

ORIGINAL

Decision No. 34552

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SAN DIEGO GAS & ELECTRIC COMPANY, a
corporation, for authority to issue
and sell 60,375 shares of its Cumu-
lative Preferred Stock, 5% Series,
\$20 par value.

Application
No. 24412

BY THE COMMISSION:

O P I N I O N

This is an application by San Diego Gas & Electric Company for an order of the Railroad Commission authorizing it to issue and sell 60,375 shares (\$1,207,500 par value) of its Cumulative Preferred Stock, 5% Series, \$20 par value, at and for a price to net it not less than \$23 a share, plus accrued dividends, for the purpose of reimbursing its treasury and of financing the cost of construction expenditures.

San Diego Gas & Electric Company has financed the cost of its properties primarily through the issue of common and preferred stocks and bonds and through the use of surplus earnings and moneys represented by reserves. As of June 30, 1941, it reported its assets and liabilities as follows:

Assets and Other Debits

Plant, property and equipment		\$47,070,029.60
Current and accrued assets:		
Cash	\$ 266,889.79	
Special deposits and working funds	282,855.00	
Notes receivable	2,766.48	
Accounts receivable	851,592.34	
Materials and supplies	1,079,874.82	
Prepayments	<u>47,736.52</u>	2,531,714.95
Deferred debits:		
Unamortized debt discount & expense	1,552,358.62	
Clearing accounts	58,458.99	
Retirements in progress	89,189.74	
Other deferred debits	<u>3,498.93</u>	1,703,506.28
Capital stock expense		<u>166,236.68</u>
 Total assets and other debits		 <u>\$51,471,487.51</u>

Liabilities and Other Credits

Capital stock:		
Common stock	\$10,032,500.00	
Preferred stock - 5% series	<u>6,292,500.00</u>	\$16,325,000.00
First mortgage bonds, 3-3/8%, due 1970		16,000,000.00
Current and accrued liabilities:		
Notes payable	1,050,000.00	
Accounts payable	585,970.57	
Dividends declared	153,900.00	
Customers' deposits	185,678.14	
Taxes accrued	1,154,104.06	
Interest accrued	278,247.60	
Miscellaneous	<u>5,131.37</u>	3,413,031.74
Deferred credits:		
Customers' advances for construction	90,872.07	
Other deferred credits	<u>15,522.00</u>	106,394.07
Reserves:		
Depreciation	11,344,029.05	
Amortization of limited-term investment	4,040.05	
Uncollectible accounts	58,841.93	
Employees' provident reserves	820,209.49	
Other reserves	<u>309,724.60</u>	12,536,845.12
Contributions in aid of construction		606,674.64
Earned surplus		<u>2,483,541.94</u>
 Total liabilities and other credits		 <u>\$51,471,487.51</u>

The notes payable consist of short-term bank loans bearing interest at the rate of 1-3/4% per annum.

The company's revenues and expenses have been reported as follows:

	Year Ending	
	<u>June 30, 1940</u>	<u>June 30, 1941</u>
Operating revenues	<u>\$8,842,745.45</u>	<u>\$10,137,992.98</u>
Operating revenue deductions:		
Operating expenses	3,819,240.19	4,412,761.67
Depreciation and amortization	1,380,280.35	1,428,156.84
Taxes	<u>1,355,827.85</u>	<u>1,644,987.66</u>
Total operating revenue deductions	<u>6,555,348.39</u>	<u>7,485,906.17</u>
Net operating revenues	2,287,397.06	2,652,086.81
Other income	<u>2,203.94</u>	<u>11.86</u>
Gross income	2,289,601.00	2,652,098.67
Interest and other deductions	<u>680,766.69</u>	<u>638,030.46</u>
Net income	<u>1,608,834.31</u>	<u>2,014,068.21</u>
Dividends:		
Preferred stock dividends	440,475.00	340,113.00
Common stock dividends	<u>802,600.00</u>	<u>877,843.75</u>
Balance	<u>\$ 365,759.31</u>	<u>\$ 796,111.46</u>

In making this application to issue additional preferred stock, the company reports that up to June 30, 1941, it had made net construction expenditures of \$4,444,509 which, it appears, had been paid or provided through the use of surplus earnings and other moneys in the company's treasury not obtained through the issue of bonds or stocks. In addition, it reports, in Exhibit "C," its construction budget at \$7,723,661 of which \$1,626,034 had been expended up to June 30, leaving an unexpended balance of \$6,097,627. The reported uncapitalized expenditures of \$4,444,509 and this unexpended balance aggregate \$10,542,136.

The construction budget referred to includes estimated expenditures as follows:

Electric department -		
Production:		
Silver Gate power plant and land	\$3,491,903	
Additions to Station "B" plant	501,547	
Other	<u>15,000</u>	\$4,008,450
Transmission		745,940
Substations		745,002
Distribution:		
New business extensions	775,962	
Other	<u>380,429</u>	<u>1,156,391</u>
Total electric		\$6,655,783
Gas department -		
New business extensions	579,472	
Other	<u>281,284</u>	860,756
Steam department		21,890
General		<u>185,232</u>
Total		<u>\$7,723,661</u>

It is reported that not all of this amount will be expended in 1941 as the Silver Gate generating station will not be completed until September, 1942.

In 1939, the company reported gross additions to plant of \$2,228,011, and, in 1940, of \$2,706,561. With the present construction requirements in the amounts now estimated, it clearly appears that additional capital funds are necessary to enable the company to make provision for its property additions and other requirements, and to improve its cash position. Accordingly, an order authorizing the issue of the stock, as requested, will be entered.

O R D E R

San Diego Gas & Electric Company having applied to the Railroad Commission for an order authorizing it to issue and sell 60,375 shares of preferred stock and the Commission being of the opinion that this is not a matter on which a public hearing is necessary, that the application should be granted, as herein provided, that the money, property or labor to be procured or paid for through the issue and sale of such stock is reasonably required for the purposes specified herein and that the expenditures for such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that San Diego Gas & Electric Company be, and it hereby is, authorized to issue and sell, on or before December 31, 1941, 60,375 shares (\$1,207,500 par value) of its Cumulative Preferred Stock, 5% Series, \$20 par value, at and for a price to net the company not less than \$23 a share plus accrued dividends, and to use the proceeds to reimburse its treasury for moneys expended from income or from other moneys not secured by or obtained from the issue of stock or bonds, and to finance, in part, its estimated construction expenditures referred to in Exhibit "C" filed in this proceeding.

IT IS HEREBY FURTHER ORDERED that San Diego Gas & Electric Company shall keep such record of the issue and sale of the stock herein authorized, and of the disposition of the proceeds, as will enable it to file, on or before the 25th day of each month, a verified report as required by the Railroad

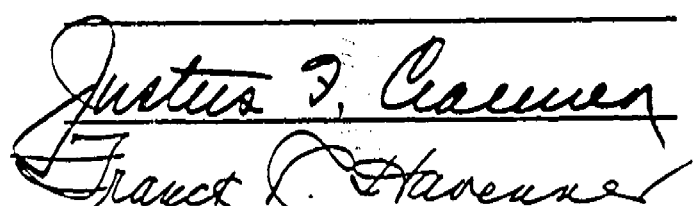
Commission's General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

IT IS HEREBY FURTHER ORDERED that within fifteen (15) days after the effective date of the registration statement filed with the Securities and Exchange Commission, San Diego Gas & Electric Company shall file with the Commission a copy of said registration statement and a copy of each exhibit referred to therein, except such exhibits as were annexed to registration statements previously filed with the Securities and Exchange Commission and incorporated in said registration statement by reference.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall become effective upon the date hereof.

Dated at San Francisco, California, this 2nd day of September, 1941.





Commissioners.