

ORIGINAL

Decision No. 57718

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 \$15,000,000 principal amount of its _____% Sinking Fund Debentures due January 15, 1984

Application No. 40646

O P I N I O N

San Diego Gas & Electric Company has filed this application on December 8, 1958, for authorization to issue and sell \$15,000,000 principal amount of Sinking Fund Debentures due January 15, 1984.

The purpose of the proposed 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 application shows that as of October 31, 1958, the bank loans outstanding aggregated \$10,125,000 and, that prior to the sale of the debentures, are expected to aggregate \$15,000,000, and that uncapitalized construction as of October 31, 1958, amounted to \$26,297,714.08.

Applicant proposes to offer its debentures for sale at competitive bidding, the interest rate, as well as the price to be fixed as the result of such bidding. The debentures to be known as _____% Sinking Fund Debentures due January 15, 1984, will have an optional redemption price to January 14, 1960, equivalent to the

initial public offering price of the debentures plus a percentage of the principal amount equal to the interest rate borne by the debentures with annually declining premiums thereafter, provided, however, that the optional redemption price shall never be less than the corresponding sinking fund redemption price and that prior to January 15, 1964, none of the sinking fund debentures will be subject to redemption if such redemption is for the purpose, or in anticipation of, refunding such debentures through the use, directly or indirectly, of money borrowed for that purpose at an effective interest cost of less than the interest rate borne by the debentures.

The sinking fund provisions applicable to the proposed issue of debentures provide that as long as any of the debentures remains outstanding, the company, on or before January 14, 1964, and on or before January 14 of each year thereafter to and including January 14, 1983, will pay to the trustee a sum sufficient to redeem 2½% of the nearest \$1,000 in principal amount of debentures then outstanding plus those theretofore issued and redeemed or otherwise retired through operation of the mandatory sinking fund obligation. The sinking fund redemption price of the debentures shall be the principal amount thereof if the initial public offering price is par or less. If the initial offering price is greater than par, the sinking fund redemption price shall be the price upon which the yield from each January 15 to maturity would be equal to the basic yield.

In presenting this application to the Commission, the company has filed its financial statement as Exhibit A. The statement shows for the year ended October 31, 1958, operating revenues in the amount of \$58,037,832 and gross income of \$8,930,422 available for fixed charges, which include \$2,867,625 of interest on first mortgage bonds

and preferred stock dividends of \$1,344,900. The statement further shows applicant's assets, liabilities and capital as of October 31, 1958, as follows:

<u>Assets</u>		
Utility plant, less reserve		\$195,825,947
Current assets -		
Cash and deposits	\$ 3,503,470	
Accounts receivable	3,090,746	
Materials and supplies	3,094,432	
Prepayments	<u>284,068</u>	
Total current assets		9,972,716
Deferred debits		<u>1,940,063</u>
 Total		 <u>\$207,738,726</u>
<u>Liabilities and Capital</u>		
First mortgage bonds		\$ 85,000,000
Bank loans		10,125,000
Current liabilities		13,244,500
Advances for construction		1,098,274
Contributions in aid of construction		1,264,807
Other deferred credits		3,132,025
Preferred stock		27,500,000
Common stock equity -		
Common stock	\$40,000,000	
Premium	9,920,196	
Retained earnings	<u>16,453,924</u>	
Total common stock equity		<u>66,374,120</u>
 Total		 <u>\$207,738,726</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 October 31, 1958, and balances to be expended as follows:

<u>Description</u>	<u>Total Budget</u>	<u>Expended to October 31</u>	<u>To be Expended</u>
<u>Electric</u>			
Production	\$38,380,000	\$16,938,400	\$21,441,600
Transmission	6,728,000	3,741,900	2,989,400
Distribution	7,293,000	6,524,200	1,112,800
<u>Gas</u>			
Production	4,000	5,200	-
Storage	2,500	-	2,500
Transmission	8,000	2,100	5,900
Distribution	5,678,000	5,042,600	954,400
<u>Other</u>			
Steam	27,000	21,400	5,600
General	952,000	671,100	320,800
<u>Total</u>	<u>\$59,072,500</u>	<u>\$32,946,900</u>	<u>\$26,832,000</u>

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

	<u>October 31, 1958</u>	<u>Pro Forma</u>
Bonds and debentures	48%	52%
Preferred stock	15	14
Common stock equity	<u>37</u>	<u>34</u>
<u>Total</u>	<u>100%</u>	<u>100%</u>

The long-term debt portion of applicant's capital structure as of October 31, 1958, consists entirely of first mortgage bonds. It now desires to increase the amount of its long-term debt, but it also desires to preserve the borrowing capacity available to it under its first mortgage bond indenture. To accomplish these objectives applicant, in this application, requests authorization to issue debentures.

The authorization herein granted is for the issue and sale of debentures 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

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, as herein provided, that the money, property or labor to be procured or paid for by the issue and sale of the debentures 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. San Diego Gas & Electric Company may execute and deliver an indenture in, or substantially in, the same form as that filed in this proceeding as Exhibit D.
2. San Diego Gas & Electric Company may publish invitations for bids for the purchase of \$15,000,000 of _____% Sinking Fund Debentures due January 15, 1984, not less than five days prior to the date set for the opening of such bids and may issue and sell said debentures at the price offered in said bids which will result in the lowest annual cost of money to applicant.
3. San Diego Gas & Electric Company shall use the proceeds to be received from the sale of said debentures, exclusive of accrued interest, for the purposes indicated in this application. The accrued interest from the sale of the debentures may be used for such purposes or for general corporate purposes.

4. Immediately upon awarding the contract for the sale of said \$15,000,000 of debentures, San Diego Gas & Electric Company shall file a written report with the Commission showing, as to each bid received, the name of the bidder, the price, the interest rate and the cost of money to applicant based upon such price and interest rate.

5. Within 30 days after the issue and sale of the debentures herein authorized, applicant shall file with the Commission three copies of its prospectus, and a report showing the names of those to whom said debentures were sold, the price at which sold, and the purposes for which the proceeds were used, together with two copies of its herein authorized indenture as actually executed.

6. 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 \$5,625.

Dated at San Francisco, California, this 16th day of December, 1958.

T. Lynn Fox
President
Carl Wittmer
Walter J. Deal
Therese J. Jensen

Commissioners

