

Decision No. 42645

ORIGINAL

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 300,000 shares of its Cumula-)
tive Preferred Stock 4 1/2% Series--\$20)
Par Value, and for an order of this)
Commission exempting Applicant from the)
requirement that such shares be sold at)
public bidding.)
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Application
No. 30112

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

HULS, Commissioner

O P I N I O N

San Diego Gas & Electric Company asks permission to issue and sell 300,000 shares of its cumulative preferred stock, 4-1/2% Series, \$20 par value, and use the proceeds to pay expenses incident to the issue of such shares of stock, to reimburse its treasury on account of capital expenditures made on or prior to December 31, 1948, and to meet in part the cost of capital expenditures to be made during 1949. Applicant asks the Commission to exempt the issue and sale of the 300,000 shares of stock from Decision No. 38614, dated January 15, 1946, relative to competitive bidding.

Applicant is a corporation organized and existing under the laws of the State 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 to a limited extent, supplying high and low pressure steam service in the City of San Diego.

For 1948, Applicant reports operating revenues of \$21,930,171.79, segregated as follows:

Electric revenue	\$14,861,104.85
Gas revenue	6,973,219.72
Steam sales revenue	<u>95,847.22</u>
Total	<u>\$21,930,171.79</u>

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

Assets

Utility plant		\$77,772,752.16
Current and accrued assets		8,039,097.70
Cash	\$ 4,579,247.25	
Notes receivable	71.70	
Accounts receivable	1,737,969.14	
Materials and supplies	1,555,560.25	
Prepayments	166,249.36	
Deferred debits		162,871.14
Unamortized debt discount and expense	67,653.47	
Retirement work in progress	42,629.76	
Other deferred debits	52,587.91	
Total Assets		<u>\$85,974,721.00</u>

Liabilities

Capital stock		\$29,026,013.06
Common capital stock	\$19,000,000.00	
Preferred capital stock 5%	7,500,000.00	
Premium on common capital stock	2,329,794.31	
Premium on preferred capital stock	196,213.75	
First mortgage bonds		26,000,000.00
3-3/8% Series due 1970	16,000,000.00	
3% Series C due 1978	10,000,000.00	
Current and accrued liabilities		5,454,981.68
Accounts payable	1,658,072.15	
Customers' deposits	262,056.94	
Taxes accrued	2,197,203.00	
Interest accrued	384,031.51	
Dividends declared	473,750.00	
Other current and accrued liabilities	479,868.08	
Deferred credits		374,858.05
Unamortized premium on debt	33,698.00	
Customers' advances for construction	240,278.31	
Other deferred credits	100,881.74	
Reserves		21,403,480.48
Depreciation	20,992,116.47	
Amortization of limited-term investments	6,679.22	
Uncollectible accounts	239,666.43	
Insurance	155,018.36	
Injuries and damages	10,000.00	
Contributions in aid of construction		711,306.49
Earned surplus		<u>3,004,081.24</u>
Total Liabilities		<u>\$85,974,721.00</u>

During the past five years Applicant has regularly paid 5% dividends on its outstanding preferred stock. During the same period it paid 8% dividends on its outstanding common stock. As of December 31, 1948, Applicant's capitalization ratios were as follows:

Bonds		45.98%
Preferred stock:		
Par value	12.68%	
Premium	<u>0.33%</u>	
Sub total		13.01%
Common stock:		
Par value	32.01%	
Premium	<u>3.93%</u>	
Sub total		35.94%
Surplus		<u>5.07%</u>
Grand total		<u>100.00%</u>

In Exhibit "C", Applicant shows that up to December 31, 1948, it expended for capital purposes \$3,999,522.68 which it did not obtain from the issue of bonds or stock. In Exhibit "B", Applicant reports its estimated capital expenditures during 1949 at \$16,402,844. While Applicant asks permission to reimburse its treasury because of capital expenditures incurred to December 31, 1948, the proceeds obtained from the issue of the 300,000 shares of stock, or an amount equivalent thereto, will be applied to pay in part 1949 construction expenditures. Applicant has need for the proceeds which it will obtain from the issue and sale of the 300,000 shares of preferred stock.

As stated, Applicant asks the Commission to exempt the issue and sale of the 300,000 shares of stock from the provisions of Decision No. 38614, dated January 15, 1946. The order in that decision requires Applicant to invite publicly, written sealed bids for the purchase of said shares of stock, unless the Commission shall find upon due showing that their sale at competitive bidding should not be required. Applicant asks for the exemption because it believes that a negotiated sale will afford greater certainty of satisfactory consummation of the sale. It is of the opinion that it can dispose of the proposed issue by means of a negotiated sale on terms more favorable than if undertaken through competitive bidding, that by means of a negotiated sale it will obtain a better distribution of the shares and that there may be a lack of real competitive bidding because prospective bidders may be unable to enlist dealers who have access to available purchasers.

Applicant's outstanding 5% preferred stock is currently selling on about a 4.25% basis and its common stock on about a 6% basis. Its properties are conservatively financed, as shown on a preceding page. The objections which Applicant raises to competitive bidding were considered in the main by the Commission at the time it entered Decision No. 38614. The suggestion that there may be a lack of competitive bidding because of prospective bidders being unable to form syndicates whose members have access to prospective purchasers is a matter that may need further attention. In my opinion, Applicant should undertake the sale of the 300,000 shares of preferred stock, 4-1/2% Series, through competitive bidding in conformity with the Commission's Decision No. 38614, dated January 15, 1946. Upon the filing of an appropriate supplemental application, showing the price at which it proposes to sell said shares of stock, the Commission will give further consideration to this application.

I herewith submit the following form of Order.

O R D E R

The Commission having considered the record in this application and it being of the opinion that San Diego Gas & Electric Company's request for exemption from the provisions of Decision No. 38614, dated January 15, 1946, insofar as the issue of 300,000 shares of preferred stock, 4-1/2% Series, is concerned should be denied; therefore,

IT IS HEREBY ORDERED that said request be, and the same is hereby, denied.

IT IS HEREBY FURTHER ORDERED that this Order is effective ten (10) days after the date hereof.

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 23rd day of March, 1949.

R. Z. Driscoll
Justice F. Cassner
Just H. Powell
Kenneth H. Potter
Harold P. Kuhl
Commissioners