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Decision No. 92418 NOV 18 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 6,000,000
Shares of Common Stock, \$10
par value.

Application No. 59960
(Filed September 23, 1980)

O P I N I O N

Pacific Gas and Electric Company (PGandE) requests authorization to issue and sell not exceeding 6,000,000 shares of its common stock having a par value of \$10 per share.

PGandE requests this authority pursuant to Section 816 through 818 of the Public Utilities Code. Notice of filing of the application was published on the Commission's Daily Calendar of September 26, 1980. No protests have been received.

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 ended June 30, 1980, the utility reported total operating revenues of \$4,643,168,000 and net income of \$480,863,000. Exhibit B, attached to the application, indicates for the six months ended June 30, 1980, operating revenues of \$2,393,428,000 and net income of \$256,260,000.

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 July 31, 1980, the unexpended balance of General Manager's authorizations for capital additions and improvements to PGandE's properties under construction amounted to \$3,017,202,440. The estimated cost of such capital outlays for the year 1980 is \$1,077,000,000.

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As of June 30, 1980, expenditures which have not been reimbursed from the proceeds of the sale of securities amounted to \$722,911,000.

PGandE intends to use the net proceeds from the issue and sale of the common 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 such additions to its utility plant.

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 several underwriters during the fourth quarter of 1980, with the intention that the underwriters will then offer the common stock to the public. The preliminary form of the underwriting agreement is attached to the application as Exhibit D.

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.

PGandE's capital ratios as of June 30, 1980, and as adjusted to give effect to the common stock issue proposed herein (assuming a price of \$23 per share), as well as to 5,000,000 shares of the 12.80%

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Redeemable First Preferred Stock^{1/} issued in July 1980 and \$250,000,000 aggregate principal amount of First and Refunding Mortgage Bonds, Series 80B, issued in August 1980^{2/} are set forth below:

	<u>June 30, 1980</u>	<u>Pro Forma</u>
Long-Term	44.7%	44.9%
Preferred Stock	14.7	15.2
Common Equity	<u>40.6</u>	<u>39.9</u>
Total	<u>100.0%</u>	<u>100.0%</u>

The Revenue Requirements Division has reviewed the application and has concluded that the proposed sale of common stock is necessary to partially 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. PGandE is a California corporation operating under the jurisdiction of this Commission.
2. The proposed common stock issue is for proper purposes.
3. PGandE has need for external funds for the purposes set forth in the application.
4. The money, property or labor to be procured or paid for by the common 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 authorization requested herein.

^{1/} Authorized by Decision No. 91982, dated July 2, 1980, in Application No. 59678.

^{2/} Authorized by Decision No. 92023, dated July 15, 1980, in Application No. 59677.

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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. 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 6,000,000 shares of its common stock, \$10 par value, on terms and conditions to be negotiated with the underwriters in accordance with the application.
2. Pacific Gas and Electric Company shall use the net proceeds to be derived through the issue and sale of said common stock for the purposes set forth in the application.
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.

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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 \$75,000.

Dated NOV 18 1980, at San Francisco, California.

John E. Byrne
President
William L. S. Thompson
Richard D. Kwock
Clair J. Smith
Samuel W. Smith
Commissioners

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
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By John Raymond