

ORIGINAL

Decision No. 42090

BEFORE THE PUBLIC UTILITIES 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 350,000 shares of its common )  
stock of the par value of \$10 per )  
share, and for an order of this Com- )  
mission exempting applicant from the )  
requirement that such shares be sold )  
at competitive bidding. )  
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Application  
No. 29700

Chickering & Gregory, by W. C. Fox and  
Sherman Chickering, for Applicant.

HULS, Commissioner

O P I N I O N

In this application, San Diego Gas & Electric Company asks permission to issue and sell, for the purposes hereinafter stated, 350,000 shares of its common stock of the par value of \$10 per share. It further asks the Commission to exempt the issue and sale of said shares of stock from the provisions of Decision No. 38614, dated January 15, 1946.

Applicant is a corporation organized and existing under the laws of California. It is a public utility engaged in the business of manufacturing, purchasing and selling electricity in the Counties of San Diego and Orange; purchasing and selling gas in the County of San Diego; and furnishing, to a limited extent, high and low pressure steam service in the City of San Diego.

For the year ending July 31, 1948, Applicant reports operating revenues of \$21,508,700.31, segregated as follows:

Electric	\$14,704,221.23
Gas	6,707,867.42
Steam	96,611.66

Its total net operating revenues for the year are reported at \$3,108,675.38. Adding to this its other income of \$5,539.53 results in a gross income, that is, the amount available for the payment of interest and dividends, and for surplus, of \$3,114,214.91. Applicant had available for the payment of dividends on common stock and for surplus \$1,550,390.94. Its actual dividend payments on common stock during the year amounted to \$1,180,000.

As of July 31, 1948, Applicant reports assets and liabilities as follows:

Assets and Other Debits

Utility plant		\$73,295,367.96
Utility plant acquisition adjustment		28,886.35
Current and accrued assets		9,662,133.91
Cash and special deposits	\$3,634,629.80	
Temporary cash investments	2,992,580.00	
Notes receivable	186.44	
Accounts receivable	1,373,815.57	
Interest and dividends receivable	4,737.00	
Material and supplies	1,518,117.39	
Prepayments	138,067.71	
Deferred debits		<u>280,599.03</u>
Total Assets and Other Debits		<u>\$83,266,987.25</u>

Liabilities and Other Credits

Common capital stock		\$15,500,000.00
Premium on common capital stock		1,446,144.26
Preferred capital stock		7,500,000.00
Premium on preferred capital stock		196,218.75
First mortgage bonds		26,000,000.00
3-3/8% series due 1970	\$16,000,000.00	
Series C 3% due 1978	10,000,000.00	
Bank loans		3,200,000.00
Current and accrued liabilities		4,000,834.36
Accounts payable	817,482.10	
Customers' deposits	257,535.76	
Taxes accrued	2,582,314.34	
Interest accrued	194,763.51	
Other current and accrued liabilities	148,738.65	
Deferred credits		375,032.15
Reserves		21,171,478.50
Depreciation	20,655,857.41	
Miscellaneous reserves	515,621.09	
Contributions in aid of construction		702,976.95
Earned surplus		<u>3,174,302.28</u>
Total Liabilities and Other Credits		<u>\$83,266,987.25</u>

In Exhibit "B" Applicant reports estimated construction expenditures for all departments of \$31,372,700. The exhibit shows that to July 31, 1948, it incurred construction expenditures against such estimates of \$10,863,235, and that its estimated expenditures from July 31, 1948, to December 31, 1948, will amount to \$5,418,000 and for 1949 to \$14,071,000. Applicant's construction expenditures are running at about \$1,000,000 a month. To carry forward its construction program, Applicant has outstanding under its loan agreement<sup>(1)</sup> with seven banks, notes in the aggregate face amount of \$3,200,000. It proposes to use the proceeds from the sale of said 350,000 shares of common stock to pay the \$3,200,000 of notes, to pay expenses incident to the issue of the

(1)

Authorized by Decision No. 39767, dated December 23, 1946, as amended by Decision No. 41701, dated June 8, 1948, in Application No. 28038.

stock, reimburse its treasury because of uncapitalized construction expenditures reported in Exhibit "C" and because of such expenditures incurred subsequent to July 31, 1948.

Applicant's present capitalization ratios and such ratios immediately after the issue of the 350,000 shares of stock are as follows:

<u>Item</u>	<u>Current ratios</u>	<u>After issue of 350,000 shares of stock</u>
Bonds	46.8%	45.7%
Notes	5.5%	-
Preferred stock	13.2%	12.9%
Common stock	29.1%	36.1%
Surplus	<u>5.4%</u>	<u>5.3%</u>
Total	<u>100.0%</u>	<u>100.0%</u>

The record shows that about 47.6% of Applicant's outstanding common stock is held by persons residing in San Diego County, 28.9% by persons residing elsewhere in California, and 23.5% by persons residing outside the State of California. Its common stock is not listed on any stock exchange.

Applicant is of the opinion that it can obtain a better price if its stock is sold on a negotiated basis, and it is certain that more of its stock will be sold in its territory than would be the case if it were sold through competitive bidding. It is primarily for these reasons that Applicant is asking the Commission to exempt the issue and sale of the 350,000 shares of common stock from the provisions of Decision No. 38614, dated January 15, 1946. At the time of the hearing Applicant was not in a position to state definitely the price at which it proposes to sell the 350,000 shares of common stock. The price at which

said shares may be sold will be fixed by supplemental order in this proceeding.

I recommend the following form of Order.

O R D E R

The Commission having considered the evidence submitted at the hearing had on this application and it being of the opinion that the money, property or labor to be procured or paid for by San Diego Gas & Electric Company through the issue and sale of 350,000 shares of its common stock is reasonably required by it for the purposes herein stated, that said purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that this application should be granted, subject to the provisions of this order; therefore,

IT IS HEREBY ORDERED as follows:

1. The issue and sale of said 350,000 shares of common stock by San Diego Gas & Electric Company, provided it obtains for said shares a price satisfactory to the Commission, is exempt from the provisions of the order in Decision No. 38614, dated January 15, 1946.

2. San Diego Gas & Electric Company may, after the effective date hereof and on or before November 30, 1948, issue and sell, at a price to be fixed by a supplemental order, 350,000 shares of its common stock.

3. San Diego Gas & Electric Company shall use the proceeds obtained from the issue and sale of said shares of stock.

to pay expenses incident to the issue and sale of said shares of stock, to pay said bank notes of \$3,200,000, and to reimburse its treasury in part for capital expenditures made on or prior to September 1, 1948.

4. The authority herein granted to issue and sell said shares of stock will become effective when the Commission by a supplemental order has fixed the price at which said shares of stock may be sold. All other authority herein granted is effective upon the date hereof.

5. San Diego Gas & Electric Company shall file with the Commission a report, or reports, as required by the Commission's General Order No. 24-A, which order, insofar as applicable, is made a part of this order. It shall also file, as soon as available, a complete copy of its registration statement filed with the Securities and Exchange Commission covering the issue of said 350,000 shares of stock, together with all exhibits referred to therein except such exhibits as may heretofore have been filed with the Commission.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Public Utilities Commission of the State of California.

Dated at San Francisco, California, this 5<sup>th</sup> day of October, 1948.

*R. Z. [Signature]*  
*[Signature]*  
*[Signature]*  
*[Signature]*  
Commissioners