

Decision No. 91982 JUL 2 1980

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND ELECTRIC COMPANY to issue and sell not exceeding 5,000,000 shares of First Preferred Stock, \$25 par value.

Application No. 59678
(Filed May 20, 1980)

O P I N I O N

Pacific Gas and Electric Company (PGandE) requests authority to issue and sell, not exceeding 5,000,000 shares of its First Preferred Stock having a par value of \$25 per share.

PGandE requests this authority pursuant to Sections 816 through 818 of the Public Utilities Code. Notice of filing of the application was published on the Commission's Daily Calendar of May 22, 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 twelve months ending March 31, 1980, the utility reported total operating revenues of \$4,467,292,000 and net income of \$474,131,000. Exhibit A, attached to the application, indicates for the three months ended March 31, 1980, operating revenues of \$1,269,270,000 and net income of \$131,555,000.

The application indicates that PGandE is making extensive additions and improvements to its plants, properties and facilities as required for adequate service to the public. As of

February 29, 1980, the unexpended balance of General Manager's authorizations for capital additions and improvements to PGandE's properties under construction amounted to \$3,189,160,032. The estimated cost of such capital outlays for the year 1980 is \$1,077,000,000.

The application also states that PGandE has commenced negotiations for sale of the Preferred Stock through a nationwide group of underwriters pursuant to terms of an underwriting agreement, a preliminary copy of which is attached to the application as Exhibit C. PGandE expects to finally negotiate with the underwriters on or about July 15, 1980, the price to be paid PGandE for the Preferred Stock, the underwriting commission and the dividend rate and redemption provisions. Due to market uncertainties regarding the size, timing and terms and conditions of the proposed offering, PGandE may split the proposed offering into two separate offerings with the possibility of different terms and conditions. The utility anticipates restrictions upon redemption precluding, until no later than June 1, 1990, the refunding of said Preferred Stock through issuance of common stock or through use of borrowed funds or proceeds from issues of any other securities having an effective cost of money below that of the proposed Preferred Stock issue.

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 capital additions and improvements to its utility plant.

As of March 31, 1980, expenditures which have not been reimbursed from the proceeds of the sale of securities amounted to \$460,965,000.

PGandE's capital ratios as of March 31, 1980, and as adjusted to give effect to the proposed Preferred Stock issue at an assumed price of \$25 per share, and as further adjusted to give effect to an application^{1/} for authority to issue not exceeding \$250,000,000 aggregate principal amount of First and Refunding Mortgage Bonds, are set forth below:

	<u>March 31, 1980</u>	<u>Pro Forma</u>
Long-Term Debt	45.1%	46.0%
Preferred Stock	14.7	15.5
Common Equity	<u>40.2</u>	<u>38.5</u>
Total	<u>100.0%</u>	<u>100.0%</u>

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

Findings of Fact

1. PGandE is a California corporation operating under the jurisdiction of this Commission.
2. The proposed Preferred Stock issue is for proper purposes.
3. The proposed restricted redemption provision would not be adverse to the public interest.
4. PGandE has need for external funds for the purposes set forth in the application.
5. The money, property or labor to be procured or paid for by the issue of the Preferred Stock herein authorized is reasonably required for the purposes specified herein, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

^{1/} Application No. 59677, filed May 20, 1980

6. There is no known opposition to PGandE's application and no reason to delay granting the authority requested.

Conclusions of Law

1. A public hearing is not necessary.
2. 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 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 may issue and sell not exceeding 5,000,000 shares of its \$25 par value First Preferred Stock on terms and conditions to be negotiated with the underwriters.
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. Promptly after Pacific Gas and Electric Company ascertains the dividend rate, the underwriting compensation and the price to be paid to the company for the Preferred Stock herein authorized, the utility 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 said Preferred Stock.

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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 \$68,500.

Dated JUL 2 1980, at San Francisco, California.

John E. Guerin
President
Richard W. Howell
Charles J. ...
Donald W. ...
Commissioners

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
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JUL 8 1980
68,500.
By [Signature]