

ORIGINAL

Decision No. 55646

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 375,000 shares of its Cumulative Preferred Stock, _____% Series, \$20 par value, and \$12,000,000 principal amount of its First Mortgage Bonds, Series G due 1987, and for an order of this Commission exempting Applicant from the requirement that such shares be sold at public bidding

Application No. 39373

Chickering & Gregory, by Sherman
Chickering, for applicant

O P I N I O N

San Diego Gas & Electric Company has filed this application for authorization to issue and sell \$12,000,000 principal amount of First Mortgage Bonds, Series G due 1987, and to issue and sell 375,000 shares of its preferred stock of the par value of \$20 each and of the aggregate par value of \$7,500,000.

The application was filed with the Commission on August 29, 1957. A public hearing was held before Examiner Coleman in San Francisco on September 26, 1957, at which time the matter was taken under submission. The Commission has received no protests in the proceeding.

Applicant proposes to offer its bonds for sale at competitive bidding, the interest rate, as well as the price, to be fixed as the result of such bidding. The bonds, to be known

as Series G, will constitute a new series, will be dated October 1, 1957, will mature October 1, 1987, and will have an optional redemption price to and including September 30, 1958, equivalent to the initial public offering price of the bonds, plus 5 per cent of the principal amount thereof, with annually declining premiums thereafter, provided, however, that prior to October 1, 1962, no bond of Series G will be subject to redemption if such redemption is for the purpose, or in anticipation of, refunding such bonds through the use, directly or indirectly, of funds borrowed by applicant at a rate of interest less than the rate of interest borne by the bonds.

With respect to the issue and sale of the shares of preferred stock, applicant requests the Commission to exempt the same from competitive bidding and to authorize it to dispose of its shares by a negotiated underwriting at a price and under terms to be fixed by the Commission in a supplemental order.

The purpose of the financing is to provide applicant with funds to pay bank loans outstanding under its credit agreement which was authorized by Decision No. 53822, dated October 1, 1956, and to reimburse its treasury for capital expenditures which had been made with moneys other than those obtained from the issue of securities. The record shows that at the time of the hearing the bank loans aggregated \$10,500,000, with additional borrowings being planned, and that the uncanceled construction at June 30, 1957, amounted to \$22,688,754.

In presenting this application to the Commission, the company has filed its financial statement as Exhibit A. The statement shows for the year ended June 30, 1957, operating revenues in the amount of \$51,944,550 and gross income of \$9,035,996 available

for fixed charges including \$2,303,750 of interest on funded debt and preferred stock dividends of \$931,000. The statement further shows applicant's assets, liabilities and capital as of June 30, 1957, as follows:

Assets

Utility plant, less reserve		\$169,771,929
Current assets -		
Cash and deposits	\$2,787,740	
Accounts receivable	3,572,662	
Materials and supplies	2,855,918	
Prepayments	<u>257,461</u>	
Total current assets		9,473,781
Deferred debts		<u>1,560,390</u>
 Total		 <u>\$180,806,100</u>

Liabilities and Capital

First mortgage bonds		\$ 73,000,000
Bank loans		7,125,000
Current liabilities		11,619,606
Advances for construction		703,860
Contributions in aid of construction		1,068,725
Other deferred credits		2,484,496
Preferred stock		20,000,000
Common stock equity -		
Common stock	\$40,000,000	
Premium	9,920,196	
Retained earnings	<u>14,884,217</u>	
Total common stock equity		<u>64,804,413</u>
 Total		 <u>\$180,806,100</u>

From a review of the application it clearly appears that applicant will have need for external funds to liquidate its bank loans and to replenish its treasury. The record shows that applicant is engaged in a substantial construction program which will call for utilization of treasury funds. In Exhibit B, applicant has filed its capital budget which shows total amounts, expenditures

to June 30, 1957 and balances to be expended as follows:

<u>Electric</u>	<u>Total Budget</u>	<u>Expended to June 30</u>	<u>To be Expended</u>
Production	\$14,570,000	\$ 4,756,000	\$ 9,814,000
Transmission	5,956,000	1,466,100	4,489,900
Distribution	6,749,000	3,457,100	3,291,900
<u>Gas</u>			
Production	5,000	200	4,800
Storage	3,000	-	3,000
Transmission	1,459,000	20,200	1,438,800
Distribution	4,981,000	2,040,800	2,940,200
<u>Other</u>			
Steam	4,000	-	4,000
General	1,797,000	583,400	1,213,600
<u>Total</u>	<u>\$35,524,000</u>	<u>\$12,323,800</u>	<u>\$23,200,200</u>

With respect to the proposed issues, the effect on applicant's capital ratios is indicated in the following tabulation:

	<u>June 30, 1957</u>	<u>Pro Forma</u>
Bonds	46%	48%
Preferred stock	13	16
Common stock equity	<u>41</u>	<u>36</u>
<u>Total</u>	<u>100%</u>	<u>100%</u>

The testimony supports applicant's request for exemption from competitive bidding for the shares of preferred stock. In view of the week-to-week fluctuation in interest rates, the poor reception accorded some new offerings of fixed income securities, and the advancing costs of new money, it seems quite likely applicant will receive a better price under a negotiated arrangement than under a call for bids. Accordingly, we will enter an order approving the requested exemption.

The authorization herein granted is for the issue and sale of securities and is not to be construed 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

A public hearing having been held on the above-entitled matter, and the Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of the shares of preferred stock and bonds herein authorized is reasonably required by applicant for the purposes specified herein, and that such purposes, except as otherwise authorized, are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. The issue and sale of 375,000 shares of preferred stock by San Diego Gas & Electric Company hereby is exempted from the Commission's competitive bidding rule set forth in Decision No. 38614, dated January 15, 1946, as amended, provided applicant make arrangements for the sale of said shares at a price satisfactory to the Commission.

2. San Diego Gas & Electric Company, on and after the effective date hereof and on or before February 28, 1958, may issue and sell said 375,000 shares of preferred stock at a price to be fixed by the Commission in a supplemental order.

3. San Diego Gas & Electric Company may execute and deliver a Sixth Supplemental Indenture in, or substantially in, the same form as that filed in this proceeding as Exhibit D.

4. San Diego Gas & Electric Company may publish invitations for bids for the purchase of \$12,000,000 of First Mortgage Bonds, Series G due 1987, not less than five days prior to the date set for the opening of such bids and may issue and sell said bonds at the price offered in said bids which will result in the lowest annual cost of money to applicant.

5. San Diego Gas & Electric Company shall use the proceeds to be received from the sale of said shares of preferred stock and said bonds, exclusive of accrued interest on the bonds, for the purposes indicated in this application. The accrued interest from the sale of the bonds may be used for such purposes or for general corporate purposes.

6. The authority herein granted to issue and sell shares of preferred stock will become effective when the Commission, by supplemental order, has fixed the price at which applicant may sell said shares. In other respects, the authority herein granted will become effective when San Diego Gas & Electric Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code.

7. Within 60 days after the issue and sale of the bonds and shares of preferred stock herein authorized, applicant shall file with the Commission three copies of its prospectus, and a report, or reports, showing the names of those to whom said shares

of preferred stock and bonds were sold, the prices at which sold, and the purposes for which the proceeds were used, and two copies of its Sixth Supplemental Indenture as executed.

Dated at San Francisco, California, this 8th day of October, 1957.

[Signature]
 President

[Signature]

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 Commissioners

