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Decision No. 92669 FEB 4 1981

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. 60155
(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 of the Public Utilities Code, to issue and sell not to exceed 5,000,000 shares of First Preferred Stock, \$25 par value.

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, transmitting, 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.

The application states that PGandE proposes to issue and sell 5,000,000 shares of its First Preferred Stock, \$25 par value, 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 negotiate

with the underwriters in the first half of 1981 the price to be paid PGandE for the Preferred Stock, the underwriting commission and the dividend rate and redemption provisions (including sinking fund, if any) thereof. 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, 1991, 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 October 31, 1980, PGandE's unreimbursed capital expenditures amount 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	<u>42,135,090</u>
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 5,000,000 shares of PGandE's First Preferred Stock at the assumed price of \$25 per share estimated to produce net proceeds of \$125,000,000;
2. the sale of 6,000,000^{1/} 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 PGandE's First and Refunding Mortgage Bonds ^{2/} in the aggregate principal amount of \$250,000,000

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 objections to the proposed security 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. 60154, 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 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, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.
6. There is no known opposition to this proceeding 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, or 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 PGandE's stock or properties or 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 to exceed in the aggregate, 5,000,000 shares of its First Preferred Stock on the terms and conditions to be negotiated with the underwriters.
2. Pacific Gas and Electric Company shall use the net proceeds from the sale of its First 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 First 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 the First Preferred Stock.
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 FEB 4 1981 at San Francisco, California.

John E. Sweeney

President
Richard A. ...

Leonard ...

