

Decision No. 80728

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
1,500,000 shares of its Common
Stock, \$10 par value.

Application No. 53658
(Filed October 20, 1972)

O P I N I O N

San Diego Gas & Electric Company seeks authority to issue and sell 1,500,000 shares of its \$10 par value common stock.

Applicant is a California corporation engaged principally in the business of providing electric, gas and steam service in portions of San Diego County. In addition, the company provides electric service in portions of Imperial and Orange Counties. The utility reports that its uncanceled construction expenditures amounted to \$81,622,062 as of September 30, 1972, and that the unexpended balance of its capital budget on such date was \$342,959,200. Prior to issuing and selling the common stock involved in this proceeding, applicant expects to have outstanding approximately \$52,000,000 in bank loans and commercial paper pertaining to temporary financing of its acquisition of property, and the construction, completion, extension or improvement of its facilities.

In order to obtain funds for reducing said bank loans and commercial paper, applicant proposes to issue and sell 1,500,000 shares of its \$10 par value common stock. On or about December 5, 1972, the company contemplates finally negotiating with underwriters the price to be paid to it for said 1,500,000 shares and the underwriting commission.

The utility's reported capitalization ratios at September 30, 1972, and as adjusted to give effect to assumed proceeds of \$27,000,000 from the proposed common stock issue, are summarized as follows:

	<u>September 30, 1972</u>	<u>Pro Forma</u>
First mortgage bonds	42.32%	40.42%
Sinking fund debentures	5.07	4.85
Other long-term debt	9.89	9.44
Preferred and preference stock	13.61	13.01
Common stock equity	<u>29.11</u>	<u>32.28</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. 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. 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 price or underwriters' compensation pertaining to the proposed stock issue would result in excessive effective costs, it would 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 December 31, 1972, may issue and sell not exceeding 1,500,000 shares of its \$10 par value common stock. The price and underwriting commission are to be determined through negotiation, with the parties giving consideration to prevailing market conditions.

2. San Diego Gas & Electric Company shall apply the net proceeds from the sale of the stock herein authorized to the reduction of its short-term indebtedness.

3. Promptly after San Diego Gas & Electric Company ascertains the underwriting commission and price to be paid to it for the common 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 the common stock herein authorized.

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 purpose to which the stock proceeds were applied.

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

Dated at San Francisco, California, this
14th day of NOVEMBER, 1972.

Vernon L. Sturgeon
President
William George H.
McKinnis
John W.
Sturgeon
Commissioners