

Decision No. 91431 MAR 18 1980**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SAN DIEGO GAS &
ELECTRIC COMPANY, to issue and
sell not exceeding 750,000
shares of its Common Stock, \$5
par value, under The Savings
Plan of Applicant.

Application No. 59370
(Filed January 9, 1980)

O P I N I O N

San Diego Gas & Electric Company (SDG&E) seeks authority, pursuant to Sections 816 through 818 of the Public Utilities Code, to issue and sell not exceeding 750,000 shares of its \$5 par value common stock in accordance with The Savings Plan (Plan) (designed for its employees) a copy of which is attached to the Application as Exhibit D. Notice of the filing of the Application appeared on the Commission's Daily Calendar of January 11, 1980.

SDG&E is a California corporation engaged principally in the business of providing electric service in portions of Imperial and Orange Counties and electric, gas and steam service in portions of San Diego County. For the twelve months ended November 30, 1979, SDG&E reported operating revenues of \$731,204,000 and net income of \$69,887,000.

Under the Plan, employees may elect to contribute a specific percentage of their compensation to a trustee for the purchase of common stock. SDG&E's contribution to the Plan is an amount equivalent to one-half of the employees' aggregate basic contributions per quarter, less forfeitures. In accordance with the terms of the Trust Agreement attached to the Application as Exhibit E, the trustee purchases from the company common stock at the average of the highest and lowest prices for the company's common stock listed on the

New York Stock Exchange on the purchase date. The company estimates that 750,000 shares would be sufficient to meet the requirements of the Plan for a period of approximately two (2) years.

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

<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>

The utility reports that as of November 30, 1979, unreimbursed construction expenditures totaled \$61,357,637 as set forth in the following summary:

<u>March 31, 1921 to November 30, 1979</u>	<u>Amount</u>
Net Construction Expenditures	\$1,766,928,147
Par Value of Redeemed Securities	143,190,239
Total	<u>\$1,910,118,386</u>
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	378,524,468
Total	<u>\$1,848,760,749</u>
Unreimbursed Construction as of November 30, 1979	<u>\$ 61,357,637</u>

SDG&E plans to use the estimated net proceeds of \$10,500,000 from the proposed sale of 750,000 shares of common stock to reimburse its treasury for capital expenditures.

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SDG&E's capital ratios as of November 30, 1979, and as adjusted on a pro forma basis to give effect to (a) the proposed sale of 750,000 shares of new Common Stock under the employees' Savings Plan at an assumed price of \$14 per share; (b) the proposed issuance of 2,500,000 shares of Common Stock also at an assumed price of \$14 per share to produce net proceeds estimated to be \$35,000,000^{1/}; and (c) the proposed issuance of \$75,000,000 of First Mortgage Bonds, Series S, due 2010^{2/} are summarized below:

	<u>November 30, 1979</u>	<u>Pro Forma</u>
Mortgage Bonds	35.3%	37.5%
Debentures	1.7	1.6
Other Long-Term Debt	9.0	8.3
Total Long-Term Debt	<u>46.0</u>	<u>47.4</u>
Preferred and Preference Stock	15.4	14.1
Common Stock Equity	38.6	38.5
Total	<u>100.0%</u>	<u>100.0%</u>

During calendar year 1979 SDG&E has secured approximately \$125,000,000 of the total financing authorized by this Commission. This consisted 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.

The Revenue Requirements Division of the Commission's staff has reviewed the Application and has concluded that the proceeds from the proposed sale of common stock under The Savings Plan

^{1/} Decision No. 91382, dated March 4, 1980, in Application No. 59367.

^{2/} Decision No. 91381, dated March 4, 1980, in Application No. 59366.

are needed for the purpose specified in the Application 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 is a California corporation operating as a public utility subject to the jurisdiction of this Commission.
2. The proposed common stock issue under The Savings Plan would be for a proper purpose.
3. Applicant has need for external funds for the purpose set forth in this proceeding.
4. The Savings Plan would not be adverse to the public interest.
5. The money, property or labor to be procured or paid for by the common stock herein authorized is reasonably required for the purpose specified herein, which purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.
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.

Because of the time element, 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 par 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 the authorization herein granted is not to be construed as a finding of the value of SDG&E's common stock or properties nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

ORDER

IT IS ORDERED that:

1. San Diego Gas & Electric Company may issue and sell not exceeding 750,000 shares of its common stock, substantially in accordance with The Savings Plan and the Trust Agreement set forth in Exhibits D and E, respectively, attached to the Application.
2. San Diego Gas & Electric Company shall apply the net proceeds from the sale of stock herein authorized to the purpose set forth in the Application.
3. On or before the twenty-fifth day of each month following the date of issuance, San Diego Gas & Electric Company shall file with the Commission a statement showing the number of shares issued pursuant to the authority herein granted, the gross proceeds received, the expenses incurred in connection with the issue, and the purpose for which the net proceed were used. These filings shall be made in lieu of reports required under General Order No. 24-B.
4. 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 \$11,500.

Dated MAR 18 1980, at San Francisco, California.

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

John E. Bayne
President

Richard L. [Signature]

Richard W. Howell

[Signature]
Commissioners

