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Decision No. 90493 JUL 3 1979

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SAN DIEGO GAS &)	Application No. 58839
ELECTRIC COMPANY to issue and sell)	(Filed May 2, 1979)
not exceeding 3,000,000 shares of)	and
<u>its Common Stock, \$5 par value.</u>)	Amendment
	(Filed May 7, 1979)

O P I N I O N

San Diego Gas & Electric Company (SDG&E) requests authority pursuant to Section 817 of the Public Utilities Code, to issue and sell not exceeding 3,000,000 shares of its common stock.

Notices of the filings of the application and amendment appeared on the Commission's Calendar of May 4 and May 8, respectively.

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 twelve months ended March 31, 1979, the utility reported total operating revenues of \$641,529,000 and net income of \$64,603,000.

The company's construction budget for the year 1979 amounts to \$212,278,000, of which \$50,143,000 has been spent through the first three months of the year. A classification of the budgeted construction follows:

<u>Description</u>	<u>Amount</u>
Electric Production	\$104,141,000
Electric Transmission	35,101,000
Electric Distribution	52,606,000
Gas Production, Transmission, and Distribution	15,692,000
Steam Department	50,000
Common Plant	<u>4,688,000</u>
Total	<u>\$212,278,000</u>

Unreimbursed construction expenditures were \$82,899,461 as of March 31, 1979, as set forth below:

<u>March 31, 1921 to March 31, 1979</u>	<u>Amount</u>
Net Construction Expenditures	\$1,618,086,615
Par Value of Redeemed Securities	<u>141,803,694</u>
Total	\$1,759,890,309

Deductions

Amount not Bondable per Decision No. 10032	\$ 45,116
Proceeds from Sale of Bonds and Notes	743,096,900
Proceeds from Sale of Debentures	34,598,022
Proceeds from Sale of Preferred Stock	225,853,104
Proceeds from Sale of Common Stock	318,648,201
Depreciation Reserve	<u>354,749,505</u>
	<u>\$1,676,990,848</u>

Unreimbursed Construction as of March 31, 1979	<u>\$ 82,899,461</u>
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The net proceeds from the proposed sale of stock would be used for the retirement and discharge of a portion of SDG&E's then outstanding short-term debt (estimated to be \$40,000,000) 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 March 31, 1979, and as adjusted on a pro forma basis to give effect to the

proposed stock issue assuming proceeds of \$45,000,000 (\$15 per share),^{1/} are as follows:

<u>Item</u>	<u>March 31, 1979</u>	
	<u>Recorded</u>	<u>Pro Forma</u>
First Mortgage Bonds	40.8%	37.7%
Debentures	1.9	1.7
Other Long-Term Debt	4.7	8.9
Preferred and Preference Stock	16.1	14.9
Common Stock Equity	<u>36.5</u>	<u>36.8</u>
Total	<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 staff of the Commission's Finance Division has reviewed the application and has concluded that the proceeds from the proposed sale of common stock are needed for the purposes specified.

^{1/} On June 8, 1979, SDG&E's Common Stock closed at 15-5/8.

The staff of the Commission's Operations Division has reviewed SDG&E's construction budget, and has no objection to the proposed security issue. The Operations Division believes that the expenditures estimated for the year 1979 are not unreasonable.

Findings of Fact

1. SDG&E has need for external funds for the purposes set forth in this proceeding.
2. 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.
3. There is no known opposition and there is no reason to delay granting the authority requested.
4. A public hearing is not necessary.

Conclusion of Law

1. The Commission concludes that the application should be granted.

Because of the time element relative to issuance of the common stock, 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 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 October 31, 1979, may issue and sell not exceeding 3,000,000 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 \$28,500.

Dated at San Francisco, California, this 3rd day of JULY, 1979.

John G. Byron
President

Thomas L. Peterson

Richard D. Cavale

Clair J. Schuch

James W. ...
Commissioners

