

Decision No. 87935 OCT 4 1977

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SAN DIEGO GAS & ELECTRIC)
 COMPANY to issue and sell not exceeding)
 3,000,000 shares of its Common Stock,)
 \$5 par value.)

ORIGINAL
 Application No. 57526
 (Filed August 22, 1977)

O P I N I O N

San Diego Gas & Electric Company (SDG&E) seeks authority to issue and sell not exceeding 3,000,000 shares of its common stock, \$5 par value.

SDG&E is a California corporation engaged principally in the business of providing electric service in portions of San Diego, Imperial, and Orange Counties, and gas and steam service in portions of the County of San Diego. For the twelve months ended July 1977, SDG&E reports operating revenues of \$475,104,000 and net income of \$48,447,000.

As of July 31, 1977, SDG&E had outstanding \$71,960,000 of short-term debt, the proceeds of which were used for capital improvements. The company's construction budget for the year 1977 amounts to \$231,184,000 of which \$126,050,000 has been expended through July 31, 1977, as follows:

<u>Description</u>	<u>Amount</u>
Electric Production	\$151,969,000
Electric Transmission	14,225,000
Electric Distribution	48,662,000
Gas Production, Transmission and Distribution	13,837,000
Steam Department	50,000
Common Plant	2,441,000
Total	<u>\$231,184,000</u>

The utility reports that as of July 31, 1977, unreimbursed construction expenditures totaled \$74,539,919 as set forth in the following summary:

<u>March 31, 1921 to July 31, 1977</u>	<u>Amount</u>
Net Construction Expenditures	\$1,401,431,988
Par Value of Redeemed Securities	<u>127,819,300</u>
Total	<u>\$1,529,251,288</u>
Deductions:	
Amount not bondable per Decision No. 10032	45,116
Proceeds from sale of bonds and notes	721,081,871
Proceeds from sale of debentures	34,598,022
Proceeds from sale of preferred stock	199,662,246
Proceeds from sale of common stock	197,771,044
Depreciation reserve	<u>301,553,070</u>
Total	<u>\$1,454,711,369</u>
Unreimbursed Construction as of July 31, 1977	<u>\$ 74,539,919</u>

SDG&E has commenced negotiations for the sale of the stock through a group of underwriters represented by Merrill Lynch, Pierce Fenner & Smith Incorporated and Blyth Eastman Dillon & Co. Incorporated. The negotiations will include the final terms of the underwriting agreement and other terms of the proposed offering, including the price of the stock, the aggregate number of shares to be offered, the underwriting spread and the price to be paid to SDG&E for the shares of stock. In no event would the price of the stock to be paid to SDG&E be less than 90% of the last reported sales price of the stock on the New York Stock Exchange prior to the time the price is fixed.^{1/}

^{1/} On September 28, 1977, SDG&E's common closed at 15-1/4.

SDG&E would use the net proceeds from the sale of the stock for the retirement of a portion of its outstanding short-term bank loans and commercial paper issued for temporary financing of utility plant, and the balance, if any, for reimbursement for capital expenditures.

The utility's reported capitalization ratios as of July 31, 1977, and as adjusted to give effect to the proposed stock issue, assuming proceeds of \$45,000,000, is as follows:

	<u>July 31, 1977</u>	<u>Pro Forma</u>
First Mortgage Bonds	44.7%	43.0%
Debentures	2.3	2.2
Other Long-Term Debt	4.9	4.7
Preferred and Preference Stock	17.2	16.5
Common Stock Equity	<u>30.9</u>	<u>33.6</u>
Total	<u>100.0%</u>	<u>100.0%</u>

The Commission, in past decisions, has referred to SDG&E's problem of maintaining coverage for interest and preferred dividends because of the preponderance of senior securities in its capital structure. The staff of the Finance Division has reviewed the application and has concluded that the proposed common stock issue is consistent with the utility's stated objective of strengthening its common equity position and improving its coverage status.

After consideration the Commission finds that:

1. The proposed stock would be for proper purposes.
2. San Diego Gas & Electric Company has need for external funds for the purposes set forth in this proceeding.
3. The money, property or labor to be procured or paid for by the stock herein authorized is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

There is no reason to delay granting the relief requested. On the basis of the foregoing findings we conclude that the application should be granted. A public hearing is not necessary. Because of time commitments related to issuance of the common stock, and having paid the fee of \$28,500 prescribed by Section 1904.1 of the Public Utilities Code, SDG&E requests that the order become effective on the date hereof.

In issuing our order herein, we place SDG&E and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of 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 properties nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

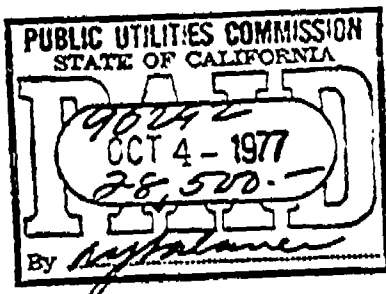
O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company, on or after the effective date hereof and on or before December 31, 1977, may issue and sell not exceeding 3,000,000 shares of its Common Stock \$5 par value, on terms and conditions to be negotiated with underwriters.
2. San Diego Gas & Electric Company shall apply the net proceeds from the sale of the stock herein authorized to the purposes set forth in the application.
3. Promptly after San Diego Gas & Electric Company ascertains the underwriting compensation and the price to be paid for the common 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 final prospectus pertaining to the common stock herein authorized.
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.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 4th day of OCTOBER, 1977.



Robert Baklanoff
President

Joseph L. Stanger
Richard D. Swartz

Commissioner William Symons, Jr., being necessarily absent, did not participate in the disposition of this proceeding.
Commissioners

Commissioner Claire T. Dedrick, being necessarily absent, did not participate in the disposition of this proceeding.