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Decision No. 90873 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 up to a maximum of 10,000,000 shares of Common Stock, \$10 par value, for use in connection with the Savings Fund Plan.

) Application No. 59052
) (Filed August 7, 1979)
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O P I N I O N

Pacific Gas and Electric Company (PGandE) requests authority to issue and sell up to 10,000,000 shares of its \$10 par value common stock in connection with its Savings Fund Plan (Plan), and to use the net proceeds to reimburse its treasury for capital expenditures. Authority is sought pursuant to Sections 817 through 818 of the Public Utilities Code. Notice of the filing of the application appeared on the Commission's Daily Calendar of August 9, 1979.

The Plan went into effect on April 1, 1959 and has since been amended from time to time. In Decision No. 87545, dated July 6, 1977 in Application No. 57344, the Commission approved the issue and sale of a maximum of 5,000,000 shares of common stock in connection with the Plan.

The Plan, a copy of which is attached to the application as Exhibit C, was created to attract and retain qualified employees by providing eligible employees the opportunity to make regular and systematic savings from current income by payroll deduction and by affording them an opportunity to acquire a common stock interest in the company, all with a view to supplementing employees' income after retirement.

The Plan is comprised of three funds to which contributions are made and from which benefits are paid. These funds are: (1) the Basic Fund, (2) the Diversified Investment Fund, and (3) the Tax Reduction Act Stock Ownership Plan Fund (TRASOP Fund).

For every dollar a participant contributes to the Basic Fund, the employer contributes fifty cents. Participants may elect to have the contributions they make to the Basic Fund invested entirely in PGandE common stock or entirely in United States Bonds, or one half in each.

A participant who contributes to the Basic Fund may also contribute to the Diversified Investment Fund, but no employer contributions are made to the Diversified Investment Fund. Employee contributions to the fund are invested in diversified securities.

Amendments to the Federal tax laws in 1975 entitled PGandE to claim an additional 1% investment tax credit if PGandE contributes its common stock to a TRASOP Fund in an amount equal to such credit. Effective January 1, 1978, the TRASOP Fund was amended to provide for an additional 1/2% investment tax credit provided this amount is matched by contributions of participating employees. Participants do not contribute to the 1% portion of the TRASOP Fund. All such TRASOP contributions made by PGandE for a year are allocated among all eligible employees who received covered compensation at any time during that year without regard to whether or not they contributed to the Basic Fund or the Diversified Investment Fund.

As more fully set forth in Exhibit D, attached to the application, the Trust Agreement provides that whenever the Trustee is directed to invest cash in PGandE common stock, the Trustee shall be directed to purchase it either (1) directly from PGandE, (2) at a public sale on a recognized stock exchange, or (3) from a private source at a price no higher than the price would have been payable under (2).

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 May 31, 1979 to June 30, 1979:

	<u>Thousands of Dollars</u>
Unreimbursed capital expenditures at May 31, 1979	\$1,143,544
<u>Additions:</u>	
Net capital expenditures during the period June 1, 1979 to June 30, 1979	\$ 62,359
Bonds matured or purchased for sink- ing fund:	
Purchased for sinking fund - at cost	6,273
Payments of bank loans and notes payable	<u>327,504</u>
Total Additions	<u>396,136</u>
Subtotal	\$1,539,680
<u>Deductions:</u>	
Proceeds from bank loans and notes payable	280,715
Common stock issue	2,795
Bonds issued	197,750
Accumulated provision for deprecia- tion increase	<u>17,204</u>
Total Deductions	<u>498,464</u>
Unreimbursed capital expenditures at June 30, 1979	<u>\$1,041,216</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 and that all of the stock was issued at the same time), 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 (assuming a price of \$22 per share)^{2/} are set forth below:

	<u>June 30, 1979</u>	<u>Pro Forma</u>
Long-Term	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>

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

^{2/} Application No. 59010, filed July 20, 1979

The Revenue Requirements Division of the Commission's 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.

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, to be offered to the Trustee of the Savings Fund Plan at prices to be fixed in the manner described in Exhibit C attached to the application.

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

3. On or before the twenty-fifth day of the month following each quarter, Pacific Gas and Electric Company shall file with the Commission a statement for the preceding quarter showing the number of shares of common stock purchased in connection with the Savings Fund Plan, the gross proceeds received, and the expenses incurred by it in connection with the issue and sale of the common stock. These filings shall be in lieu of reports required under General Order No. 24-B.

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 \$116,000.

Dated OCT 10 1979, at San Francisco, California.

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

John E. Bryson President
Richard D. ...
Lawrence ... Commissioners

