

ORIGINAL

Decision 82 12 070 DEC 15 1982

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SAN DIEGO GAS &)
 ELECTRIC COMPANY to modify)
 Decision No. 93733 and Decision)
 No. 82-08-008 to extend the time)
 for issuance of certain securities)
 and to obtain authorization to)
 issue and sell on or before)
 December 31, 1983, up to an)
 additional 5,000,000 shares of its)
 shares of its Common Stock, \$5 par)
 value.)

Application 82-10-26
(Filed October 13, 1982)

O P I N I O N

In Decision (D.) 93733, dated November 13, 1981, corrected by D.93780 dated December 1, 1981 in Application (A.) 60933, San Diego Gas & Electric Company (SDG&E) was granted the authority to issue and sell (1) up to 7,000,000 shares of its Common Stock, \$5 par value; (2) 1,600,000 shares of its Preference Stock (Cumulative); and (3) \$200,000,000 of its First Mortgage Bonds (Bonds) exempted from competitive bidding for a sale or sales by means of a negotiated public offering or negotiated private placement. Authority was granted to issue supplemental indentures for each new series of Bonds. This authority expires as of December 31, 1982.

In D.82-08-008 dated August 4, 1982 in A.82-06-60, authority was granted to SDG&E to issue and sell up to \$75,000,000 of the \$200,000,000 of Bonds authorized in D.93733 to San Diego Gas

& Electric Finance N.V. (Finance), a wholly owned subsidiary, or to issue guarantees for Finance's obligations, for the purpose of effecting a Eurobond financing.

SDG&E anticipates that as of December 31, 1982, authorized but unissued securities under the foregoing decisions will amount to 4,000,000 shares of Common Stock, \$5 par value; 1,350,000 shares of Preference Stock (Cumulative); and \$145,000,000 of its Bonds (including those authorized to be issued to Finance in D.82-08-008). This authority will also expire as of December 31, 1982.

In the present application, SDG&E requests authority, under Public Utilities (PU) Code Sections 816 through 830, for the following:

1. To incorporate by point of reference the prior decisions and to extend the time up to and including December 31, 1983 to issue and sell the unissued securities granted in D.93733 and modified by D.82-08-008;
2. To modify D.93733 and D.82-06-60 to increase the amount of Bonds to be issued and sold to Finance in a Euro-bond financing from \$75,000,000 to \$125,000,000 aggregate principal amount, an increase of \$50,000,000; and
3. To issue and sell an additional 5,000,000 shares of Common Stock, \$5 par value, under the terms and conditions specified in the application.

Commission Authority

Under PU Code Section 1708, the Commission may permit the incorporation of any order or prior decisions made by it into the present proceeding and may grant an extension of time under Rule 43 of the Rules of Practice and Procedure.

Summary of Decision

This decision grants SDG&E an extension up to and including December 31, 1983 to fulfill its prior authorizations in D.93733 as modified by D.82-08-008. It grants a further modification of Ordering Paragraphs 1 and 2 in D.82-08-008 to permit the issuance and sale of up to \$125,000,000 of the Bonds authorized in D.93733 to Finance in a Eurobond financing or as a guarantee of those issued by Finance for this purpose. The company is also authorized to issue and sell an additional 5,000,000 shares of its Common Stock, \$5 par value, that has not previously been authorized.

Notice of the filing of the application appeared on the Commission's Daily Calendar of October 15, 1982. No protests have been received.

SDG&E, a California corporation, operates as a public utility under the jurisdiction of the Commission. SDG&E provides electric service in portions of Orange and Imperial Counties and electric, gas, and steam service in portions of San Diego County.

For the 12 months ended August 31, 1982, SDG&E reports it generated total operating revenues of \$1,343,986,000 and net income of \$144,724,000 shown in the application as part of Exhibit A.

Also shown as part of Exhibit A is SDG&E's Balance Sheet as of August 31, 1982 summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$1,935,894,628
Other Property & Investments	38,998,714
Current and Accrued Assets	284,358,895
Deferred Debits	<u>42,714,152</u>
Total	\$2,301,966,389

<u>Liabilities and Equity</u>	
Common Equity	\$ 748,182,029
Preferred/Preference Stock	271,000,000
Long-Term Debt ^{1/}	767,795,472
Current and Accrued Liabilities ^{1/}	401,082,742
Deferred Credits and Reserves	<u>113,906,146</u>
Total	\$2,301,966,389

^{1/} Current portion of long-term debt, \$15,092,300 transferred to Current and Accrued Liabilities.

SDG&E anticipates that both the unissued shares of common stock and the additional shares totaling 9,000,000 shares would be sold through private placement or public sale. Any public sale would be made through one or more underwriter(s) under a negotiated purchase agreement with the underwriter(s) or representative(s) of the underwriter(s). SDG&E has stated that copies of any purchase agreement, when entered into, will be submitted to this Commission. The company anticipates that the net proceeds it receives from the

sale of this stock would in no event be less than 90% of the last reported sale price of SDG&E's common stock listed on the New York Stock Exchange prior to the time the price is fixed. No offering of rights to its present shareholders is contemplated.

Use of the Proceeds

SDG&E proposes to use the net proceeds from sale(s) of its securities for the following purposes:

1. To retire a portion of its outstanding short-term bank loans and commercial paper;
2. To refund its bank term loan from First Chicago Bank due in May 1985 in the amount of \$13,333,300 and the foreign term bank loan from Credit Suisse due in April 1986 in the amount of \$2,333,300; and
3. The balance, if any, would be used to reimburse SDG&E for funds it has advanced for capital expenditures.

SDG&E's construction budget for calendar year 1982 amounts to \$319,369,000 of which \$184,773,000 had been spent as of August 31, 1982. The construction budget for calendar year 1983 has an estimated cost outlay of \$424,575,000. Major classifications of the 1982 and 1983 budgeted construction is summarized as follows:

<u>Purpose</u>	<u>1982</u>	<u>1983</u>
Electric Production	\$135,662,000	\$112,548,000
Electric Transmission	66,483,000	214,665,000
Electric Distribution	86,621,000	75,398,000
Gas Production, Transmis- sion, and Distribution	21,964,000	19,751,000
Steam Department	333,000	25,000
Common Plant	<u>8,306,000</u>	<u>2,188,000</u>
Total	\$319,369,000	\$424,575,000

The utility reports that as of August 31, 1982 it had unreimbursed construction totaling \$286,330,253 on which it could issue additional securities.

SDG&E's capital ratios reported as of August 31, 1982 are shown below as recorded and adjusted to give pro forma effect to the transactions that follow:

	<u>August 31, 1982</u>	<u>Pro Forma</u>
Long-Term Debt	38.6%	39.6%
Short-Term Debt	10.2	7.4
Total Debt	<u>48.8</u>	<u>47.0</u>
Preferred/Preference Stock	13.6	13.5
Common Equity	<u>37.6</u>	<u>39.5</u>
Total	100.0%	100.0%

1. The proposed issuance and sale of up to 5,000,000 additional shares of SDG&E's Common Stock, \$5 par value, at the assumed price of \$16.10 per share, estimated to produce net proceeds of \$80,500,000;
2. The issuance and sale of 4,000,000 shares of SDG&E's Common Stock, \$5 par value, at the assumed price of \$16.10 per share estimated to produce net proceeds of \$64,400,000 (D.93733 dated November 13, 1981 in A.60933);

3. The issuance and sale of \$145,000,000 aggregate principal amount of SDG&E's Bonds (D.93733 dated November 13, 1981 in A.60933);
4. The retirement of \$400,000 principal amount of First Mortgage Bonds, Series 5-1/2%, in September 1983 and \$375,000 principal amount of First Mortgage Bonds, Series 5-5/8% in January 1983 (D.93270 dated July 7, 1981 in A.60554);
5. The retirement of \$30,000 principal amount of Debentures, Series 4-5/8%, in January 1983 (D.57718 dated December 16, 1958 in A.40648);
6. The retirement of \$32,700 principal amount of Debentures, Series 4-1/2%, in September 1983 (D.67672 dated August 11, 1964 in A.46837);
7. The retirement of \$13,333,300 principal amount of a bank term loan from First Chicago Bank due in May 1985 (D.87226 dated April 19, 1977 in A.57207);
8. The retirement of \$2,333,300 principal amount of a foreign term loan from Credit Suisse, due in April 1986 (D.90210 dated April 24, 1979 in A.58771);
9. The issuance and sale of 1,350,000 shares of Preference Stock (Cumulative) estimated to produce net proceeds of \$35,500,000 (D.93733 dated November 13, 1981 in A.60933);
10. The retirement of \$2,000,000 of \$9.125 Series, Preference Stock (Cumulative) (D.87474 dated June 21, 1977 in A.57335); and
11. The proposed increase in short-term debt authorization from \$200,000,000 to \$275,000,000, outstanding at any one time (D.82-12-011 dated December 1, 1982 in A.82-10-27).

As of August 31, 1982, SDG&E had outstanding short-term obligations totaling \$202,580,545. This total consisted of commercial paper and promissory notes in the amount of \$103,988,245, including \$8,988,245 of Notes Payable to Subsidiaries (used for capital additions and improvements); \$83,500,000 of bankers' acceptances (used to finance fuel oil); and \$15,082,300 covering the current portion of long-term debt payable within 12 months.

The Commission's Revenue Requirements Division has reviewed SDG&E's application and its 1982 and 1983 construction budgets. The Division has no objection to the proposed sale of SDG&E's security issues but reserves the right to reconsider the reasonableness of any specific construction expenditure in future rate proceedings.

The Revenue Requirements Division has analyzed SDG&E's cash requirement forecast provided the Commission in supplemental data and has concluded that internally generated funds will provide about 17% of capital expenditures in 1982 and 40% in 1983. The Division has concluded that the proposed sale of SDG&E's securities is necessary to help meet forecasted cash requirements.

Findings of Fact

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

2. SDG&E has a continuing need for external funds for the purposes set forth in A.60933 as modified by A.82-06-60 and in this proceeding.

3. An extension of time for SDG&E to issue the securities authorized in D.93733 as modified by D.82-08-008 is appropriate as those orders continue to affect the construction expenditure in 1983 are not adverse to the public interest and should be incorporated by reference.

4. The proposed issuance and sale of SDG&E's Common Stock, \$5 par value; Preference Stock (Cumulative); and Bonds (including guarantees of Finance's obligations) would be for proper purposes.

5. The proposed issuance and sale of an additional \$50,000,000 aggregate principal amount of Bonds, increasing the total from \$75,000,000 to \$125,000,000, to Finance or issuing guarantees of Finance's obligations in a Eurobond financing, would be for proper purposes.

6. SDG&E's authority to issue and sell its Bonds, exempted from competitive bidding granted in D.93733 and D.82-08-008, remains in full force and effect.

7. The money, property, or labor to be procured or paid for by the proposed sale of SDG&E's securities is reasonably required for the purposes specified in the application.

8. There is no known opposition to the application and 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.

The proposed security issues are for lawful purposes and the money, property, or labor to be obtained by them is required for these purposes. Proceeds from the security issues may not be charged to operating expenses or income.

The number of common shares outstanding, the total par value of the shares, and the dividend paid do not determine allowable return on plant investment. This authorization to issue additional shares of common stock 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 proceedings.

The following order should be effective on the date of signature and payment of the fee set by PU Code Sections 1904.1 and 1904(b), as adjusted for the unissued shares of common stock, to permit SDG&E to proceed with the sale of its securities expeditiously.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company (SDG&E) may exercise the authorities granted in Decision (D.) 93733 dated November 13, 1981 corrected by D.93780 dated December 1, 1981 in Application (A.) 60933 as modified by D.82-08-008 dated August 4, 1982 in A.82-06-60 (which are incorporated by reference) and further modified by this decision except for the modifications and additions requested in the present application and shown in this order. As modified herein, the authorities granted in the above decisions remain in full force and effect up to and including December 31, 1983.

2. Ordering Paragraph 3 in D.93733 in A.60933 is modified to read as follows:

3. SDG&E may issue and sell up to \$200,000,000 aggregate principal amount of its Bonds in one or more series, up to and including December 31, 1983 on terms and conditions to be negotiated, or contemplated, in the application.

3. Ordering Paragraph 4 in D.93733 in A.60933 is modified to read as follows:

4. The sale by SDG&E of up to \$200,000,000 aggregate principal amount of its Bonds, in one or more sales, up to December 31, 1983 is exempted from the Commission's competitive bidding rule set forth in D.38614 dated January 15, 1946 in C.4761, as amended for either a negotiated public offering or a private placement sale.

4. Paragraph 1 of D.82-08-008 in A.82-06-60 is modified to read as follows:

1. San Diego Gas & Electric Company (SDG&E) may issue, sell, and deliver on a negotiated basis to San Diego Gas & Electric Finance N.V. (Finance), a wholly owned subsidiary of SDG&E, one or more series of its First Mortgage Bonds (Bonds) in an aggregate principal amount of up to \$125,000,000 of the \$200,000,000 authorized by Decision (D.) 93733 dated November 13, 1981 as corrected by D.93780 dated December 1, 1981 in Application (A.) 60933 under terms and conditions substantially consistent with those set forth, or contemplated, in the application.

5. Paragraph 2 of D.82-08-008 in A.82-06-60 is modified to read as follows:

2. In the alternative, SDG&E may guarantee an aggregate principal amount of up to \$125,000,000, excluding interest, premiums (if any), and other charges associated with Eurobonds issued by Finance.

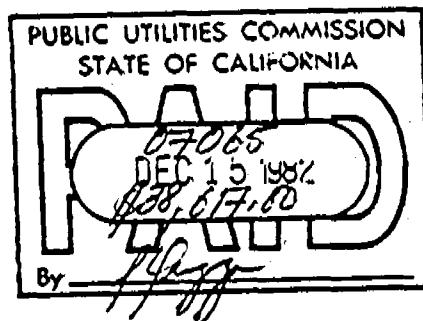
6. In addition, SDG&E may issue and sell an additional 5,000,000 shares of its Common Stock, \$5 par value, over the 7,000,000 previously authorized in D.93733 in A.60933 under terms and conditions as stated in the application.

7. As soon as available, SDG&E shall file with the Commission three copies of its final prospectus pertaining to the additional Common Stock, \$5 par value, that was not covered by previous orders.

8. The authority granted by this order to issue securities will be effective when SDG&E pays \$38,617, the fee set by PU Code Sections 1904(b) and 1904.1 after adding a price adjustment of \$3.10 on 4,000,000 shares of Common Stock, \$5 par value, over that levied on A.60933 and allowing credit for the retirement of \$13,333,300 for a bank term loan from First Chicago Bank and the retirement of \$2,333,300 for a foreign term loan from Credit Suisse.

Dated DEC 15 1982, at San Francisco, California.

JOHN E. BRYSON
President
RICHARD D. GRAVELLE
LEONARD M. GRIMES, JR.
VICTOR CALVO
PRISCILLA C. GREW
Commissioners



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

Joseph E. Bodovitz
Joseph E. Bodovitz, Executive Director