

Decision No. 78544

ORIGINAL

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)
200,000 shares of its Preference)
Stock (Cumulative), without par)
value.)

Application No. 52514
Filed March 22, 1971

O P I N I O N

San Diego Gas & Electric Company seeks an order of the Commission authorizing it to issue and sell 200,000 shares of its Preference Stock (Cumulative), without par value.

Applicant reports that its uncapitalized construction expenditures amounted to \$89,435,033 as of January 31, 1971, and that the unexpended balance of its capital budget on said date was \$225,355,000. Prior to the issue and sale of the securities involved in this proceeding, the company expects to have approximately \$43,000,000 outstanding in previously authorized bank loans and commercial paper pertaining to temporary financing of its acquisition of property and construction program.

In order to obtain funds for retiring and discharging, in part, said outstanding bank loans and commercial paper, applicant proposes to issue and sell 200,000 shares of its Preference Stock (Cumulative). The price, dividend rate, redemption provisions and underwriting commission pertaining to said shares are to be negotiated with underwriters, and restrictions upon redemption are expected to be in effect during the first five or first seven years.

The company's reported capitalization ratios at January 31, 1971, and as adjusted to give effect to assumed proceeds of \$20,000,000 from the proposed financing, are as follows:

	<u>Jan. 31, 1971</u>	<u>Pro Forma</u>
First mortgage bonds	46.30%	44.24%
Sinking fund debentures	7.08	6.76
Other long-term debt	.05	.05
Preferred and preference stock	10.12	14.12
Common stock equity	<u>36.45</u>	<u>34.83</u>
Total	<u>100.00%</u>	<u>100.00%</u>

After consideration the Commission finds that:

1. The proposed stock issue is for a proper purpose.
2. Applicant has need for external funds for the purpose set forth in this proceeding.
3. Applicant would be required to pay dividends at a lower effective rate than it would in the absence of the proposed restricted redemption provisions.
4. The money, property or labor to be procured or paid for by the issue of the stock herein authorized is reasonably required for the purpose specified herein, which 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, 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 stated 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 dividend rate, price or underwriters' compensation pertaining to the proposed stock issue would result in excessive effective costs, it will take into consideration in rate proceedings only that which it deems reasonable.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company, on or after the date hereof and on or before August 31, 1971, may issue and sell not exceeding 200,000 shares of its Preference Stock (Cumulative), without par value, the terms to be fixed in the manner described in the Application.

2. San Diego Gas & Electric Company shall apply the proceeds from the sale of said stock to the purpose 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.

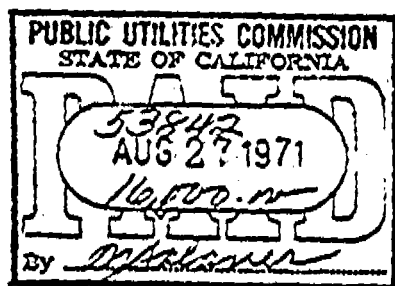
3. Promptly after San Diego Gas & Electric Company determines the dividend rate, underwriting commission, and price to be paid to it for the preference stock herein authorized the company shall notify the Commission of each in writing.

4. As soon as available, San Diego Gas & Electric Company shall file with the Commission three copies of its prospectus pertaining to said stock.

5. Within one month after issuing and selling the stock herein authorized, San Diego Gas & Electric Company shall file with the Commission a statement, in lieu of a report under General Order No. 24-B, disclosing the purposes to which the stock proceeds were applied.

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

Dated at San Francisco, California, this
13th day of APRIL, 1971.



[Signature]
Chairman
William Symmes, Jr.
[Signature]
Thomas L. Sturgeon
[Signature]
Commissioners