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ORIGINALDecision No. 92668 FEB 4 1981

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. 60154
(Filed December 23, 1980)

O P I N I O N

Pacific Gas and Electric Company (PGandE) requests authority, pursuant to Sections 816 through 818 and 851 of the Public Utilities Code, to issue and sell, through competitive bidding, not to exceed \$250,000,000 aggregate principal amount of its First and Refunding Mortgage Bonds (New Bonds).

Notice of the filing of the application appeared on the Commission's Daily Calendar of December 30, 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 September 30, 1980, PGandE generated total operating revenues of \$4,643,168,000 and net income of \$480,863,000. Attached to the application as part of Exhibit A is an income statement which indicates that PGandE, in the nine months ended September 30, 1980, generated operating revenues of \$3,636,820,000 and net income of \$401,393,000.

PGandE proposes to issue and sell, through competitive bidding, its New Bonds not to exceed \$250,000,000 aggregate principal amount secured by PGandE's First and Refunding Mortgage as amended by twelve supplemental indentures. The New Bonds are to be dated December 1, 1980, to mature February 1, 2014, or, if the sale occurs after June 1, 1981, to be dated June 1, 1981, to mature August 1, 2014, and would be subject to a restricted redemption provision until December 1, 1985, or June 1, 1986, if the sale occurs after June 1, 1981. 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 these 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 New Bonds from the long-term market to the intermediate market.

PGandE proposes publicly to invite sealed bids for purchase of the New Bonds during the first half of 1981, 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 New 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.

In order to achieve greater flexibility in timing the sale of the proposed offering, PGandE requests that the time period between the publication of the public invitation for bids and the opening of the bids be reduced to one day. Decision No. 38614, dated January 15, 1946, as amended by Decision No. 81908, dated September 25, 1973, states that the "invitation shall be given not less than five days, unless a shorter time is authorized by the

Commission, prior to the opening of bids." The shorter time between the notice and the opening of bids would enable PGandE to respond more quickly to changing market conditions. Sufficient notice would be given to the financial markets since PGandE would have filed a registration statement for the offering with the Securities and Exchange Commission and distributed copies of the preliminary prospectus.

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 PGandE's utility plant. Accrued interest would be used for general corporate purposes.

As of October 31, 1980, PGandE's unreimbursed capital expenditures amounted to \$962,653,000 as shown in Exhibit B attached to the application. PGandE's unexpended balance of General Manager's authorizations for capital additions and improvements under construction as of October 31, 1980, totaled \$2,880,829,339 of which \$1,211,000,000 is estimated to be spent in calendar year 1981. The distribution of the above construction budget is summarized as follows:

<u>Purpose</u>	<u>Amount</u>
Electric Plant	\$2,686,315,062
Gas Plant	129,771,228
Water Plant	540,588
Steam Sales	798,247
Utility Plant Held for Future Use	21,269,123
Common Utility Plant	42,135,090
Total	<u>\$2,880,829,338</u>

PGandE's capital ratios as of September 30, 1980, adjusted below to give effect to the following:

1. The proposed sale of PGandE's First and Refunding Mortgage Bonds in the aggregate principal amount of \$250,000,000;
2. the sale of 6,000,000 shares of PGandE's Common Stock, \$10 par value 1/ on December 16, 1980, having produced net proceeds of \$115,310,000; and
3. the proposed sale of 5,000,000 shares of PGandE's First Preferred Stock 2/ at the assumed price of \$25 per share estimated to produce net proceeds of \$125,000,000

are as follows:

	<u>September 30, 1980</u>	<u>Pro Forma</u>
Long-Term Debt	45.4%	45.7%
Preferred Stock	15.3	15.8
Common Equity	<u>39.3</u>	<u>38.5</u>
Total	<u>100.0%</u>	<u>100.0%</u>

The staff of the Commission's Revenue Requirements Division has reviewed PGandE's construction program and concludes the utility's estimated construction expenditures are reasonable. The staff has no objection to the proposed long-term debt issue specified in the application; however, the division reserves the right to reconsider the reasonableness of any construction expenditures in future rate proceedings.

1/ Decision No. 92418, dated November 18, 1980, in Application No. 59960.

2/ Subject of Application No. 60155, filed December 23, 1980, currently before the Commission for decision.

Findings of Fact

1. PGandE is a California corporation operating under the jurisdiction of this Commission.
2. The proposed New Bond issue is for proper purposes.
3. The proposed restrictive 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 New Bonds, herein authorized, is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.
6. Shortening the time period specified in Decision No. 38614, as amended, between the publication of the public invitation for bids and the opening of bids to one day is reasonable.
7. 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. The application should be granted to the extent set forth in the order which follows.

The authorization, herein granted, 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 to exceed \$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 its First and Refunding Mortgage Bonds for the purposes set forth in the application.
3. The time period specified in Decision No. 38614, as amended, between the publication of the public invitation for bids and the opening of bids shall be reduced to one day.
4. Promptly after awarding the contract for the sale of the First and Refunding Mortgage 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 the price and interest rate.
5. As soon as available, Pacific Gas and Electric Company shall file with the Commission three copies of its final prospectus pertaining to its First and Refunding Mortgage Bonds authorized herein.
6. 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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7. This order shall become effective when Pacific Gas and Electric Company has paid the fee prescribed by Section 2904(b) of the Public Utilities Code, which fee is \$131,000.

Dated FEB 4 1981 at San Francisco, California.

John E. Sawyer President
Stephen D. ...
Leonard M. ...

Commissioners

