

ORIGINALDecision No. 84283

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 not exceeding \$50,000,000)
 aggregate principal amount of its)
 First Mortgage Bonds, Series O, to)
 execute and deliver a Fifteenth)
 Supplemental Indenture, and for)
 exemption from the requirements of)
 the competitive bidding rule.)

Application No. 55522
 (Filed February 27, 1975)

Chickering & Gregory, by Leslie P. Jay,
 Attorney at Law, for applicant.
Sidney J. Webb, for the Commission staff.

O P I N I O N

San Diego Gas & Electric Company seeks an order granting it an exemption from the Commission's competitive bidding rule, and authorizing it (a) to issue and sell not exceeding \$50,000,000 aggregate principal amount of its First Mortgage Bonds, Series O, and (b) to execute and deliver a Fifteenth Supplemental Indenture.

After due notice, a public hearing in the above-entitled matter was held before Examiner Tomita in San Francisco on March 14, 1975, at the conclusion of which the matter was taken under submission.

Applicant is a California corporation engaged principally in the business of providing electric service in portions of Imperial and Orange Counties, and electric, gas and steam service in portions of San Diego County. The utility reports that as of December 31, 1974, its uncapitalized construction amounted to \$70,577,741 and the unexpended balance of its capital budget was \$370,202,600.

The company proposes to issue and sell not exceeding \$50,000,000 aggregate principal amount of its bonds and to apply the net proceeds, exclusive of accrued interest, to the retirement and discharge of short-term bank loans and commercial paper representing temporary financing of additions to its utility plant, and to reimburse its treasury for capital expenditures. The accrued interest would be used for general corporate purposes. The bonds would be secured by an existing indenture as heretofore supplemented and amended and as further supplemented by a proposed Fifteenth Supplemental Indenture.

The reported capitalization ratios of the company as of December 31, 1974, and as adjusted to reflect the proposed \$50,000,000 of bonds and an estimated \$26,000,000 of proceeds from the common stock involved in Application No. 55526, are as follows:

	<u>December 31, 1974</u>	<u>Pro Forma</u>
First mortgage bonds	46.2%	47.9%
Debentures	3.5	3.2
Other long-term debt	.4	.4
Preferred and preference stocks	16.3	15.3
Common stock equity	<u>33.1</u>	<u>33.2</u>
Total	<u>100.0%</u>	<u>100.0%</u>

Applicant proposes to issue and sell the new bonds on a negotiated basis through a nationwide group of underwriters who would agree to purchase all of the bonds pursuant to an Underwriting Agreement. On or about May 6, 1975, the utility expects to complete negotiations with the underwriters for determining the terms of the proposed offering including (a) price of the bonds, (b) interest rate, (c) aggregate principal amount, (d) maturity date, (e) sinking fund requirements (if any), (f) call protection, (g) other redemption provisions, and (h) underwriting commissions.

In support of its request for exemption from competitive bidding requirements, applicant cites the continued uncertainty in the financial market. The record shows that negotiation would make available (a) maximum flexibility in arranging the timing of the issue, (b) additional flexibility to adjust various terms to changing market conditions, (c) very important market preparation by the prospective underwriters, and (d) a significantly larger number of underwriters.

The evidence adduced at the hearing persuades us that the present unsettled market conditions justify a negotiated offering of the securities. Although a negotiated sale may allow more flexibility in marketing the proposed bonds and facilitate the sale with less cost to applicant, a negotiated sale is not always necessarily in the public interest. This decision is not intended to modify the competitive bidding rule as initially set out in Decision No. 38614 (46 Cal. R.C. 231 (1946)).

After consideration of the application, testimony and exhibits, and noting the absence of any opposition, the Commission finds that:

1. The proposed bonds would be for proper purposes.
2. Applicant has need for external funds for the purposes set forth in this proceeding.
3. The proposed supplemental indenture would not be adverse to the public interest.
4. The sale of the proposed bonds should not be required to be through competitive bidding.
5. The money, property or labor to be procured or paid for by the bonds 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. The authorization herein granted is for the purpose of this proceeding only, and is not to be construed as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

Applicant is hereby placed on notice that if the Commission believes that the negotiated price or interest rate pertaining to the proposed bond issue will result in an excessive effective interest cost, it will take into consideration in rate proceedings only that which it deems reasonable.

O R D E R

IT IS ORDERED that:

1. The sale by San Diego Gas & Electric Company of not exceeding \$50,000,000 aggregate principal amount of its First Mortgage Bonds, Series O, is hereby exempted from the Commission's competitive bidding rule set forth in Decision No. 38614, dated January 15, 1946, as amended, in Case No. 4761.

2. San Diego Gas & Electric Company may execute and deliver a Fifteenth Supplemental Indenture in substantially the same form as Exhibit E attached to the application, with the modification or insertion of such terms and conditions as interest rate, principal amounts, maturity date, place and manner of payment, choice of law, sinking fund (if any), call protection and other redemption provisions and redemption restrictions as may be contemplated by the application.

3. San Diego Gas & Electric Company may issue and sell not exceeding \$50,000,000 aggregate principal amount of its First Mortgage Bonds, Series O, on terms and conditions to be negotiated in accordance with the record in this proceeding.

4. San Diego Gas & Electric Company shall use the net proceeds from the sale of said bonds for the purposes referred to in the application.

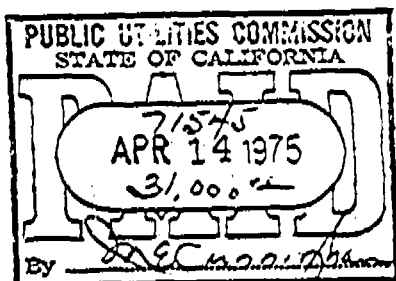
5. Upon determining the maturity date, price and interest rate pertaining to the bonds herein authorized, San Diego Gas & Electric Company shall notify the Commission thereof in writing.

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

7. Within one month after issuing and selling the bonds 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 for which it used the bond proceeds.

8. 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 \$31,000.

Dated at San Francisco, California, this 1st day of April, 1975.



Vernon L. Stinson
President
William J. ...
...
Leonard Rose

Commissioners

Commissioner Robert Batinovich

Present but not participating.