

A.59547 - RR/lq

Decision No. 91853 JUN 3 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 2,000,000 shares of its Common Stock, \$5 par value, under its Dividend Reinvestment Plan.

Application No. 59547 (Filed March 28, 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 2,000,000 shares of its Common Stock, \$5 par value, in accordance with its Dividend Reinvestment Plan (Plan). Notice of the filing of the application was published in the Commission's Daily Calendar of April 1, 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 February 29, 1980, SDG&E reported operating revenues of \$773,239,000 and net income of \$72,352,000.

SDG&E's common stock under the Plan was previously authorized in Decision No. 86106, dated July 13, 1976, in Application No. 56575 and Decision No. 88870, dated May 31, 1978, in Application No. 57962.

The Plan offers holders of SDG&E's common stock a convenient method for investing quarterly dividends and voluntary cash payments in additional shares of the utility's common stock. United California Bank is agent for the participating shareholders and administrator of the Plan.

The purchase price would be the average of the highest and lowest prices for SDG&E's common stock on the composite tape as published in the Western Edition of The Wall Street Journal on the pricing date. If the New York Stock Exchange is open on the pricing date but no trading in the utility's common stock occurs, the purchase price would be determined by averaging the bid and asked prices on that date. If the New York Stock Exchange is closed on the pricing date, prices on the next trading date would be used. The Company estimates that 2,000,000 new shares will be sufficient for meeting the requirements of the Plan for a period of approximately 3-4 years.

As of February 29, 1980, SDG&E had outstanding \$212,850,000 of short-term debt. The proceeds from \$95,850,000 of this debt are represented by commercial paper and were used for capital improvements. The proceeds of \$67,000,000 were produced by bankers' acceptances and were used to purchase fuel oil. \$50,000,000 is represented by a bank loan through a wholly owned subsidiary, Califia. The Company's construction budget for the calendar year 1980 amounts to \$219,193,000 of which \$32,864,000 has been spent through the first two months of the year. A classification of the budgeted construction for 1980 is as follows:

<u>Description</u>	<u>Amount</u>
Electric Production	\$109,894,000
Electric Transmission	37,344,000
Electric Distribution	51,385,000
Gas and Steam Production, Transmission and Distribution	14,622,000
Common Plant	<u>5,948,000</u>
Total	<u><u>\$219,193,000</u></u>

The staff of the Commission's Revenue Requirements Division has reviewed SDG&E's Budget Report Summary for 1980, attached to the application as part of Exhibit C, and has concluded that the estimated construction expenditures are reasonable and has no objection to the proposed security issue specified in the application. The Division reserves the right, however, to reconsider the reasonableness of any construction expenditures in future rate proceedings.

The utility reports that as of February 29, 1980, unreimbursed construction expenditures totaled \$77,731,583 as set forth in the following summary:

<u>March 31, 1921 to February 29, 1980</u>	<u>Amount</u>
Net Construction Expenditures	\$1,824,237,829
Par Value of Redeemed Securities	194,058,143
Total	<u>\$2,018,295,972</u>
Deductions:	
Amount Not Bondable per Decision No. 10032	\$ 45,116
Proceeds from Sale of Bonds and Notes	921,151,913
Proceeds from Sale of Debentures	34,598,022
Proceeds from Sale of Preferred Stock	225,853,104
Proceeds from Sale of Common Stock	370,746,918
Depreciation Reserve	<u>388,169,316</u>
Total	<u>\$1,940,564,389</u>
Unreimbursed Construction as of February 29, 1980	<u>\$ 77,731,583</u>

SDG&E proposes to use the net proceeds from its sale of 2,000,000 shares of common stock under the Plan at an assumed price of \$13.50 per share^{1/} to produce \$27,000,000 to reimburse its treasury for capital expenditures.

^{1/} SDG&E's common stock closed at 14-1/4 per share on May 8, 1980.

SDG&E's capital ratios on February 29, 1980 and as adjusted on a pro forma basis to give effect to: (a) the proposed sale of 2,000,000 shares of new common stock under the Plan as proposed herein, at an assumed price of \$13.50 per share based on the closing common stock price on May 8, 1980, estimated to produce net proceeds of \$27,000,000, (b) the sale of 2,500,000 shares of Common Stock in March 1980^{2/} (proceeds of \$26,905,000); and (c) the sale of \$50,000,000 First Mortgage Bonds, Series S, due 2110^{3/} in March 1980, are summarized as follows:

<u>Component</u>	<u>Recorded</u>	<u>Pro Forma</u>
First Mortgage Bonds	35.2%	36.1%
Debentures	1.7	1.6
Other Long-Term Debt	9.0	8.3
Preferred and Preference Stock	15.3	14.3
Common Stock Equity	<u>38.8</u>	<u>39.7</u>
Total	<u>100.0%</u>	<u>100.0%</u>

SDG&E has approximately 76,366 common stock shareholders and is unable to state the total number of shareholders who would purchase shares through the Plan. Accordingly, SDG&E requests that it be relieved of the requirements of General Order No. 24-B, and instead be permitted to file quarterly statements showing the number of shares purchased under the Plan, the gross proceeds received, and the expenses incurred in connection with the issue and sale of stock under the Plan.

^{2/} Decision No. 91382, dated March 4, 1980, in Application No. 59367.

^{3/} Decision No. 91381, dated March 4, 1980, in Application No. 59366.

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 under the Plan are needed for the purposes specified in the application and has no objection to the proposed securities issue.

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 stock under the Plan would be for a proper purpose.
3. Applicant has need for external funds for the purpose set forth in this proceeding.
4. The Dividend Reinvestment Plan would not be adverse to the public interest.
5. The money, property or labor to be procured or paid for by the 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 relief requested.

Conclusions of Law

1. A public hearing is not necessary.
2. The application should be granted.

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. This authorization 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 may issue and sell not exceeding 2,000,000 shares of its Common Stock, \$5 par value, on terms and conditions substantially in accordance with the Dividend Reinvestment Plan, as set forth in Exhibit E attached to the application.

2. San Diego Gas & Electric Company shall apply the net proceeds to be received from the sale of the stock to reimburse its treasury for capital expenditures.

3. On or before the twenty-fifth day of the month following each quarter, San Diego Gas & Electric Company shall file with the Commission a statement for the preceding quarter showing the number of shares of common stock purchased under the Dividend Reinvestment Plan, the gross proceeds received, and the expenses incurred in connection with the issue and sale of the common stock. These filings shall be in lieu of reports under General Order No. 24-B.

4. This order shall become effective when San Diego Gas & Electric Company has paid the fees prescribed by Section 1904.1 of the Public Utilities Code, which fee is \$19,500.

Dated JUN 3 1980, at San Francisco, California.

John E. Bryan
President

Richard D. Howell

Frank M. Smith
Commissioners

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

