

**ORIGINAL**

Decision No. 60664

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 \$30,000,000 principal  
amount of its First Mortgage Bonds,  
Series H due 1990.

Application No. 42574

O P I N I O N

On August 16, 1960, San Diego Gas & Electric Company filed this application for authorization to execute a supplemental trust indenture and to issue and sell \$30,000,000 of bonds.

Applicant intends to offer the bonds for sale at competitive bidding at a price, exclusive of accrued interest, of not less than 98 per cent of the principal amount, the successful bid to specify the annual interest rate. The bonds will constitute a new series to be known as First Mortgage Bonds, Series H due 1990, will be dated as of October 1, 1960, will mature October 1, 1990, and will be subject to redemption at the option of applicant, as a whole or in part, up to and including September 30, 1961, at the initial public offering price plus five per cent of the principal amount, or 105 per cent of the principal amount, whichever is greater, and thereafter at reducing premiums, plus accrued and unpaid interest in each case, provided, however, that no bonds of said Series H due 1990 may be redeemed prior to October 1, 1965, if such redemption is for the purpose or in anticipation of

refunding through the use, directly or indirectly, of funds borrowed at a rate of interest less than the rate of interest borne by said bonds.

The bonds are to be issued for the purpose of retiring and discharging outstanding short-term bank loans and of reimbursing applicant for moneys actually expended for the acquisition of property or for the construction, completion, extension or improvement of its facilities on or prior to June 30, 1960, which moneys were actually expended from income or from other money in the treasury not secured by or obtained from the issue of stocks or stock certificates or other evidences of interest or ownership, or bonds, notes or other evidences of indebtedness. The application shows, among other things, that as of June 30, 1960, applicant had \$15,000,000 of short-term notes outstanding and that it had made expenditures for capital purposes of \$34,630,492 which had not been provided through the issue of securities.

A review of the application indicates that applicant, upon reimbursing its treasury, will have need for the proceeds from the sale of its bonds. Its financial statement as of June 30, 1960, shows current assets of \$12,581,302 and current liabilities of \$33,028,532, including the \$15,000,000 of short-term notes. The application further shows that applicant is embarking on a substantial construction program and that its capital budget amounts to \$75,767,000, of which \$34,145,400 had been expended during the first six months of 1960, leaving an unexpended balance of \$41,621,600.

Applicant's capital ratios as of June 30, 1960, and as adjusted to give effect to the proposed financing, are as follows:

	<u>June 30, 1960</u>	<u>Pro Forma</u>
Bonds	37%	48%
Debentures	7	6
Notes	7	-
Preferred stock	12	11
Common stock equity	<u>37</u>	<u>35</u>
Total	<u>100%</u>	<u>100%</u>

A further review of the application shows, and we so find and conclude, (1) that applicant will have need for the proceeds from the sale of its bonds of Series H due 1990, as now proposed, for the purposes indicated in this application; and (2) that the inclusion of a five-year restrictive redemption provision in the present offering will enable applicant to secure funds at a lower interest cost which will inure to the benefit of its consumers. Based on the foregoing, we will enter an order authorizing the sale as requested.

The action taken herein 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 money, property or labor to be procured or paid for by the issue and sale of the bonds herein authorized is reasonably required by applicant for the purposes specified

herein, that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, except as otherwise authorized, and that the application should be granted, therefore,

IT IS HEREBY ORDERED as follows:

1. San Diego Gas & Electric Company may invite the submission of written sealed bids for the purchase of not to exceed \$30,000,000 aggregate principal amount of its First Mortgage Bonds, Series H due 1990, as set forth in this application, such invitation for bids to be published at least five days prior to the date set for the opening of the bids.

2. San Diego Gas & Electric Company may issue and sell not to exceed \$30,000,000 of said bonds at the price offered in said bids which shall provide the lowest annual cost of money to applicant.

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

4. San Diego Gas & Electric Company shall use the proceeds to be received from the issue and sale of said Series H bonds for the purposes set forth in this application. The accrued interest to be received may be used for said purposes or for general corporate purposes.

5. Immediately upon awarding the contract for the sale of said \$30,000,000 of bonds, 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.

6. Within 30 days after the issue and sale of the bonds herein authorized, San Diego Gas & Electric Company shall file a report with the Commission showing the date on which such bonds were sold, the names of those to whom sold, the amount sold to each and the consideration received, together with three copies of its prospectus.

7. 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, which fee is \$10,500.

Dated at San Francisco, California, this 1st day of September, 1960.

[Signature]  
President  
[Signature]  
[Signature]  
[Signature]

Commissioners

