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Decision No. 90872 OCT 10 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 10,000,000 Shares of Common Stock, \$10 par value.

Application No. 59010 (Filed July 20, 1979)

O P I N I O N

Pacific Gas and Electric Company (PGandE) requests authority to issue and sell not exceeding 10,000,000 shares of its \$10 par value common stock and to use the net proceeds to be derived through the issue and sale of its common stock to reimburse its treasury for capital expenditures.

Authority is sought pursuant to Sections 816 through 818 of the Public Utilities Code. Notice of the filing of the application appeared on the Commission's Daily Calendar of July 25, 1979.

PGandE intends to use the net proceeds from the issue and sale of the 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. The company's short-term notes amounted to \$142,290,000 at June 30, 1979.

PGandE's capital expenditures which have not been reimbursed from the sale of securities are set forth in Exhibit B, attached to the application, and are summarized in the following tabulation which covers the period from April 30 to May 31, 1979:

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| | <u>Thousands of Dollars</u> | |
|--|-----------------------------|--------------------|
| Unreimbursed Capital Expenditures at April 30, 1979 | | \$1,176,199 |
| <u>Additions:</u> | | |
| Net Capital Expenditures During the Period May 1, 1979 to May 31, 1979 | \$ 86,239 | |
| Bonds Matured or Purchased for Sinking Fund: | | |
| Matured | 47,553 | |
| Purchased for Sinking Fund - at Cost | <u>5,951</u> | 53,504 |
| Payments of Bank Loans and Notes Payable | <u>65,725</u> | |
| Total Additions | | <u>205,468</u> |
| Subtotal | | <u>1,381,667</u> |
| <u>Deductions:</u> | | |
| Reimbursement Received: | | |
| Proceeds from Bank Loans and Notes Payable | 219,104 | |
| Common Stock Issue | 3,240 | |
| Accumulated Provision for Depreciation - Increase | <u>15,779</u> | |
| Total Deductions | | <u>238,123</u> |
| Unreimbursed Capital Expenditures at May 31, 1979 | | <u>\$1,143,544</u> |

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 PGandE's properties under construction amounted to \$2,070,429,498, composed 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> |
| Total | <u>\$2,070,429,498</u> |

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

PGandE's capital ratios as of June 30, 1979, and as adjusted to give effect to the common stock issue proposed herein (assuming a price of \$22 per share), as well as to 1,500,000 shares of the 9% Redeemable \$100 First Preferred Stock (\$100 par value per share) 1/ issued in September 1979 and to the proposed issuance of not exceeding 10,000,000 shares of common stock to be used in connection with the Savings Fund Plan (assuming a price of \$22 per share and that all of the stock was issued at the same time) 2/ are set forth below:

| | <u>June 30, 1979</u> | <u>Pro Forma</u> |
|-----------------|----------------------|------------------|
| Long-Term Debt | 47.0% | 43.7% |
| Preferred Stock | 13.9 | 14.8 |
| Common Equity | <u>39.1</u> | <u>41.5</u> |
| Total | <u>100.0%</u> | <u>100.0%</u> |

PGandE plans to have the offering of its common stock underwritten by a nationwide group of underwriters who will agree to purchase the common stock pursuant to an underwriting agreement to be entered into between PGandE and the representatives of the

1/ Approved by Decision No. 90702, dated August 28, 1979, in Application No. 58978.

2/ Application No. 59052, filed on August 7, 1979.

Several underwriters on or about October 23, 1979, with the intention that the underwriters will then offer the common stock to the public. PGandE has commenced negotiations with Dean Witter Reynolds, Inc., Blyth Eastman Dillon & Co., Incorporated, Goldman, Sachs & Co., and Merrill Lynch, Pierce, Fenner & Smith, Incorporated, as representatives of a proposed group of underwriters. The preliminary form of the underwriting agreement is attached to the application as Exhibit C.

The final terms of the underwriting agreement and other terms of the proposed offering, including the price of the common stock, the aggregate number of shares to be offered, the underwriting spread, and the price to be paid to PGandE for the shares of stock will be determined by negotiation between PGandE and the underwriters shortly before the proposed public offering. In no event would the price of the stock to be paid to PGandE by the underwriters be less than 90 percent of the last reported sale price of the common stock on the New York Stock Exchange prior to the time the price is fixed.^{3/}

The Revenue Requirements Division of the Commission staff has reviewed the application and concludes that the proposed sale of common stock is necessary to reimburse the treasury for capital expenditures and to refund short-term notes issued for temporary financing of construction.

The Revenue Requirements Division has also reviewed PGandE's construction budget and has no objection to the proposed security issue. However, the Division reserves the right to consider the reasonableness of construction expenditures in future rate proceedings.

^{3/} On August 30, 1979, PGandE's common stock closed at 24. The book value of the stock on June 30, 1979 was approximately \$30.14 per share.

Findings of Fact

1. The proposed stock would be for a proper purpose.
2. PGandE has need for external funds for the purpose set forth in this proceeding.
3. 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.
4. There is no known opposition and no reason to delay granting the authority requested.

Conclusions of Law

1. A public hearing is not necessary.
2. On the basis of the foregoing findings we conclude that the application should be granted to the extent set forth in the order which follows.

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.

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 10,000,000 shares of its common stock, \$10 par value, on terms and conditions to be negotiated with the underwriters in accordance with the application.

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2. Pacific Gas and Electric Company shall use the net proceeds to be derived through the issue and sale of said common stock to reimburse its treasury for capital expenditures.

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

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 \$116,000.

Dated OCT 10 1979 at San Francisco, California.

John E. Byrne
President

Deborah L. Strasser
Richard D. Kroll

Richard M. Smith
Commissioners

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

