

ORIGINAL

Decision No. 76643

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 \$40,000,000 principal amount)

of its First Mortgage Bonds, Series K)

due 2000 and 500,000 shares of)

Cumulative Preferred Stock, % Series,)

\$20 par value)

Application No. 51557
Filed December 16, 1969O P I N I O N

San Diego Gas & Electric Company requests an order of the Commission authorizing it to execute and deliver a supplemental indenture, and to issue and sell \$40,000,000 aggregate principal amount of its bonds and 500,000 shares of its \$20 par value preferred stock. The bonds are to be issued and sold under the exemption from the Commission's competitive bidding rule granted by Decision No. 76400, dated November 12, 1969, in Application No. 51366.

Applicant reports that its uncapitalized construction expenditures amounted to \$88,111,744 as of October 31, 1969, and that the unexpended balance of its capital budget on said date was \$24,870,800. Prior to the issuance and sale of the securities

involved in this proceeding, the utility anticipates having approximately \$21,000,000 outstanding in previously authorized bank loans and commercial paper pertaining to temporary financing of its construction program. Moreover, the application shows that it will be necessary for the company to refund its outstanding \$16,000,000 aggregate principal amount of First Mortgage Bonds, 3-3/8% Series due July 1, 1970.

In order to obtain funds for retiring and discharging bank loans and commercial paper, refunding said bonds due July 1, 1970, and reimbursing its treasury for capital expenditures, applicant proposes to issue and sell \$40,000,000 aggregate principal amount of its First Mortgage Bonds, Series K due 2000 and 500,000 shares of its \$20 par value Cumulative Preferred Stock.

The new bonds will be subject to a restricted redemption provision until February 1, 1975, and will be secured by an existing indenture as heretofore supplemented and as further supplemented by a proposed Eleventh Supplemental Indenture. The new preferred stock will rank pari passu with the company's presently outstanding preferred stock, and is expected to bear redemption restrictions during the first five years. The interest and dividend rates applicable to the bonds and the preferred stock, respectively, are to be determined by negotiations with underwriters.

The reported capitalization ratios of applicant at October 31, 1969, and as adjusted to give effect to the proposed bond and preferred stock issues, are as follows:

	<u>October 31, 1969</u>	<u>Pro Forma</u>
First mortgage bonds	46.1%	48.1%
Sinking fund debentures	8.3	7.6
Preferred stock	7.2	9.1
Common stock equity	<u>38.4</u>	<u>35.2</u>
Total	<u>100.0%</u>	<u>100.0%</u>

After consideration the Commission finds that:

1. The proposed security issues are for proper purposes.
2. Applicant has need for funds from external sources for the purposes set forth in this proceeding.
3. Applicant will be required to pay interest and dividends at lower effective rates than it would in the absence of the proposed restricted redemption provisions.
4. The proposed Eleventh Supplemental Indenture will not be adverse to the public interest.
5. The money, property or labor to be procured or paid for by the issue of the securities herein authorized is reasonably required for the purposes specified herein, which purposes, except as otherwise authorized for accrued interest, are 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, provided that accrued dividends, if any, will not be used for purposes, in whole or in part, reasonably chargeable to operating expenses or to income. A public hearing is not necessary.

In issuing our order herein, we place applicant and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares nor the dividends paid as measuring the return it should be allowed to earn on its investment in plant, and that the authorization herein granted is not to be construed as a finding of the value of the company's stock or properties nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

Applicant is hereby placed on further notice that, if the Commission should believe the negotiated interest or dividend rates pertaining to the proposed security issues would result in excessive effective costs, it will take into consideration in future rate proceedings only that which it deems reasonable.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company may execute and deliver an Eleventh Supplemental Indenture in the same form, or in substantially the same form, as that filed in this proceeding as Exhibit D, and providing for an interest rate and redemption provisions as set forth in the application.

2. San Diego Gas & Electric Company, on or after the effective date hereof and on or before June 30, 1970, may issue and sell not exceeding \$40,000,000 aggregate principal amount of its First Mortgage Bonds, Series K due 2000, and 500,000 shares of its \$20 par value Cumulative Preferred Stock, the terms of each to be fixed in the manner described in the application.

3. San Diego Gas & Electric Company shall use the net proceeds to be received from the issuance and sale of said bonds and preferred stock for the purposes set forth in the application, provided that accrued dividends, if any, shall not be used for purposes, in whole or in part, reasonably chargeable to operating expenses or to income.

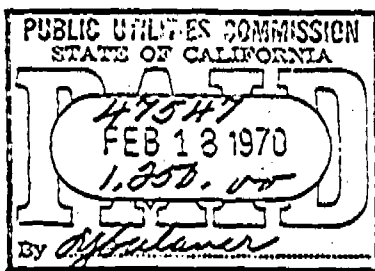
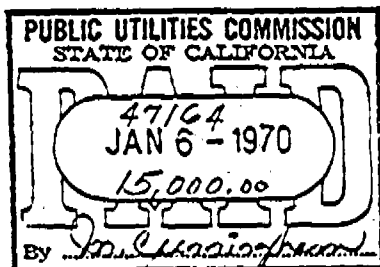
4. On the date, or dates, San Diego Gas & Electric Company determines the price and interest rate pertaining to the bonds herein authorized, and/or the price and dividend rate pertaining to the preferred stock herein authorized, it shall notify the Commission thereof by telegram or telegrams. Failure to comply with this ordering paragraph shall render Ordering Paragraph No. 2 hereof ineffective as to the type or types of security concerned.

5. Within thirty days after issuing and selling the bonds and preferred stock herein authorized, San Diego Gas & Electric Company shall file with the Commission three copies of its prospectus relating to each of said securities.

6. Within three months after such issuance and sale, San Diego Gas & Electric Company shall file with the Commission a statement, or statements, in lieu of a report, or reports, under General Order No. 24-B, disclosing the purposes for which the security issue proceeds were used.

7. This order shall become effective when San Diego Gas & Electric Company has paid the fees prescribed by Sections 1904(b) and 1904.1 of the Public Utilities Code.

Dated at San Francisco, California, this 6th day of JANUARY, 1970.



William J. Lyons, Jr.
President
August
J. P. Pluhem
Thomas H. ...
Yunon L. Stungen
Commissioners