

ORIGINAL

Decision No. 91382 MAR 4 1980

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. 59367
(Filed January 8, 1980)

O P I N I O N

San Diego Gas & Electric Company (SDG&E) requests authority pursuant to Sections 816 through 818 of the Public Utilities Code, to issue and sell not exceeding 2,500,000 shares of its common stock having a par value of \$5 per share.

Notice of the filing of the application appeared on the Commission's Daily Calendar of January 10, 1980.

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 November 30, 1979, the utility reported total operating revenues of \$731,204,000 and net income of \$69,887,000.

As of November 30, 1979, SDG&E had outstanding \$86,460,000 of short-term debt. \$66,460,000 of this debt is represented by Commercial Paper and used for capital improvements, while \$20,000,000 is represented by Bankers' acceptances used to purchase fuel oil. The company's construction budget for the year 1979 amounts to \$230,957,000, of which \$205,825,000 has been spent through the first eleven months of the year. A detailed classification of the budgeted construction for 1980 is as follows:

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<u>Description</u>	<u>Amount</u>
Electric Production	\$ 106,976,000
Electric Transmission	32,637,000
Electric Distribution	50,461,000
Gas and Steam Production, Transmission, and Distribution	13,799,000
Common Plant	5,621,000
Total	<u>\$ 209,494,000</u>

Unreimbursed construction expenditures were \$61,357,637 as of November 30, 1979, as set forth below:

<u>March 31, 1921 to November 30, 1979</u>	<u>Amount</u>
Net Construction Expenditures	\$1,766,928,147
Par Value of Redeemed Securities	<u>143,190,239</u>
Total	\$1,910,118,386

Deductions

Amount not Bondable per Decision No. 10032	\$ 45,116
Proceeds from Sale of Bonds and Notes	841,496,915
Proceeds from Sale of Debentures	34,598,022
Proceeds from Sale of Preferred Stock	225,853,104
Proceeds from Sale of Common Stock	368,243,124
Depreciation Reserve	<u>378,524,468</u>
	<u>\$1,848,760,749</u>

Unreimbursed Construction as of November 30, 1979	<u>\$ 61,357,637</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 \$127,000,000), issued for temporary financing of additions to its utility plant, with the balance, if any, for the reimbursement of the utility for capital expenditures.

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SDG&E's capitalization ratios, recorded as of November 30, 1979, and as adjusted on a pro forma basis to give effect to the proposed stock issue assuming proceeds of \$35,000,000 and \$75,000,000 of First Mortgage Bonds, Series S in Application No. 59366 and \$10,500,000 of proceeds from the sale of common stock (employee savings plan) in Application No. 59370 filed January 9, 1980, are as follows:

<u>Item</u>	<u>November 30, 1979</u>	
	<u>Recorded</u>	<u>Pro Forma</u>
First Mortgage Bonds	35.3%	37.5%
Debentures	1.7	1.6
Other Long-Term Debt	9.0	8.3
Preferred and Preference Stock	15.4	14.1
Common Stock Equity	<u>38.6</u>	<u>38.5</u>
Total	100.0%	100.0%

During calendar year 1979, SDG&E has secured approximately \$125,000,000 in financing consisting of \$6,000,000 from Pollution Control Bonds, \$65,000,000 from three European Intermediate Term Loans, and approximately \$54,000,000 from the sale of common stock. The utility has projected that during calendar year 1980 it will request authority from the Commission to finance approximately \$202,000,000 in capital improvements. The company expects to raise \$125,000,000 of this by issuing First Mortgage Bonds and \$77,000,000 through the sale of common stock.

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 Paine Webber Incorporated. A preliminary copy of the Purchase 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 Revenue Requirements Division has reviewed the application and has concluded that the proceeds from the proposed sale of common stock are needed for the purposes specified and has no objection to the proposed securities issue. The Division, however, reserves the right to reconsider the reasonableness of construction expenditures in future rate proceedings.

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.

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.

Because of the time element relative to issuance of the common stock, SDG&E requests that the order become effective upon payment of the fee prescribed by Section 1904.1 of the Public Utilities Code.

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.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company, on or after the effective date hereof 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.

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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 \$23,500.

Dated MAR 4 1980, at San Francisco, California.

John E. Bryan
President
James L. Strickland
Richard D. Howell
Charles J. DeFuria
Samuel J. ...
Commissioners

