

ORIGINAL

Decision No. 67672

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 \$20,000,000 principal amount of its _____% Sinking Fund Debentures due September 1, 1994

Application No. 46837
Filed July 23, 1964

O P I N I O N

This is an application for an order of the Commission authorizing San Diego Gas & Electric Company to execute and deliver an indenture and to issue and sell \$20,000,000 aggregate principal amount of its debentures.

Applicant proposes to offer the 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 September 1, 1994, will have an optional redemption price to August 31, 1965, 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. Thereafter, the premiums will decline annually provided, however, that the optional redemption price shall never be less than the corresponding sinking fund redemption price, and that prior to September 1, 1969, none of the 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 so long as any of the debentures shall remain outstanding, the company, on or before August 31, 1969, and on or before August 31 of each year thereafter to and including August 31, 1993, will pay to the trustee a sum sufficient to redeem two per cent of the nearest \$1,000 in the principal amount of the debentures then outstanding, plus those theretofore 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 September 1 to maturity would be equal to the basic yield.

The purpose of the proposed financing is to provide applicant with funds to retire and discharge all of the promissory notes issued and outstanding under its short-term loan agreement with various banks, and to reimburse its treasury for capital expenditures which have been made with moneys other than those obtained from the issue of securities. The application shows that as of May 31, 1964, the bank loans outstanding aggregated \$11,000,000 which, prior to the sale of the debentures,

are expected to aggregate \$12,500,000 and that uncapitalized construction as of May 31, 1964, amounted to \$53,245,430.

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 May 31, 1964, shows current and accrued assets of \$14,724,535 and current and accrued liabilities of \$35,988,609, including the \$11,000,000 of short-term notes. The application further shows that applicant is engaged in a substantial construction program and that its capital budget amounts to \$62,160,000, of which \$23,219,500 had been expended as of May 31, 1964, leaving an unexpended balance of \$38,940,500.

Applicant's capital ratios as of May 31, 1964, and as adjusted to give effect to the proposed financing, are as follows:

	<u>May 31, 1964</u>	<u>Pro Forma</u>
Bonds	41%	40%
Debentures	5	12
Notes	4	-
Preferred stock	10	9
Common stock equity	<u>40</u>	<u>39</u>
Total	<u>100%</u>	<u>100%</u>

The Commission has considered this matter and finds that: (1) the proposed debenture issue is for proper purposes; (2) applicant will be required to pay a lower interest rate than it would in the absence of a restricted redemption provision; (3) the money, property or labor to be procured or paid for by

the issue of the debentures herein authorized is reasonably required for the purposes specified herein; and (4) such purposes, except as otherwise authorized for accrued interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income. A public hearing is not necessary.

On the basis of the foregoing findings, we conclude that the application should be granted. The authorization herein given is for the issue and sale of debentures and the execution and delivery of an indenture, and is not to be construed as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company may execute and deliver an indenture in the same form, or in substantially 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 \$20,000,000 aggregate principal amount of _____% Sinking Fund Debentures due September 1, 1994, 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 \$20,000,000 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, together with the name of the bidder to whom the contract for the sale of the debentures was awarded.

5. Within thirty days after the issue and sale of the debentures herein authorized, San Diego Gas & Electric Company shall file with the Commission three copies of its prospectus relating to said debentures, together with two copies of its herein authorized indenture as actually executed.

6. San Diego Gas & Electric Company shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

7. This order shall 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 \$8,000.

Dated at San Francisco, California, this 11th day of August, 1964.

Frederick B. Holshoff
President

[Signature]

[Signature]

George L. Grover

Commissioners

Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.

