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Decision No. 88611 MAR 21 1978

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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SAN DIEGO GAS & )  
ELECTRIC COMPANY to issue and sell )  
not exceeding 2,500,000 shares of )  
its Common Stock, \$5 par value. )

Application No. 57866  
(Filed February 10, 1978)  
and Amendment  
(Filed February 14, 1978)

O P I N I O N

San Diego Gas & Electric Company (SDG&E) requests authority to issue and sell not exceeding 2,500,000 shares of its common stock, having a par value of \$5 per share.

SDG&E is a California corporation engaged principally in the business of providing electric service in portions of Orange and Imperial Counties, and electric, gas, and steam service in portions of San Diego County. For the year ended December 31, 1977 the utility reported total operating revenues of \$508,039,259 and net income of \$60,247,232.

Construction expenditures for the year 1977 amounted to \$219,535,000, as follows:

<u>Description</u>	<u>Amount</u>
Electric Production	\$146,875,000
Electric Transmission	11,410,000
Electric Distribution	47,472,000
Gas Production, Transmission, and Distribution	12,427,000
Steam Department	3,000
Common Plant	<u>1,348,000</u>
Total	<u>\$219,535,000</u>

Unreimbursed construction expenditures were \$63,667,959 as of December 31, 1977, as set forth below:

<u>March 31, 1921 to December 31, 1977</u>	<u>Amount</u>
Net Construction Expenditures	\$1,494,413,521
Par Value of Redeemed Securities	<u>128,348,630</u>
Total	<u>\$1,622,762,151</u>
Deductions:	
Amount not Bondable per Decision No. 10032	\$ 45,116
Proceeds from Sale of Bonds and Notes	765,179,016
Proceeds from Sale of Debentures	34,598,022
Proceeds from Sale of Preferred Stock	199,493,944
Proceeds from Sale of Common Stock	244,871,194
Depreciation Reserve	<u>314,906,900</u>
	<u>1,559,094,192</u>
Unreimbursed Construction as of December 31, 1977	<u>\$ 63,667,959</u>

The net proceeds from the proposed sale of stock would be used for the retirement and discharge of a portion of the applicant's then outstanding short-term debt (estimated to be \$120,000,000) issued for temporary financing of additions to its utility plant, with the balance, if any, for the reimbursement of the utility for capital expenditures.

SDG&E's capitalization ratios, as recorded as of December 31, 1977, and as adjusted on a pro forma basis to give effect to the proposed stock issue, the proceeds from the sale of 1,000,000 shares of Preference Stock (authorized by Decision No. 88474, dated February 7, 1978 in Application No. 57740), and to the anticipated sale of \$60,000,000 in First Mortgage Bonds (proposed by Application No. 57871, filed February 14, 1978), are as follows:

<u>Item</u>	<u>December 31, 1977</u>	
	<u>Recorded</u>	<u>Pro Forma</u>
First Mortgage Bonds	42.5%	43.1%
Debentures	2.2	2.0
Other Long-Term Debt	4.9	4.4
Preferred and Preference Stock	16.3	16.7
Common Stock Equity	<u>34.1</u>	<u>33.8</u>
	<u>100.0%</u>	<u>100.0%</u>

SDG&E plans to issue and sell the stock on a negotiated basis through a group of underwriters represented by Merrill Lynch, Pierce, Fenner & Smith Incorporated and Blyth Eastman Dillon & Co. Incorporated. A preliminary copy of the underwriting agreement is attached to the application as Exhibit D. The final terms of the agreement and other terms of the proposed offering, including the price of the stock, the aggregate number of shares to be offered, and the underwriting spread with respect thereto, will be determined by negotiation between SDG&E and the underwriters shortly before the proposed public offering; provided, that the price of the stock to be paid to SDG&E by said underwriters shall not be less than 90% of the last reported sales price of the stock on the New York Stock Exchange prior to the time said price is fixed.

The Finance Division concludes that the proposed sale of common stock is appropriate in the circumstances. The Operations Division has reviewed the application and concurs with this conclusion.

After consideration the Commission finds that:

1. The proposed stock would be for proper purposes.
2. SDG&E 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 known opposition and there is no reason to delay granting the authority requested in the application. The Commission therefore concludes that the application should be granted. A public hearing is not necessary.

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 stated value of the shares, nor the dividends paid, as measuring the return it should be allowed to earn on its investment in plant, and that this authorization is not to be construed as a finding of the value of the company's stock or property nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

SDG&E is placed on further notice that the reasonableness of the price or underwriting compensation pertaining to the proposed negotiated stock offering may be subject to further consideration in future rate proceedings.

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 June 30, 1978, may issue and sell not exceeding 2,500,000 shares of its \$5 par value common stock 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 commission and the price to be paid for the common stock herein authorized, the company shall notify the Commission thereof 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 said stock.

5. San Diego Gas & Electric Company shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

6. This order shall become effective when San Diego Gas & Electric Company has paid the fee prescribed by Section 1904.1 of the Public Utilities Code, which fee is \$24,750.

Dated at San Francisco, California, this 21st day of MARCH, 1978.



Robert Bateman  
President  
William S. ...  
Vernon L. ...  
...  
...  
Commissioners