

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 3,000,000 shares of Common Stock, \$10 par value, for use in connection with the Dividend Reinvestment and Stock Purchase Plan.

Application No. 59563
(Filed April 1, 1980)

O P I N I O N

Pacific Gas and Electric Company (PGandE) seeks authority to issue and sell not exceeding 3,000,000 shares of its common stock in accordance with its Dividend Reinvestment and Stock Purchase Plan (Plan). 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 April 3, 1980.

PGandE is a California corporation and a public utility principally engaged in the business of generating, purchasing, transmitting and selling electricity, and purchasing, transporting, distributing and selling natural gas to 47 counties in central and northern California. The company also provides a small amount of incidental water and steam services. For the year ending December 31, 1979, the utility reported total operating revenues of \$4,193,949,721 and net income of \$458,234,095, according to its annual report.

PGandE intends to offer the proposed shares to the holders of its common and first preferred stock pursuant to its Dividend Reinvestment and Stock Purchase Plan a copy of which is attached as Exhibit D to the application. By this application PGandE seeks authority to issue an additional 3,000,000 shares of common stock under the Plan. The Commission has previously authorized^{1/} 3,000,000 shares of common stock in connection with the Plan.

^{1/} Decision No. 88712, dated April 18, 1978 in Application No. 57905.
Decision No. 85816, dated May 11, 1976 in Application No. 56435.

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SS The Plan is estimated to make available net proceeds of \$60,000,000. 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 \$591,045,000 ^{on} at December 31, 1979.

The Plan provides holders of the company's common and/or first preferred stock with a simple and convenient method of reinvesting their cash dividends and investing optional cash payments in additional new shares of the utility's common stock. Bank of America National Trust and Savings Association acts as agent for the participating shareholders and administers the Plan. Also, the marketing of the utility's common stock through the Plan reduces the selling expenses and contributes to the efficiency of the utility's cost of raising new capital.

The purchase price would be the average of the daily high and low sales prices for applicant's common stock on the composite tape, as recorded in the Pacific Coast Edition of the Wall Street Journal for the period of five New York Stock Exchange trading days ending with the monthly investment date. Should the exchange be closed on an investment date, the reported prices for the next preceding five trading days would be used for determining the purchase price of the shares. Stock issued under the Plan would not be sold at less than its par value of \$10 per share.^{2/}

^{2/} On May 2, 1980, PGandE's common stock closed at 23-3/8.

PGandE is making extensive additions and improvements to its facilities, and as of January 31, 1980 the unexpended balance of General Manager's authorizations for capital additions and improvements to PGandE's properties under construction amounted to \$3,074,108,899, composed of the following items:

<u>General Manager's Authorizations</u>	<u>Aggregate Amounts</u>
Electric	\$2,830,698,630
Gas	166,591,536
Water	573,461
Steam Sales	709,535
Utility Plant Held for Future Use	22,793,659
Common Utility	52,742,078
Nuclear Fuel	-
Total	<u><u>\$3,074,108,899</u></u>

Expenditures for capital purposes in 1980 are expected to be approximately \$1,077,000,000.

PGandE's capital ratios as of December 31, 1979, and as adjusted to give effect to the previously authorized sale of bonds on February 5, 1980^{3/} and to the proposed stock issue, assuming a price of \$20 per share and that all the shares were issued at the same time, are as follows:

	<u>December 31, 1979</u>	<u>Pro Forma</u>
Long-Term Debt	44.3%	45.5%
Preferred Stock	15.0	14.5
Common Stock Equity	<u>40.7</u>	<u>40.0</u>
Total	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>

^{3/} Approved by Decision No. 91200, dated January 8, 1980, in Application No. 59307.

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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 October 1 to December 31, 1979:

	<u>Thousands of Dollars</u>	
Unreimbursed capital expenditures at September 30, 1979		\$1,057,331
<u>Additions:</u>		
Net capital expenditures during the period October 1, 1979 to December 31, 1979	\$266,300	
Bonds matured or purchased for sinking fund:		
Purchased for sinking fund - at cost	9,658	
Matured	66,973	
Payments of bank loans and notes payable	<u>692,048</u>	
Total Additions		<u>1,034,979</u>
Subtotal		\$2,092,310
<u>Deductions:</u>		
Reimbursement received:		
Bank loans and notes payable	1,094,498	
Common stock issued	225,348	
Accumulated provision for depreciation - increase	<u>62,245</u>	
Total Deductions		<u>1,382,091</u>
Unreimbursed capital expenditures at December 31, 1979		<u>\$ 710,219</u>

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. The Division, however, 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 Dividend Reinvestment and Stock Purchase Plan would not be adverse to the public interest.
4. 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.
5. 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 3,000,000 shares of its common stock substantially in accordance with the Dividend Reinvestment and Stock Purchase Plan set forth in Exhibit D 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 under the Dividend Reinvestment and Stock Purchase 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. The 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 \$36,000.

Dated JUN 17 1980, at San Francisco, California.

John E. Byrne
President
Vernon L. Sturgeon

Commissioner Richard D. Gravelle, being necessarily absent, did not participate in the disposition of this proceeding.

Alvin T. Delisle
Edward M. Lewis
Commissioners

