

Decision 92-04-046 April 22, 1992

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SAN DIEGO GAS & ELECTRIC COMPANY to
issue 60,629,235 shares of its
Common Stock to the holders of its
outstanding shares of Common Stock
on a share-for-share basis.
(U 902-M)

ORIGINAL
Application 92-02-044
(Filed February 25, 1992)

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.) 92-02-044 (Application) to issue 60,629,235 shares of its Common Stock (Stock) on a share-for-share basis for the purpose of enacting a 2-for-1 Stock split.

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

1. Issue 56,248,038 shares of Stock for outstanding shares of Stock as of December 31, 1991;
2. Issue 190,614 additional shares of Stock for authorized but unissued shares under the Common Stock Investment Plan;
3. Issue 2,500,000 additional shares of Stock for shares of Stock under the Common Stock Investment Plan which are pending Commission authorization in A.91-11-064;
4. Issue 490,395 additional shares of Stock for authorized but unissued shares under the Employee Savings Plan; and
5. Issue 1,200,188 additional shares of Stock for authorized but unissued shares under the Long-Term Incentive Plan.

Notice of the filing of the Application appeared on the Commission's Daily Calendar of March 5, 1992. 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 twelve months ending December 31, 1991, SDG&E reports in Exhibit B of the Application that it generated total operating revenues of \$1,695,715,271 and net income of \$208,059,166.

Also submitted as part of the Application, Exhibit B, SDG&E's Balance Sheet as of December 31, 1991, is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$3,031,799,481
Other Property and Investments	245,419,810
Current and Accrued Assets	337,153,623
Deferred Charges	<u>133,613,335</u>
Total	\$3,747,986,249
<u>Liabilities and Equity</u>	
Common Equity	\$1,357,677,822
Preferred/Preference Stock	142,493,000
Long-Term Debt	1,113,867,555
Other Long-Term Liabilities	120,443,032
Current and Accrued Liabilities	542,637,361
Deferred Credits	<u>470,867,479</u>
Total	\$3,747,986,249

As of December 31, 1991, SDG&E's construction expenditures unreimbursed from the sale of securities amounted to approximately \$841,481,968 as shown in Exhibit D of the Application.

Proposed Common Stock Issue

SDG&E proposes to issue and deliver not exceeding 60,629,235 shares of its Common Stock, as an exchange of securities, pursuant to the Commission's Rules of Practice and Procedure Rule 33(c)(6). SDG&E alleges that the proposed Stock split will broaden the market for SDG&E's Stock, result in an increased number of shareholders, and result in greater liquidity for the shareholders of SDG&E.

On February 24, 1992, SDG&E's Board of Directors authorized, subject to approval of its stockholders, an amendment to its Articles of Incorporation to increase from 170 million to 255 million the number of shares of Stock SDG&E is authorized to issue and to split the outstanding shares of Stock on a two-for-one basis. SDG&E's stockholders will vote on the amendment to SDG&E's Restated Articles of Incorporation and the 2-for-1 Stock split at SDG&E's regularly scheduled Shareholders' Meeting to be held in San Diego, California at 11:00 a.m. on April 28, 1992.

As of December 31, 1991, SDG&E had Stock shares issued, authorized but unissued, and pending Commission authorization, as shown in Table I, below. Table I also tabulates the 60,629,235 additional shares of Stock for which SDG&E requests Commission authorization: 56,248,038 additional shares for outstanding shares as of December 31, 1991; 190,614 additional shares for authorized but unissued shares under the Common Stock Investment Plan; 2,500,000 additional shares for shares under the Common Stock Investment Plan which are pending Commission authorization

(A.91-11-064)¹; 490,395 additional shares for authorized but unissued shares under the Employee Savings Plan; and 1,200,188 additional shares for authorized but unissued shares under the Long-Term Incentive Plan. As of the date of this decision, some of the shares that were authorized but unissued as of December 31, 1991, have been issued.

TABLE I
Common Stock as of December 31, 1991

	<u>Number of Shares</u>	
	<u>Existing</u>	<u>Additional for 2-for-1 Stock Split</u>
Total Shares Issued	56,248,038	56,248,038
Shares Authorized but Unissued:		
Common Stock Investment Plan	190,614	190,614
Employee Savings Plan	490,395	490,395
Long-Term Incentive Plan	<u>1,200,188</u>	<u>1,200,188</u>
Sub-Total Authorized But Unissued	<u>1,881,197</u>	<u>1,881,197</u>
Total Shares Authorized	58,129,235	58,129,235
Shares Pending Authorization (A.91-11-064 Common Stock Investment Plan)	<u>2,500,000</u>	<u>2,500,000</u>
Total Shares Authorized and Requested	60,629,235	60,629,235

¹ Decision (D.) 92-03-095, dated March 31, 1992, authorized SDG&E to issue 2,500,000 additional shares of Common Stock under its Common Stock Investment Plan.

Capital Ratios

SDG&E's capital ratios reported as of December 31, 1991, are shown below as recorded and adjusted to give pro forma effect to the transactions that follow:

	<u>December 31, 1991</u>	<u>Pro Forma</u>
Long-Term Debt	45.0%	45.6%
Short-Term Debt	<u>1.8</u>	<u>1.5</u>
Total Debt	46.8	47.1
Preferred/Preference Stock	5.0	6.6
Common Equity	<u>48.2</u>	<u>46.3</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 (D.92-03-049 dated March 11, 1992, in A.91-10-068).
2. The issuance and sale of up to \$85,600,000 aggregate principal amount of long-term debt, authorized but unissued (D.92-01-002 dated January 2, 1992, in A.89-11-016).
3. The proposed issuance and sale of up to \$100,000,000 of preferred and/or preference stock. Up to \$25,000,000 of this amount will be used for the refinancing of outstanding preferred/preference stock, leaving a balance of \$75,000,000 in new issues (A.92-01-070 filed January 31, 1992).
4. The proposed issuance and sale of up to 5,000,000 additional shares (2,500,000 before Stock split) of SDG&E's Stock, without par value, under its amended Common Stock Investment Plan, at the assumed price of \$21.75 per share (\$43.50 before Stock split), estimated to produce net proceeds of \$108,750,000 (D.92-03-095 dated March 31, 1992, in A.91-11-064).

5. The issuance and sale of up to 381,228 shares (190,614 before Stock split) of SDG&E's Stock, without par value, authorized but unissued under SDG&E's Common Stock Investment Plan estimated to produce net proceeds of \$8,291,709 at the assumed price of \$21.75 per share (\$43.50 before Stock split) (D.83-05-009 dated May 4, 1983, in A.83-03-37).
6. The issuance of up to 2,400,376 shares (1,200,188 before Stock split) of SDG&E's Stock, without par value, authorized but unissued under SDG&E's 1986 Long-Term Incentive Plan estimated to produce net proceeds of \$6,000,940 at the price of \$2.50 per share (\$5.00 before Stock split) (D.86-08-046 dated August 29, 1986, in A.86-07-005).
7. The issuance and sale of up to 980,790 shares (490,395 before Stock split) of SDG&E's Stock, without par value, authorized but unissued under SDG&E's Employee Savings Plan estimated to produce net proceeds of \$21,332,183 at the assumed price of \$21.75 per share (\$43.50 before Stock split) (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 1992, 1993, and 1994 amount to approximately \$1,201,000,000. Major classifications of the total budgeted construction are summarized as follows:

<u>Components</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
	<u>(Millions of Dollars)</u>		
Electric Production	\$ 73.9	\$121.4	\$158.2
Electric Transmission	19.4	26.4	35.2
Electric Distribution	172.7	184.5	191.2
Gas	50.8	57.1	65.0
Steam	-0-	-0-	-0-
Common	<u>30.8</u>	<u>25.7</u>	<u>24.6</u>
Total	\$347.6	\$415.1	\$474.2
Less: Allowance for Funds Used During Construction	<u>9.2</u>	<u>12.5</u>	<u>14.0</u>
Funds Used/Required for Construction Expenditures	\$338.4	\$402.6	\$460.2

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 1992, 1993 and 1994 are shown as follows:

<u>Components</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
	<u>(Millions of Dollars)</u>		
Cash Needed for Construction			
Expenditures	\$338.4	\$402.6	\$460.2
Bond Maturities and			
Redemptions	0.4	0.6	9.8
Preferred/Preference			
Stock Retirements	3.0	4.8	3.3
Short-Term Debt Outstanding			
at Beginning of Year	<u>33.0</u>	<u>66.0</u>	<u>106.7</u>
Subtotals	\$374.8	\$474.0	\$580.0
Less: Estimated Internal			
Cash Generation	<u>148.8</u>	<u>196.7</u>	<u>209.6</u>
Additional Funds Required			
from External Sources	\$226.0	\$277.3	\$370.4

The Commission Advisory and Compliance Division (CACD) has analyzed SDG&E's cash requirements forecast for 1992, 1993 and 1994. CACD has concluded that internally generated funds will provide about 39.7% or \$148.8 million of the capital requirements in 1992, 41.5% or \$196.7 million in 1993 and 36.1% or \$209.6 million in 1994.

General Order 24(b) Modification

SDG&E requests authorization to be relieved of the necessity of complying with the Commission's General Order (GO) 24(b), which requires monthly reporting of receipts and disbursements from the sale of stocks, bonds and other indebtedness. In lieu of a monthly report or reports under this General Order, SDG&E proposes to file with the Commission within

thirty days after amending its Restated Articles of Incorporation to effect the Stock split, a certified copy of such amendment.

CACD has reviewed SDG&E's request for an exemption from complying with GO 24(b) reporting requirements and recommends that in lieu of filing GO 24(b) reports SDG&E should comply with the following:

1. SDG&E should submit a report to CACD stating the number of shares of Common Stock issued to shareholders for outstanding shares of Common Stock within 30 days of effecting its 2-for-1 Stock split;
2. SDG&E should continue to comply with D.92-03-095, D.86-08-047, and D.92805 for reporting the sale and issuance of authorized but unissued shares of Stock under its Common Stock Investment Plan, its Long-Term Incentive Plan, and its Employee Savings Plan; and
3. SDG&E should file with the Commission a certified copy of its amended Restated Articles of Incorporation within 30 days of amendment.

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

Findings of Fact

1. SDG&E, a California corporation, operates as a public utility subject to the jurisdiction of this Commission.
2. The proposed issuance of Stock would be for proper purposes.
3. 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.

4. 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 or rate base offset proceedings.

5. 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 or cost of capital proceedings.

6. 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 issuance of the Stock is for lawful purposes and the money, property or labor to be obtained, or paid for, by the Stock is required for these purposes. Proceeds from the Stock may not be charged to operating expenses or income.

4. In issuing our order 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. No fee is due to the Commission on the Stock authorized in this decision pursuant to PU Code § 1904.1.

6. The following order should be effective on the date of signature to enable SDG&E to proceed expeditiously with the issuance of its Common Stock on a share-for-share basis.

O R D E R

IT IS ORDERED that:

1. At any time on or after the effective date of this order San Diego Gas & Electric Company (SDG&E) may issue an additional 60,629,235 shares of its Common Stock (Stock), on a share-for-share basis, for the sole purpose of enacting a 2-for-1 Stock split. SDG&E is authorized to:

- a. Issue 56,248,038 additional shares of Stock for outstanding shares as of December 31, 1991;
- b. Issue 190,614 additional shares of Stock for authorized but unissued shares under the Common Stock Investment Plan;
- c. Issue 2,500,000 additional shares of Stock for authorized but unissued shares under the Common Stock Investment Plan;
- d. Issue 490,395 additional shares of Stock for authorized but unissued shares under the Employee Savings Plan; and
- e. Issue 1,200,188 additional shares of Stock for authorized but unissued shares under the Long-Term Incentive Plan.

2. In lieu of filing reports required by General Order 24(b), SDG&E shall:

- a. File with the Commission a certified copy of its amended Restated Articles of Incorporation within 30 days of amendment;
- b. Submit a report to CACD stating the total number of shares of Stock issued to SDG&E's shareholders for outstanding shares of Stock within 30 days of effecting its 2-for-1 Stock split; and

- c. Continue to comply with Decision (D.) 92-03-095, D.86-08-047, and D.92805 for reporting the sale and issuance of authorized but unissued shares of Stock under its Common Stock Investment Plan, its Long-Term Incentive Plan, and its Employee Savings Plan.

3. The Application is granted as set forth above.
The authority granted by this order is effective today.

Dated April 22, 1992, at San Francisco, California.

DANIEL Wm. FESSLER
President

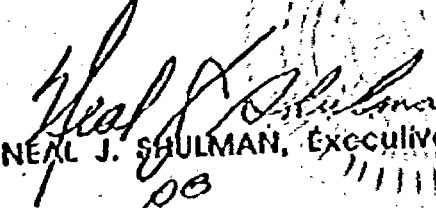
JOHN B. OHANIAN

PATRICIA M. ECKERT

NORMAN D. SHUMWAY

Commissioners

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


NEAL J. SHULMAN, Executive Director
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