

Decision No. 85475

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)	Application No. 56221
and sell not exceeding 1,000,000)	(Filed January 22, 1976)
shares of its Preference Stock)	
(Cumulative), without par value.)	

O P I N I O N

San Diego Gas & Electric Company seeks authority to issue and sell 1,000,000 shares of its Preference Stock (Cumulative), without par value.

Applicant reports that its uncapitalized construction expenditures amounted to \$55,797,976 as of December 31, 1975, and that the unexpended balance of its capital budget on said date was \$526,837,000. At the time of selling the stock involved in this proceeding, the company estimates that its outstanding short-term bank loans and commercial paper will aggregate \$60,000,000 for temporary financing of additions to its utility plant.

The utility proposes to issue and sell 1,000,000 shares of its Preference Stock (Cumulative) in order to obtain funds for retiring and discharging a portion of said bank loans and commercial paper.

Applicant has commenced negotiations for the sale of said stock through a group of underwriters represented by Merrill Lynch, Pierce, Fenner & Smith Incorporated and Blyth Eastman Dillon & Co. Incorporated. The final terms of the Underwriting Agreement and other terms of the proposed offering, including the price, dividend rate, redemption provisions, underwriting spread, and sinking fund provisions, if any, would

be determined by negotiation prior to the proposed public offering, which is expected to occur on or about March 16, 1976. The utility contemplates that there may be restrictions on the redemption and/or refunding of the stock for up to ten years following the sale.

The company's reported capitalization ratios at December 31, 1975, and as adjusted to give effect to assumed proceeds of \$27,000,000 from the proposed stock issue, are as follows:

	<u>December 31, 1975</u>	<u>Pro Forma</u>
First mortgage bonds	48.0%	46.5%
Debentures	3.1	3.1
Other long-term debt	0.8	0.7
Preferred stock	3.2	3.1
Preference stock	12.5	15.0
Common stock equity	<u>32.4</u>	<u>31.6</u>
Total	<u>100.0%</u>	<u>100.0%</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 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 property 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' spread 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 effective date hereof and on or before June 30, 1976, may issue and sell not exceeding 1,000,000 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 net proceeds from the sale of the stock herein authorized to the purpose set forth in the application.

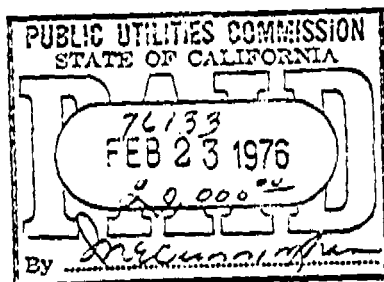
3. Promptly after San Diego Gas & Electric Company ascertains the dividend rate, underwriting spread, and price to be paid to it for the preference stock herein authorized, the company shall notify the Commission of each in writing.


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

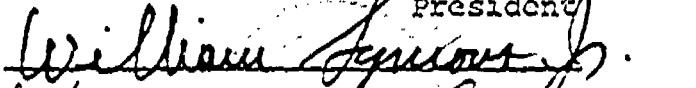
5. Within one month after issuing and selling the stock herein authorized, San Diego Gas & Electric Company shall file with the Commission a statement, in lieu of a report under General Order No. 24-B, disclosing the purposes to which the stock proceeds were applied.

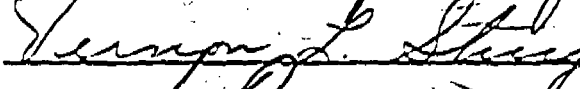
6. This order shall become effective when San Diego Gas & Electric Company has paid the fee prescribed by Section 1904.1 of the Public Utilities Code, which fee is \$20,000.


Dated at San Francisco, California, this 18th day of February, 1976.





President






Commissioners