

Decision 92-03-095 March 31, 1992

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SAN DIEGO GAS & ELECTRIC COMPANY to issue and sell not more than 2,848,487 shares of its Common Stock, \$5 par value, under its Common Stock Investment Plan. (U 902-M)

ORIGINAL

Application 91-11-064
(Filed November 15, 1991)

O P I N I O N

Summary of Decision

This decision grants San Diego Gas & Electric Company (SDG&E) the authority requested in Application (A.) 91-11-064 (Application) and related proceedings to issue, sell and deliver Common Stock under its Common Stock Investment Plan (Plan).

SDG&E requests authority, under Public Utilities (PU) Code §§ 816-818 and 851, to:

1. Issue and sell under its Common Stock Investment Plan not more than 2,848,487 shares of its Common Stock (Stock), \$5 par value, consisting of not more than 2,500,000 additional shares of Stock and not more than 348,487 shares of Stock (as of September 30, 1991 as previously authorized by Commission Decision (D.) 83-05-009, which shares are currently unissued and unsold; and
2. Use the net proceeds therefrom to reimburse SDG&E's treasury for capital expenditures and retirement of all or part of SDG&E's then outstanding short-term bank loans, commercial paper and current portion of long-term debt and preference stock sinking fund requirements.

Under SDG&E's Common Stock Investment Plan shareholders of record of SDG&E's Stock and SDG&E's customers are offered a convenient method for investing quarterly dividends and making voluntary cash contributions to purchase additional shares of Stock and for making initial purchases of Stock, respectively. The purchase price for the Stock is the market price at the time of purchase.

The Commission originally granted SDG&E authority to issue and sell 250,000 shares of its Stock under its Dividend Reinvestment Plan (DRP), the predecessor to the Plan authorized in Decision 86106 dated July 13, 1976, in A.56565. Under the DRP the Commission authorized the issuance and sale under the DRP of 500,000 shares of additional Stock in D.88870 dated May 31, 1978, in A.57962; an additional 2,000,000 shares of Stock in D.91853 dated June 3, 1980, in A.59547; and an additional 4,000,000 shares of Stock in D.83-05-009 dated March 10, 1983, in A.83-03-37. As of September 30, 1991, all of the foregoing shares of Stock have been issued and sold by SDG&E under the Plan except for approximately 348,487 shares authorized under D.83-05-009 which remain unissued and unsold.

SDG&E hereby seeks authority to issue and sell under the Plan a total of not more than 2,848,487 shares of its Stock, consisting of not more than 2,500,000 additional shares of Stock and not more than approximately 348,487 shares of Stock which remain unissued and unsold under D.83-05-009.

The 2,500,000 additional shares of Stock for which authorization is sought is based on SDG&E's best estimate of the number of shares to be issued under the Plan for a period of approximately five years.

Notice of the filing of the Application appeared on the Commission's Daily Calendar of December 16, 1991. No protests have been received.

Background

SDG&E, a California corporation, operates as a public utility under the jurisdiction of this Commission. SDG&E is primarily engaged in the business of providing electric service in portions of Orange County and electric, gas and steam service in portions of San Diego County.

For the nine months ended September 30, 1991, SDG&E reports in Exhibit A of the Application that it generated total operating revenues of \$1,241,523,677 and net income of \$160,452,104.

Also submitted as part of the Application, Exhibit A, SDG&E's Balance Sheet as of September 30, 1991, is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$3,010,607,249
Other Property and Investments	234,507,425
Current Assets	303,993,511
Deferred Charges	<u>130,073,424</u>
Total	\$3,679,181,609
 <u>Liabilities and Equity</u>	
Common Equity	\$1,339,442,359
Preferred/Preference Stock	142,493,000
Long-Term Debt	1,100,035,846
Other Long-Term Liabilities	122,371,898
Current Liabilities	489,410,990
Deferred Credits	<u>485,427,516</u>
Total	\$3,679,181,609

Capital Ratios

SDG&E's capital ratios reported as of September 30, 1991, are shown below as recorded and adjusted to give pro forma effect to the transactions that follow:

	<u>September 30, 1991</u>	<u>Pro Forma</u>
Long-Term Debt	44.9%	46.6%
Short-Term Debt	<u>2.1</u>	<u>1.9</u>
Total Debt	47.0%	48.5%
Preferred/ Preference Stock	5.0	4.5
Common Equity	<u>48.0</u>	<u>47.1</u>
Total	100.0%	100.0%

1. The proposed issuance and sale of up to \$425,000,000 aggregate principal amount of long-term debt. Up to \$300,000,000 of this amount will be used for the refinancing of outstanding long-term debt, leaving a balance of \$125,000,000 in new issues.
2. The issuance and sale of up to \$100,000,000 aggregate principal amount of long-term debt, authorized but unissued (D.90-02-051 dated February 23, 1990, in A.89-11-016 extended by D.92-01-002 dated January 2, 1992, in A.89-11-016).
3. The proposed issuance and sale of up to 2,500,000 additional shares of Applicant's Common Stock, \$5 par value, under its Common Stock Investment Plan, at the assumed price of \$42.50 per share, estimated to produce net proceeds of \$106,250,000.
4. The issuance of up to 1,231,078 shares of SDG&E's Common Stock, without par value, authorized but unissued under SDG&E's 1986 Long-Term Incentive Plan estimated to produce net proceeds of \$6,155,390 at the price of \$5 per share (D.86-08-046 dated August 20, 1986, in A.86-07-005).

5. The issuance and sale of up to 348,487 shares of SDG&E's Common Stock, without par value, authorized but unissued under SDG&E's Common Stock Investment Plan estimated to produce net proceeds of \$14,810,698 at the assumed price of \$42.50 per share (D.83-05-009 dated May 4, 1983, in A.83-03-37).
6. The issuance and sale of up to 607,986 shares of SDG&E's Common Stock, without par value, authorized but unissued under SDG&E's Employee Savings Plan estimated to produce net proceeds of \$25,839,405 at the assumed price of \$42.50 per share (D.92805 dated March 12, 1981, in A.60228).

SDG&E is placed on notice, by this decision, that the Commission does not find that its capital ratios or the inclusion of short-term debt in its capital structure are necessary or reasonable for ratemaking purposes. These are issues which are normally tested in general rate cases or cost of capital proceedings.

Construction Budgets

SDG&E's estimated construction budgets for calendar years 1991, 1992 and 1993 are approximately \$1,000,000,000. Major classifications of the total budgeted construction are summarized as follows:

<u>Components</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
	(Millions of Dollars)		
Electric Production	\$ 54.5	\$ 73.9	\$121.4
Electric Transmission	27.7	19.4	26.4
Electric Distribution	136.6	172.7	184.5
Gas	44.6	50.8	57.1
Steam	-0-	-0-	-0-
Common	15.8	30.8	25.7
Total	\$279.2	\$347.6	\$415.1
Less: Allowance for Funds Used During Construction	<u>8.8</u>	<u>9.2</u>	<u>12.5</u>
Funds Used/Required for Construction Expenditures	\$270.4	\$338.4	\$402.6

SDG&E is placed on notice, by this decision, that the Commission does not find that SDG&E's construction budgets are necessary or reasonable for ratemaking purposes. These are issues normally tested in general rate cases or rate base offset proceedings.

Cash Requirements Forecasts

SDG&E's cash requirements forecasts for the years 1991, 1992 and 1993 are shown as follows:

<u>Components</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
	(Millions of Dollars)		
Cash Needed for Construction Expenditures	\$270.4	\$338.4	\$402.6
Bond Maturities and Redemptions	.4	.4	.4
Preferred/Preference Stock Retirements	3.0	3.0	4.8
Short-Term Debt Outstanding at the Beginning of Year	<u>53.0</u>	<u>75.5</u>	<u>121.5</u>
Subtotals	\$326.8	\$417.3	\$529.3
Less: Estimated Internal Cash Generation	<u>242.3</u>	<u>135.8</u>	<u>181.3</u>
Additional Funds Required from External Sources	\$ 84.5	\$281.5	\$348.0

CACD has analyzed SDG&E's cash requirements forecast for 1991, 1992 and 1993 provided in SDG&E's Supplemental Data as shown in Schedule III. CACD has concluded that internally generated funds will provide about 74.1% or \$242.3 million of the capital requirements in 1991, 32.5% or \$135.8 million in 1992 and 34.3% or \$181.3 million in 1993. CACD concludes that the proposed sale of SDG&E's Stock is necessary to help meet forecasted cash requirements which include capital expenditures.

General Order 24 Modification

SDG&E had over 1,100,000 electric customers and approximately 62,000 common stock shareholders as of December 31, 1990, and is unable to state the total number of its customers or shareholders who will purchase shares of the Stock through the Plan. Accordingly, SDG&E requests authorization to be relieved of the necessity of complying with the Commission's General Order (GO) 24, which requires monthly reporting of receipts and disbursements from the sale of stocks, bonds and other evidences of indebtedness. In lieu of a monthly report or reports under this General Order,

SDG&E proposes to file with the Commission on or before the 25th day of the month following each quarter, a statement for the preceding quarter showing the number of shares of the Stock purchased under the Plan; the gross proceeds received; and the expenses incurred by SDG&E in connection with the issue and sale of the Stock under the Plan.

CACD has reviewed SDG&E's request for exemption of Stock Purchases through the Plan, and to be consistent with D.83-05-009 which relieved SDG&E from the necessity of complying with GO 24 for sales of Stock under the Common Stock Investment Plan, CACD recommends that the Commission relieve SDG&E of the otherwise applicable GO 24 requirements for Stock sales under the Plan. CACD concurs that SDG&E should file with the Commission, on or before the 25th day of the month following each quarter, a statement for the preceding quarter showing the number of shares of the Stock purchased under the Plan; the gross proceeds received; and the expenses incurred by SDG&E in connection with the issue and sale of Stock under the Plan. We will accept CACD's recommendation.

CACD has reviewed the Application and has concluded that the proposed sale of SDG&E's Stock is reasonable and that the authority should be granted. The Commission has considered CACD's recommendations and, finding them reasonable, will adopt them as stated above.

Use of Proceeds

SDG&E proposes that all of the shares of Stock are to be issued for, and the net proceeds therefrom are to be applied to, reimbursement of SDG&E's treasury for capital expenditures and retirement of all or part of the SDG&E's then outstanding short-term bank loans, commercial paper, and current portion of long-term debt and preference stock sinking funds requirements. The amounts so reimbursed will become a part of SDG&E's general treasury funds.

Findings of Fact

1. SDG&E, a California corporation, operates as a public utility subject to the jurisdiction of this Commission.

2. SDG&E has need for external funds as set forth in the Application.

3. The proposed Stock would be for proper purposes.

4. The money, property or labor to be procured, or paid for, by the proposed Stock is reasonably required for the purposes specified in the Application.

5. The Commission does not by this decision determine that SDG&E's construction budget is necessary or reasonable for ratemaking purposes. These issues are normally tested in general rate cases or rate base offset proceedings.

6. SDG&E is placed on notice by this decision that the Commission does not find that SDG&E's capital ratios or the inclusion of short-term debt in its capital structure is necessary or reasonable for ratemaking purposes. These are issues normally tested in general rate cases or cost of capital proceedings.

7. There is no known opposition and there is no reason to delay granting the authority requested.

Conclusions of Law

1. A public hearing is not necessary.

2. The Application should be granted to the extent set forth in the order which follows.

3. The proposed Stock issuance and sale are for lawful purposes and the money, property or labor to be obtained, or paid for, by the Stock are required for these purposes. Proceeds from the Stock may not be charged to operating expenses or income.

4. We place SDG&E and its shareholders on notice that the number of shares outstanding, the total par or book value of these shares and the dividends paid do not determine the allowable return on plant investment. This authorization is not a finding of the value of SDG&E's stock or property, nor does it indicate the amounts to be included in rate setting procedures.

5. The following order should be effective on the date of signature and payment of the fee set by PU Code §§ 1904.1 to enable SDG&E to proceed expeditiously with the sale of its Common Stock under its Common Stock Investment Plan.

O R D E R

IT IS ORDERED that:

1. At any time or times after the effective date of this order and on or prior to December 31, 1997, San Diego Gas & Electric Company (SDG&E) may issue and sell on terms and conditions as set forth in its Common Stock Investment Plan (Plan), substantially in the form as described in this Application, not more than 2,848,487 shares of its Common Stock (Stock). These shares of Stock consist of not more than 2,500,000 additional shares of its Stock and not more than approximately 348,487 shares of its Stock previously authorized under D.83-05-009, which remain unissued and unsold as of September 30, 1991.

2. SDG&E may use the net proceeds to be received from the Stock to reimburse SDG&E's treasury for capital expenditures and retirement of all or part of SDG&E's then outstanding short-term bank loans, commercial paper and current portion of long-term debt and preference stock sinking fund requirements.

3. If the Stock is sold by means of a public offering, SDG&E shall file with the Commission Advisory and Compliance Division three copies of its final prospectus pertaining to the Stock, as soon as practicable, after the prospectus is available.

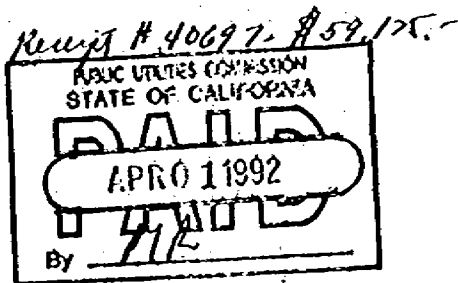
4. SDG&E shall file on or before the 25th day of the month following each quarter a statement for the preceding quarter showing the number of shares of the Stock purchased under the Plan; the gross proceeds received; and the expenses incurred by SDG&E in connection with the issue and sale of the Stock under the Plan. This filing shall be in lieu of reports required by General Order 24.

5. The application is granted as set forth above.

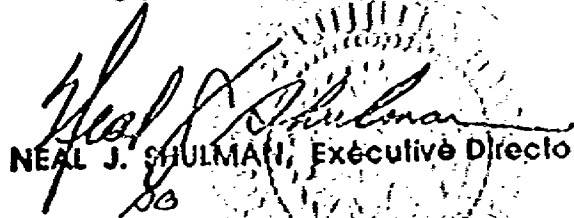
The authority granted by this order to issue and sell Stock will become effective when SDG&E pays \$59,125.00, the fee set by Public Utilities Code §§ 1904.1. In all other respects, this order is effective today.

Dated March 31, 1992, at San Francisco, California.

DANIEL Wm. FESSLER
President
JOHN B. OHANIAN
PATRICIA M. ECKERT
NORMAN D. SHUMWAY
Commissioners



I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY


NEAL J. SHULMAN, Executive Director

