

ORIGINALDecision No. 73876

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of

SAN DIEGO GAS & ELECTRIC COMPANY,

for an order (a) authorizing the
execution and delivery of a Ninth
Supplemental Indenture dated as
of April 1, 1968, to The Bank of
California, National Association,
as Trustee, and (b) approving,
after a hearing upon the fairness
thereof, the resulting changes in
the bonds outstanding thereunder.Application No. 49932
Filed January 9, 1968Chickering & Gregory, by Donald J. Richardson, Jr., for
applicant;
Sidney J. Webb, for the Commission staff.O P I N I O N

In this proceeding San Diego Gas & Electric Company requests the Commission to enter an order, or orders, (a) approving the terms and conditions of a proposed issuance and exchange of bonds, after a hearing upon the fairness thereof, (b) authorizing the execution and delivery of a Ninth Supplemental Indenture, and (c) authorizing the issuance and exchange of bonds.

A public hearing on this matter was held before Examiner Donovan in San Francisco on March 4, 1968, after notice of such hearing had been given (1) by publication, at least ten days prior thereto, in newspapers of general circulation in Chicago, Los Angeles, New York, San Diego and San Francisco, and (2) by mailing

to (a) all known bondholders of applicant, (b) all representatives of participating underwriters of prior issues of applicant's bonds, and (c) the trustee under the indenture pertaining to applicant's bonds. No protests have been received by the Commission and the matter was taken under submission.

Pursuant to authorizations heretofore granted by the Commission, San Diego Gas & Electric Company has executed and delivered its Mortgage and Deed of Trust dated July 1, 1940, and eight indentures supplemental thereto, all as security for bonds of the company. The utility's outstanding bonds are represented by eight series and aggregate \$140,000,000 in principal amount. Modification and alterations of the Mortgage and Deed of Trust, or of any indentures supplemental thereto, require consent of the holders of two-thirds or more of the aggregate principal amount of all outstanding bonds, which consent must be expressed by resolution adopted at a bondholders' meeting.

Applicant proposes to make further modifications in its Mortgage and Deed of Trust by means of executing and delivering a Ninth Supplemental Indenture. The nature and purposes of the proposed modifications, and allegations supporting the fairness thereof to the company's present bondholders, are summarized from the record in this proceeding as follows:

1. Joining of the company with other utilities in the construction and ownership of large generating units outside the State of California, thereby achieving economies.
2. Funding of property additions located on leased property to the extent that such property additions may be capitalized under applicable Uniform Systems of Accounts.

3. Elimination of the requirement that coupon bonds bearing specified numbers must be issued in exchange for registered bonds, thus reducing expenses.
4. Facsimile signatures of the utility's officers for the execution and attestation of bonds, thereby eliminating substantial travel expenses.
5. Waiving the right of partition of jointly owned permanent additions, thereby providing improved security for the bonds.
6. Future amendments by written consents rather than by the cumbersome holding of bondholders' meetings.

The utility has been advised that the proposed changes pertaining to its outstanding bonds may constitute, as a matter of law, the issuance of bonds in exchange for a like aggregate principal amount of bonds. Believing that such issuance and exchange might constitute a public offering of the securities involved, the company desires this Commission, pursuant to Section 822 of the Public Utilities Code, to approve the terms and conditions of such issuance and exchange, if such they shall be, after a hearing upon the fairness thereof, thus bringing the transaction within the exemption provided by the Securities Act of 1933 as amended.

The Commission has considered this matter and assuming, without deciding, that the legal effect of the contemplated transaction will constitute an issuance and exchange of bonds finds, after hearing, that the terms and conditions of such issuance and exchange are fair. In addition, the Commission finds that: (1) the proposed transaction will not be adverse to the public interest; (2) the money, property or labor to be procured or paid for by the issue of the bonds herein

authorized is reasonably required by applicant for the purpose specified herein; and (3) such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.

On the basis of the foregoing findings we conclude that the application should be granted. The authorization herein given is for the issuance and exchange of bonds and the execution and delivery of a Ninth Supplemental 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 a Ninth Supplemental Indenture in the same form, or in substantially the same form, as that attached to the application as Exhibit C.
2. The Commission hereby approves the terms and conditions of the proposed issuance and exchange of bonds as herein authorized, and San Diego Gas & Electric Company may issue not exceeding \$140,000,000 in aggregate principal amount of First Mortgage Bonds, of several series, in exchange for a like amount of bonds of said series presently outstanding.
3. San Diego Gas & Electric Company shall file with the Commission three copies of its Ninth Supplemental Indenture

as actually executed, such filing to be made within sixty days after execution thereof.

4. The effective date of this order is the date hereof.

Dated at San Francisco, California, this 19th
day of MARCH, 1968.

John E. McArthur
President
William M. Bennett
Augusta
William Francis J.
Jack P. Monahan
Commissioners