

ORIGINAL

Decision No. 53822

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 Enter)	Application No. 38386
into a Loan Agreement and to Issue)	
Notes Pursuant Thereto.)	
-----)	

O P I N I O N

San Diego Gas & Electric Company has filed this application for authorization to enter into a loan agreement with a group of banks providing for a revolving credit in the total amount of \$15,000,000 and for the issue of notes pursuant to the terms of the agreement.

The application shows that applicant has made tentative arrangements with the banks to obtain a line of credit in the total amount of \$15,000,000 until December 31, 1958. Under the terms of the proposed agreement, applicant's borrowings will be represented by notes dated in each case as of the date of the borrowing and payable not later than July 1, 1959, with interest at the rate of one-quarter of one per cent more than Bank of America National Trust and Savings Association's prime commercial interest rate in effect when the notes are outstanding. Any change in interest resulting from a change in the prime commercial rate shall become effective at the beginning of the business day following each such change in the prime commercial rate. The agreement further provides that applicant may borrow, repay and reborrow from time to time up to the aggregate amount of the credit.

The purpose of the proposed financing is to provide applicant with temporary funds to finance its continuing construction costs. As shown in some detail in Exhibits B and C, applicant's

uncapitalized construction as of July 31, 1956 amounted to \$17,858,913 and its unexpended balances of budgeted capital amounts to the total sum of \$9,181,300, segregated as follows:

Electric Department -		
Production	\$1,733,000	
Transmission	1,812,500	
Distribution	<u>2,986,900</u>	
Total electric department		\$6,532,400
Gas Department -		
Production	\$ 5,000	
Storage	1,400	
Transmission	17,800	
Distribution	<u>1,529,200</u>	
Total gas department		1,553,400
Steam Department -		2,000
General Department -		<u>1,093,500</u>
Total		<u>\$9,181,300</u>

It has been applicant's practice, as it has proceeded with its construction activities, to meet its requirements, in part, with temporary borrowings and from time to time to issue bonds and shares of preferred and common stock to permanently finance its costs. Its capital ratios, as of July 31, 1956, are indicated in the following tabulation:

First mortgage bonds	\$ 73,000,000	47%
Preferred stock	20,000,000	13
Common stock equity -		
Common stock	\$40,000,000	
Premium on stock	9,920,196	
Surplus	<u>13,798,467</u>	
Total common stock equity		<u>63,718,663 40</u>
Totals		<u>\$156,718,663 100%</u>

A review of information before us shows that by resorting to temporary financing under established lines of credit this applicant has been able to alternate its permanent debt and equity issues so as to maintain a balanced capital structure. It appears to us, upon considering the verified application, that applicant will have

need for additional funds and that an order should be entered in this proceeding granting its requests.

The authorization herein granted is for the issue of notes and the execution of a loan agreement only and is not to be taken as indicative of amounts to be included in a future rate base for the purpose of determining just and reasonable rates.

O R D E R

The Commission having considered the above-entitled matter and being of the opinion that a public hearing is not necessary, that the application should be granted, that the money, property or labor to be procured or paid for by the issue of the notes herein authorized is reasonably required for the purposes specified herein and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. San Diego Gas & Electric Company may execute a loan agreement, on or before December 31, 1956, in substantially the same form as that filed in this proceeding as Exhibit "D" and, under and pursuant to the terms of said agreement, may issue and reissue not to exceed in the aggregate \$15,000,000 of notes for the purpose of paying indebtedness and of financing construction costs.

2. Within 30 days after the issue of any notes under the authorization herein granted, applicant shall file with the Commission a report of said issue, together with a statement indicating the purposes for which the proceeds were used.

3. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$6,750.

Dated at San Francisco, California, this 1st day of OCTOBER, 1956.

[Signature]
President

[Signature]

[Signature]

[Signature]
Commissioners

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA

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