the rights, preferences and privileges to be determined for the preferred stock. A summary of the proposed principal terms is attached to the application as Exhibit E.

The proposed terms provide for a 9% annual dividend rate and a mandatory annual redemption of 5% of the stock from the operation of a sinking fund. The stock is redeemable at a price of \$100 per share (par value) together with an amount equal to all accrued and unpaid dividends. The annual redemption of 5% of the stock originally issued will commence on November 15, 1985 and continue through November 15, 2004. The company may also, at its

option, provide for the redemption of additional shares through the operation of the sinking fund in any of the years from 1985 through 2004, provided that such optional redemption will not exceed 562,500 shares in the aggregate (37.5% of the stock originally issued) on a cumulative basis. The right to make optional redemptions is not cumulative. The average life of the issue will be 15.5 years. There will be restrictions upon redemption precluding, until November 1, 1989, the refunding of said 1,500,000 shares of preferred stock through the issuance of common stock or through the use of borrowed funds or of proceeds raised from the issue of any other security if the effective cost of money to PGandE of such borrowing or other security issue is below that of said 1,500,000 shares of preferred stock.

PGandE has agreed to pay Blyth Eastman Dillon & Co., Incorporated, and Dean Witter Reynolds, Inc. a maximum aggregate fee of not to exceed .3% (approximately \$450,000) of the proceeds for their services in placing the preferred stock.

The company intends to use the net proceeds to be derived from the issue and sale of the preferred stock to partially 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 capital expenditures which have not been reimbursed from the sale of securities are set forth in Exhibit C, attached to the application, and are summarized in the following tabulation which covers the period from January 1, 1979 to April 30, 1979:

Thousands of Dollars

Unreimbursed capital expenditures at December 31, 1979 per Exhibit C in Application No. 58798		\$1,122,375
Additions:		
Net capital expenditures, January 1, 1979 through April 30, 1979	\$307,402	
Bonds matured or purchased for sinking fund	13,969	
Payments of bank loans and notes	100,290	421,661
Subtotal		1,544,036
Deductions:		
Proceeds from bank loans and notes payable	97,000	
Common stock issue	27,672	
Bonds issued	175,000	
Accumulated depreciation-increase	68,165	367,837
Unreimbursed capital expenditures at April 30, 1979		<u>\$1,176,199</u>

The application indicates that since April 30, 1976, PGandE has received \$197,750,000 in net proceeds from the sale of bonds, and approximately \$6,000,000 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, 1978 and subsequent capital outlays exceed any such reimbursement received.

PGandE is making extensive additions and improvements to its facilities, and at May 31, 1979 the unexpended balance of General Manager's authorizations for capital additions and improvements to its properties in process of construction amounted to \$2,070,429,498 made up of the following items:

<u>General Manager's Authorizations</u>	<u>Aggregate Amounts</u>
Electric	\$1,682,227,217
Gas	155,215,007
Water	660,317
Steam Sales	364,731
Utility Plant Held for Future Use	23,453,716
Common Utility	<u>208,508,510</u>
	<u>\$2,070,429,498</u>

Expenditures for capital purposes in 1979 are expected to be approximately \$975,000,000.

Following is a summary of PGandE's reported capitalization ratios as of June 30, 1979, and as adjusted to give effect to (a) the preferred stock issue proposed herein at an assumed price of \$100 per share, (b) the issue and sale of not to exceed 10,000,000 shares of common stock proposed in Application No. 59010, filed on July 20, 1979:

	<u>June 30, 1979</u>	<u>Pro Forma</u>
Long-Term Debt	47.0%	44.9%
Preferred Stock	13.9	15.1
Common Equity	<u>39.1</u>	<u>40.0</u>
Total	<u>100.0%</u>	<u>100.0%</u>

The Revenue Requirements Division of the Commission staff has reviewed PGandE's construction budget and has concluded that the proposed issuance of preferred stock is needed to provide funds for the purposes specified in the application. The Division has no objection to the proposed security issue, but reserves the right, however, to consider the reasonableness of construction expenditures in future rate proceedings.

Findings of Fact

1. The proposed stock would be for proper purposes.
2. PGandE 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 PGandE's 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.

5. There is no known opposition and there is no reason to delay granting PGandE's request.

Conclusion of Law

1. The application should be granted to the extent set forth in the order which follows.

2. 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 may issue and sell not exceeding 1,500,000 shares of its \$100 par value Redeemable, \$100 First Preferred Stock with an annual dividend rate of not exceeding 9%, at a price of not less than \$100 per share, upon substantially the terms and conditions set forth in Exhibit E, attached to the application.

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. Pacific Gas and Electric Company shall file with the Commission a report, or reports, as required by General Order 24-B, which order, insofar as applicable, is hereby made a part of this order.

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 \$81,000.

Dated at San Francisco, California this 28th day of AUGUST, 1979

John E. Bryan
President
James L. Stinson
Richard D. Hoyle
Lawrence M. Penick
Commissioners

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

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
96064
AUG 29 1979
\$1,000
By [Signature]