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Decision No. 92067 JUL 29 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 2,500,000 shares of its Common Stock, \$5 par value.

Application No. 59708
(Filed June 4, 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, \$5 par value.

Notice of the filing of the application appeared on the Commission's Daily Calendar of June 5, 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.

According to the monthly report filed with the Commission for the 12 months ended April 30, 1980, SDG&E generated total operating revenues of \$812,700,000 and net income of \$71,363,000. The utility's Balance Sheet as of the above date is summarized from Exhibit A attached to the application as follows:

<u>Assets and Other Debits</u>	<u>Amount</u>
Net Utility Plant	\$1,475,998,363
Other Property & Investments	17,551,534
Current and Accrued Assets	293,803,219
Deferred Debits	96,614,478
Total	<u>\$1,883,967,594</u>
 <u>Liabilities and Other Credits</u>	
Common Stock Equity	\$ 577,778,277
Preferred/Preference Stock	213,500,000
Long-Term Debt	691,529,820
Current and Accrued Liabilities	331,852,022
Deferred Credits and Reserves	69,307,475
Total	<u>\$1,883,967,594</u>

As of April 30, 1980, SDG&E had outstanding \$135,550,000 of short-term debt. Of this debt, \$48,550,000 is represented by Commercial Paper and used for capital improvements, while \$87,000,000 is represented by Bankers' Acceptances used to purchase fuel oil. The company's construction budget for the year 1980 amount to \$210,594,000, of which \$70,878,000 has been spent through the first four months of the year. A detailed classification of the budgeted construction for 1980 is as follows:

<u>Description</u>	<u>Amount</u>
Electric Production	\$103,015,000
Electric Transmission	36,382,000
Electric Distribution	51,041,000
Gas Production	462,000
Gas Transmission	171,000
Gas Distribution	13,700,000
Steam Department	50,000
Common Plant	5,773,000
Total	<u>\$210,594,000</u>

Unreimbursed construction expenditures were \$77,199,492 as of April 30, 1980, as set forth in Exhibit C attached to the application and shown below:

<u>March 21, 1921 to April 30, 1980</u>	<u>Amount</u>
Net Construction Expenditures	\$1,861,252,786
Par Value of Redeemed Securities	194,822,842
Total	<u>\$2,056,075,628</u>
<u>Deductions</u>	
Amount not Bondable per Decision No. 10032	\$ 45,116
Proceeds from:	
Sale of Bonds and Notes	923,548,171
Sale of Debentures	34,598,022
Sale of Preferred Stock	225,853,104
Sale of Common Stock	399,904,183
Depreciation Reserve	394,927,540
Total	<u>\$1,978,876,136</u>
Unreimbursed Construction as of April 30, 1980	<u>\$ 77,199,492</u>

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The net proceeds from the proposed sale of common stock would be used for the retirement of all or a portion of SDG&E's then outstanding short-term debt (estimated to be \$110,000,000) issued for temporary financing of additions to Applicant's utility plant, with the balance, if any, to reimburse the utility for capital expenditures.

SDG&E's Capitalization ratios, recorded as of April 30, 1980, and as adjusted on a pro forma basis to give effect to (a) the proposed issuance of 2,500,000 shares of Common Stock, \$5 par value, at an assumed price of \$14 per share providing estimated proceeds of \$35,000,000 and (b) the proposed sale of \$75,000,000 of First Mortgage Bonds, Series T, in August, 1980^{1/}, are as follows:

	<u>April 30, 1980</u>	<u>Pro Forma</u>
First Mortgage Bonds	36.6%	38.7%
Debentures	1.6	1.5
Other Long-Term Debt	<u>8.4</u>	<u>7.8</u>
Total Long-Term Debt	46.6	48.0
Preferred and Preference Stock	14.4	13.4
Common Stock Equity	<u>39.0</u>	<u>38.6</u>
Total	<u>100.0%</u>	<u>100.0%</u>

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.

^{1/} Authorized by Decision No. 91984, dated June 2, 1980 in Application No. 59633.

SDG&E plans to issue and sell the proposed common 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 the 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 the 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. The staff 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 under the jurisdiction of this Commission.
2. SDG&E has need for external funds for the purposes set forth in this proceeding.
3. The proposed issuance of common stock would be for proper purposes.
4. 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.
5. 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.

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. 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 Common Stock, \$5 par value, 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 for 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 the 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.

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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 JUL 29 1980, at San Francisco, California.

John E. Bayon
President
William L. Stanger
Robert P. Howell
Thomas W. Jones
Paul J. DeWitt
Commissioners

