

Decision 83 05 009 MAY 4 1983

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SAN DIEGO GAS & )  
ELECTRIC COMPANY to issue and sell )  
not more than 4,461,000 shares of )  
its Common Stock, \$5 par value, )  
under its amended Dividend )  
Reinvestment Plan. )

Application 83-03-37  
(Filed March 14, 1983)

O P I N I O N

San Diego Gas & Electric Company (SDG&E) requests authority, under Public Utilities (PU) Code Sections 816 through 818, to issue and sell up to 4,461,000 shares of its Common Stock, \$5 par value, under its Dividend Reinvestment Plan (DRP) as amended in its application. Included in this request are 461,000 shares of stock which were previously authorized by Decision (D.) 91853 dated June 3, 1980 in Application (A.) 59547 to be issued and sold under the DRP then in effect but which remain unissued and unsold at the present time. Because of recent amendments to the DRP, SDG&E requests that the unissued and unsold shares be included as part of this proceeding.

Notice of the filing of the application appeared on the Commission's Daily Calendar of March 16, 1983. No protests have been received.

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

For the 12 months ended December 31, 1982, SDG&E reports it generated operating revenues of \$1,430,948,322 and net income of \$157,302,981 as shown in the application as part of Exhibit A.

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

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$2,054,063,099
Other Property and Investments	39,244,700
Current and Accrued Assets	316,740,718
Deferred Debits	<u>34,046,459</u>
Total	\$2,444,094,976
<u>Liabilities and Equity</u>	
Common Equity	\$ 817,440,840
Preferred/Preference Stock	269,000,000
Long-Term Debt	802,438,409
Current and Accrued Liabilities	424,597,318
Deferred Credits and Reserves	<u>130,618,409</u>
Total	\$2,444,094,976

As of December 31, 1982, SDG&E had outstanding short-term obligations totalling \$195,395,128. This total consisted of commercial paper and bank loans in the amount of \$82,000,000;

\$94,000,000 of bankers' acceptances (used to finance fuel oil); \$17,395,128 covering the current portion of long-term debt payable within 12 months; and \$2,000,000 in sinking fund requirements for preference stock.

In this application, SDG&E proposes to issue under its amended DRP (1) up to 461,000 shares of its common stock previously authorized but unissued under D.91853 dated June 3, 1980 and (2) up to 4,000,000 additional common shares for an aggregate number of common shares totalling 4,461,000.

Under SDG&E's existing DRP, SDG&E shareholders are offered a convenient method for investing quarterly dividends and making voluntary cash contributions to purchase additional shares of SDG&E's common stock. The purchase price for the common stock under the existing DRP is the average of the highest and lowest prices for the common stock as published in the Wall Street Journal (Western Edition) for the pricing date, normally the dividend payment date.

The Commission originally granted SDG&E authority to issue and sell 250,000 shares of common stock under its DRP in D.86106 dated July 13, 1976 in A.56565. The Commission authorized the issuance and sale of 500,000 additional shares under the DRP in D.88870 dated May 31, 1978 in A.57962, and an additional 2,000,000 shares in D.91853 dated June 3, 1980 in A.59547. All of the

foregoing shares of common stock have been issued and sold by SDG&E under its DRP except about 461,000 shares authorized under D.91853 which remain unissued and unsold and are being transferred to this application.

Under the amended DRP, three major changes would be made as follows:

1. The DRP would be renamed the "Common Stock Investment Plan" (the Plan) and SDG&E's customers would be allowed to make an initial purchase of stock so as to become shareholders and participate in the Plan;
2. The common stock purchased by the Plan participants with dividends earned on shares held in the Plan would be purchased at a 3% discount from the then current market price for the stock as set forth under the Plan; and
3. The shareholders would be allowed to invest a portion, as opposed to all, of their dividends to purchase additional shares.

It is expected that the first two changes would increase the number of owners of SDG&E's stock within SDG&E's service territory and would provide an additional source of new equity capital. The last change is intended to make the Plan more attractive to SDG&E's shareholders and to encourage participation by those shareholders who would choose to reinvest a part, but not all, of their dividends. The amended DRP is described in a draft prospectus which is attached as Exhibit D to the application.

The 4,000,000 additional shares of Common Stock, \$5 par value, for which authorization is sought in this application is based on SDG&E's best estimate of the number of shares to be issued under the Plan, as amended, for a period of four years.

SDG&E's proposes to use the net proceeds received from the issuance of its common stock under the Plan, as amended, to reimburse its treasury for capital expenditures and the retirement of all or part of its then outstanding short-term bank loans, commercial paper, current portion of long-term debt, and preference stock sinking fund requirements.

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

	<u>December 31, 1981</u>	<u>Pro Forma</u>
Long-Term Debt	38.5%	41.9%
Short-Term Debt	<u>9.4</u>	<u>7.5</u>
Total Debt	47.9	49.4
Preferred/Preference Stock	12.9	11.6
Common Equity	<u>39.2</u>	<u>39.0</u>
Total	100.0%	100.0%

1. The proposed issuance and sale of up to 4,000,000 additional shares of SDG&E's Common Stock, \$5 par value, under its DRP, as amended, at the assumed price of \$20 per share, estimated to produce net proceeds of \$80,000,000;

2. The issuance and sale of 6,500,000 shares of SDG&E's Common Stock, \$5 par value at the assumed price of \$18 per share, estimated to produce net proceeds of \$112,320,000 (D.82-12-070 dated December 15, 1982 in A.82-10-26);
3. The issuance and sale of up to 640,469 shares of SDG&E's Common Stock, \$5 par value (previously authorized under D.91853 dated June 3, 1980 in A.59547), at the assumed price of \$18 per share, estimated to produce net proceeds of \$11,067,304;
4. The issuance and sale of up to \$300,000,000 of First Mortgage Bonds (Bonds) composed of the following:
  - a. \$125,000,000 of Bonds authorized but unissued under D.82-12-070 dated December 15, 1982 in A.82-10-26;
  - b. \$175,000,000 of Bonds authorized but unissued under proposed A.83-03-32 filed March 11, 1983 presently before this Commission; or in the alternative, the issuance of
  - c. \$300,000,000 of a proposed long-term debt obligation to the City of San Diego in connection with industrial development bond financing, either of which event is estimated to produce total net proceeds of \$292,500,000 (A.83-03-32 filed March 11, 1982); and
5. The issuance and sale of up to 1,350,000 shares of Preference Stock (Cumulative) authorized but unissued (D.93733 dated December 1, 1981 in A.60933, as amended by D.82-12-070 dated December 15, 1982 in A.82-10-26) estimated to produce net proceeds of \$35,640,000.

SDG&E's construction budget for calendar years 1983 and 1984 amounts to about \$729,963,000 of which about \$54,900,000 has been spent as of February 28, 1983. Major classifications of the total budgeted construction (including allowances for funds used during construction) is summarized as follows:

<u>Description</u>	<u>1983</u>	<u>1984</u>
Electric Production	\$141,355,000	\$ 48,332,000
Electric Transmission	197,852,000	126,977,000
Electric Distribution	74,909,000	91,048,000
Gas Production, Trans- mission, and Distribution	19,919,000	22,537,000
Steam Department	25,000	150,000
Common Plant	<u>2,160,000</u>	<u>4,699,000</u>
Total	\$436,220,000	\$293,743,000

SDG&E reports it had unreimbursed construction as of December 31, 1982 totaling \$299,045,818.

SDG&E had over 800,000 electric customers and about 87,000 common stock shareholders as of December 31, 1982. The company is unable to state the total number of its customers or shareholders who will purchase shares of its stock through the Plan. Accordingly, SDG&E requested authorization to be relieved of the necessity of complying with the Commission's General Order, Series 24. In lieu of a 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.

The Revenue Requirements Division has reviewed SDG&E's 1983 and 1984 construction program. The Division has no objection to the proposed revisions to SDG&E's DRP and the request to issue up to 461,000 shares authorized under D.91853 or the 4,000,000 additional shares of common stock requested in the application. The Division reserves the right to reconsider the reasonableness of any specific construction expenditure in future rate proceedings.

The Revenue Requirements Division has analyzed the financial data provided by SDG&E and has concluded that the authorization requested in the application is proper and necessary to help SDG&E meet its projected capital requirements.

Findings of Fact

1. SDG&E, a California corporation, operates as a public utility under the jurisdiction of this Commission.
2. The proposed sale of common stock under the Plan would be for proper purposes.
3. SDG&E needs external funds for the purposes set forth in the application.
4. The Common Stock Investment Plan would not be adverse to the public interest.

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

6. There is no known opposition 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.

In issuing our order, we place SDG&E and its stockholders on notice that we do not regard the number of shares outstanding, the total par value of the shares, and the dividends paid do not determine 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 proceedings.

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

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company (SDG&E), on or after the effective date of this order, for the purposes set forth in this proceeding may issue up to 4,461,000 shares of its Common Stock, \$5 par value, under its Amended Dividend Reinvestment Plan, known as the Common Stock Investment Plan shown as Exhibit D attached to the application. Of this stock, 461,000 shares are to be transferred from the remainder of unissued shares authorized by D.91853.

2. SDG&E shall apply the net proceeds from the sale of its common stock to the purposes set forth in the application.

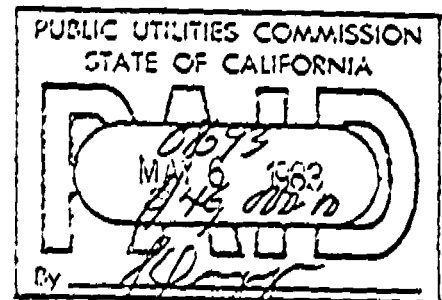
3. On or before the 25th day of the month following each quarter, SDG&E shall file with the Commission, a statement for the preceeding quarter showing the number of shares of common stock purchased under the Common Stock Investment Plan; the gross proceeds received; and the expenses incurred by SDG&E 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 Series 24.

4. As soon as available, SDG&E shall file with the Commission three copies of the final prospectus pertaining to the sale of its common stock under the Plan.

5. The authority granted by this order to issue common stock will be effective when SDG&E pays \$46,000, the fee set by PU Code Section 1904.1. In all other respects this order is effective today.

Dated MAY 4 1983, at San Francisco, California.

LEONARD M. GRIMES, JR.  
President  
VICTOR CALVO  
PRISCILLA C. GREW  
DONALD VIAL  
Commissioners



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

*Joseph E. Bodovitz*  
Joseph E. Bodovitz, Executive Director