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Decision No. 92023 JUL 15 1980

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND  
ELECTRIC COMPANY to issue and sell  
through competitive bidding not  
exceeding \$250,000,000 aggregate  
principal amount of its First and  
Refunding Mortgage Bonds.

Application No. 59677  
(Filed May 20, 1980)

O P I N I O N

Pacific Gas and Electric Company (PGandE) seeks authorization from this Commission to issue and sell, through competitive bidding, not exceeding \$250,000,000 aggregate principal amount of its First and Refunding Mortgage Bonds (Bonds).

PGandE requests this authority pursuant to Sections 816 through 818 of the Public Utilities Code. Notice of the filing of the application was published on the Commission's Daily Calendar of May 22, 1980.

PGand E 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 ended 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 ending 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 amount to \$3,189,160,032. The estimated cost of such capital outlays for the year 1980 is \$1,077,000,000.

The proposed Bonds would be secured by PGandE's First and Refunding Mortgage as amended by twelve supplemental indentures. The Bonds are to be dated June 1, 1980, to mature August 1, 2013, or, if the sale occurs after December 1, 1980, to be dated December 1, 1980, to mature February 1, 2014, and would be subject to a restricted redemption provision until June 1, 1985, or December 1, 1985, if the sale occurs after December 1, 1980. The utility alleges that the restriction upon early redemption would result in securing funds at a lower interest cost than would otherwise be possible. PGandE requests the flexibility to reduce the maturity date for said Bonds to not less than seven years from the date of issue of the Bonds if, due to market conditions prevailing at the time of sale, advantages could be realized in moving the maturity of the Bonds from the long-term market to the intermediate market.

PGandE proposes publicly to invite sealed bids for purchase of the Bonds during the second half of 1980, in accordance with the Statement of Terms and Conditions, a copy of which is attached to the application as Exhibit C. The statement provides, among other things that the price to be paid to the company for the Bonds (exclusive of accrued interest) shall not be less than 98% of their principal amount, with the annual interest rate to be determined by the successful bid.

Proceeds from the sale (exclusive of accrued interest) would be used to partially reimburse the 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. Accrued interest would be used for general corporate purposes.

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

PGandE's recorded capital ratios as of March 31, 1980, and as adjusted to give effect to the proposed Bonds and the issuance of 5,000,000 shares of First Preferred Stock (assuming a price of \$25 per share),<sup>1/</sup> 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 Bond 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 Bond issue is for proper purposes.
3. The proposed restricted redemption provision is reasonable.
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 Bonds herein authorized is reasonably required for the purposes specified herein, which purposes, except as otherwise authorized for accrued interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income.
6. There is no known opposition to PGandE's application and no reason to delay granting the authority requested.

1/ Decision No. 91982, dated JUL =2 1980  
in Application No. 59678.

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.

The action taken herein is for the purposes of this proceeding only and is not to be construed 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 may issue and sell, at competitive bidding, not exceeding \$250,000,000 aggregate principal amount of its First and Refunding Mortgage Bonds at the price offered in a bid which shall provide the lowest annual cost of money to the utility calculated in the manner provided in the Statement of Terms and Conditions Relating to Bids, a copy of which is attached to the application as Exhibit C.
2. Pacific Gas and Electric Company shall use the net proceeds from the sale of said Bonds for the purposes referred to in the application.
3. Promptly after awarding the contract for the sale of said Bonds, Pacific Gas and Electric Company shall file a written report with the Commission showing, as to each bid received, the name of the bidder, the price, the interest rate and the cost of money to the company based on such price and interest rate.
4. As soon as available, Pacific Gas and Electric Company shall file with the Commission three copies of its final prospectus pertaining to said Bonds.

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(b) of the Public Utilities Code, which fee is \$131,000.

Dated JUL 15 1980, at San Francisco, California.

John E. Coyne  
President  
Dorman L. Stinson  
Richard W. Gwathmey  
Clair J. Dedrick  
Samuel M. Farnish  
Commissioners

