

ORIGINAL

Decision 93738 NOV 13 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 60927
(Filed September 23, 1981)

O P I N I O N

Pacific Gas and Electric Company (PG&E) requests authority under Public Utilities (PU) Code Sections 816 through 818 to issue and sell, through competitive bidding, not to exceed \$250,000,000 aggregate principal amount of its First and Refunding Bonds (New Bonds).

Notice of the filing of the application appeared on the Commission's Daily Calendar of September 25, 1981. No protests have been received.

PG&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 6 months ended June 30, 1981, PG&E reports it generated total operating revenues of \$2,829,320,000 and net income of \$270,728,000, according to Exhibit A attached to the application.

PG&E proposes to issue and sell, through competitive bidding, its New Bonds not to exceed \$250,000,000 aggregate principal amount secured by PG&E's First and Refunding Mortgage as amended by 12 supplemental indentures. The New Bonds are to be dated December 1, 1981, to mature September 1, 2015, and would be subject to a restricted redemption provision until December 1, 1986. The restriction upon early redemption would result in securing funds at a lower interest cost than would otherwise be possible. PG&E 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-term market.

PG&E proposes publicly to invite sealed bids for purchase of the New Bonds 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, PG&E 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.

The shorter time between the notice and the opening of bids will enable PG&E to respond more quickly to changing market conditions. Sufficient notice should be given to the financial markets since PG&E will 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) is to 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 is to be used for general corporate purposes.

As of July 31, 1981, PG&E's construction expenditures unreimbursed from the sale of securities amounted to \$893,415,000 as shown in Exhibit B attached to the application. PG&E's unexpended balance of General Manager's authorizations for capital additions and improvements under construction as of July 31, 1981 totaled \$2,960,315,539 of which \$1,280,000,000 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 | \$2,811,614,853 |
| Gas Plant | 104,427,700 |
| Water Plant | 544,553 |
| Steam Sales | 455,215 |
| Utility Plant Held for Future Use | 20,504,084 |
| Common Utility Plant | <u>22,769,134</u> |
| Total | \$2,960,315,539 |

The Revenue Requirements Division of the Commission has analyzed PG&E's estimated monthly cash flow forecast. The Division determined that PG&E's cash deficit for the months of October through December 1981 will be \$359,000,000, and for the year 1982

its cash deficit will be about \$858,000,000. The Division has concluded that the proposed financing is necessary to help the company meet its capital requirements.

PG&E's capital ratios as of June 30, 1981, and as adjusted below to give effect to the following:

1. The proposed sale of PG&E's First and Refunding Mortgage Bonds, in the aggregate principal amount of \$250,000,000 (the subject of this application);
2. The proposed sale of 10,000,000 shares of PG&E's common stock \$10 par value, at an assumed price of \$24 per share estimated to produce net proceeds of \$240,000,000, for use in connection with its Dividend Reinvestment and Common Stock Purchase Plan (A.60897 filed September 14, 1981, currently before the Commission for decision);
3. The proposed sale of \$10,000,000 shares of PG&E's common stock, \$10 par value, at an assumed price of \$23 per share, estimated to produce net proceeds of \$230,000,000 (A.60925, currently before the Commission for decision);
4. The sale of PG&E's First and Refunding Mortgage Bonds in the aggregate principal amount of \$75,000,000 of which \$45,000,000 were issued on August 26, 1981 (D.93384 dated August 4, 1981 in A.60591);
5. The issue and sale of \$75,000,000 aggregate principal amount of debt securities in connection with a Eurobond offering (D.93265 dated July 7, 1981 in A.60613); and

6. The proposed sale of 750,000 shares of PG&E's First Preferred Stock, \$100 par value, at an assumed price of \$100 per share estimated to produce net proceeds of \$75,000,000 (D.93269 dated July 7, 1981 in A.60632)

are as follows:

| | <u>June 30, 1981</u> | <u>Pro Forma</u> |
|---------------------|----------------------|------------------|
| Long-Term Debt | 43.6% | 43.5% |
| Preferred Stock | 16.0 | 15.3 |
| Common Stock Equity | <u>40.4</u> | <u>41.2</u> |
| Total | 100.0% | 100.0% |

The Commission's Revenue Requirements Division has reviewed PG&E's construction program and concludes the program is necessary. The Division 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 specific program and construction expenditures in future rate proceedings.

Findings and Conclusions

1. PG&E 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. PG&E has need for external funds for the purposes set forth in the application.

5. The proposed security issue is for lawful purposes and the money, property, or labor to be obtained by it is required for these purposes. Proceeds from the security issue may not be charged to operating expenses or income.

6. Shortening the time period specified in D.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 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 (PG&E) may issue and sell, at competitive bidding, not exceeding \$250,000,000 aggregate principal amount of its First and Refunding Mortgage Bonds (New 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. PG&E shall use the net proceeds from the sale of its New Bonds for the purposes referred to in the application.

3. The time period specified in D.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 New Bonds PG&E 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.

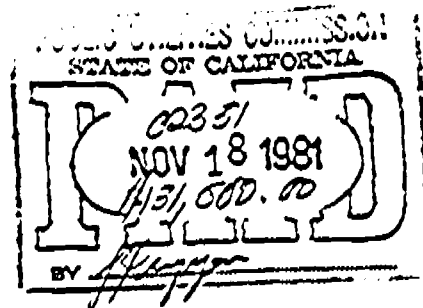
5. As soon as available, PG&E shall file with the Commission three copies of its final prospectus pertaining to its New Bonds.

6. PG&E shall file the reports required by General Order Series 24.

7. The authority granted by this order to issue evidences of indebtedness will become effective when issuer pays \$131,000, set by PU Code Section 1904(b). In all other respects this order becomes effective 30 days from today.

Dated NOV 13 1981, at San Francisco, California.

JOHN E. BRISON
President
RICHARD D. GRAVELLE
LEONARD M. CRIMES, JR.
VICTOR CALVO
FRISCHILLA C. GREW
Commissioners



I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.

Joseph E. Bolovitz
Joseph E. Bolovitz, Executive Director