

Decision No. 92756

MAR 3 1981

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SAN DIEGO GAS & )  
ELECTRIC COMPANY to issue and )  
sell not exceeding 1,600,000 )  
shares of its Preference Stock )  
(Cumulative) without par value. }

Application No. 60206  
(Filed January 22, 1981)

O P I N I O N

San Diego Gas & Electric Company (SDG&E) requests authority, pursuant to Sections 816 through 818 and 851 of the Public Utilities Code, to issue and sell up to 1,600,000 shares of its Cumulative Preference Stock (Preference Stock), without par value, in one or more series to produce net proceeds in the aggregate principal amount not to exceed \$40,000,000.

Notice of the filing of the application appeared on the Commission's Daily Calendar of January 27, 1981. No protests have been received.

SDG&E, a California corporation, operates as a public utility under the jurisdiction of this Commission. SDG&E provides electric service in portions of Orange and Imperial Counties and electric, gas, and steam service in portions of San Diego County.

For calendar year 1980, SDG&E reports it generated operating revenues of \$960,444,000 and net income of \$52,046,000 as

shown in the application as part of Exhibit A. The utility's Balance Sheet as of December 31, 1980, also shown as part of Exhibit A, is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$1,590,852,329
Other Property and Investments	15,804,565
Current and Accrued Assets	325,556,851
Deferred Debits	62,615,646
Total	<u>\$1,994,829,391</u>
<u>Liabilities and Equity</u>	
Common Stock Equity	585,785,840
Preferred/Preference Stock	213,500,000
Long-Term Debt	735,204,349
Current and Accrued Liabilities	391,826,277
Deferred Credits and Reserves	68,512,925
Total	<u>\$1,994,829,391</u>

SDG&E proposes to issue and sell up to 1,600,000 shares of its Preference Stock, without par value, in one or more series, to produce net proceeds not to exceed \$40,000,000. SDG&E has commenced discussions for the sale of its Preference Stock on a negotiated basis, either through a private placement or by public offering. The sale will be made through a nationwide group of underwriters who will agree to purchase the stock pursuant to an underwriting agreement to be entered into between SDG&E and representatives of several underwriters. SDG&E anticipates that the stock will be priced to the public at either \$25 per share or \$100 per share, with the number of shares to be issued limited to provide not to exceed the aggregate principal amount of \$40,000,000. All of the sales will be completed on or before December 31, 1981.

The final terms and conditions for the sale of the Preference Stock, including the number of issues, aggregate amount, price and dividend rate, redemption and sinking fund provisions, if any, and number of shares to be issued will be dependent on market conditions prevailing at the time of negotiation. The form of an underwriting agreement for a public offering will be submitted to the Commission prior to the date of issuance.

The net proceeds from the proposed sale of SDG&E's Preference Stock will be used for the retirement and discharge of a portion of SDG&E's then outstanding short-term debt issued for temporary financing of additions to its utility plant, with the balance, if any, for the reimbursement of the utility for capital expenditures.

As of December 31, 1980, SDG&E had outstanding \$82,005,000 of short-term debt, the proceeds of which were used for capital additions and improvements. The company's construction budget for calendar year 1980 amounts to \$226,535,000 of which \$215,377,000 has been spent. The construction budget for calendar year 1981 has an estimated cost outlay of \$259,952,000; a classification of the budgeted construction follows:

<u>Purpose</u>	<u>1980</u>	<u>1981</u>
Electric Production	\$107,490,000	\$126,857,000
Electric Transmission	32,389,000	35,495,000
Electric Distribution	64,323,000	73,308,000
Gas and Steam Production, Transmission, and Distribution	19,344,000	19,180,000
Common Plant	<u>2,989,000</u>	<u>5,112,000</u>
Total	<u>\$226,535,000</u>	<u>\$259,952,000</u>

SDG&E's unreimbursed construction expenditures were \$132,612,000 as of December 31, 1980, as set forth below:

<u>March 21, 1921 to December 31, 1980</u>	<u>Amount</u>
Net Construction Expenditures	\$1,999,021,000
Par Value of Redeemed Securities	<u>226,268,000</u>
Total	\$2,225,289,000
 <u>Deductions</u>	
Amount not Bondable per Decision 10032	\$ 45,000
Proceeds from Sale of Bonds and Notes	981,712,000
Proceeds from Sale of Debentures	34,598,000
Proceeds from Sale of Preferred Stock	225,853,000
Proceeds from Sale of Common Stock	432,628,000
Depreciation Reserve	<u>417,841,000</u>
Total	\$2,092,677,000
 Unreimbursed Construction as of December 31, 1980	 <u><u>\$ 132,612,000</u></u>

SDG&E's capital ratios recorded as of December 31, 1980, and adjusted to give effect to the proposed issue and sale of \$40,000,000 of its Preference Stock not to exceed 1,600,000 shares are as follows:

	<u>December 31, 1980</u>	<u>Pro Forma</u>
First Mortgage Bonds	40.2%	39.1%
Debentures	1.5	1.5
Other Long-Term Debt	<u>6.1</u>	<u>6.0</u>
Total Long-Term Debt	47.8	46.6
Preferred and Preference Stock	13.9	16.1
Common Stock Equity	<u>38.3</u>	<u>37.3</u>
Total	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>

The staff of the Commission's Revenue Requirements Division has reviewed the application and has concluded that the proceeds from the proposed sale of SDG&E's Preference Stock are needed for the purposes specified. The staff has no objection to the proposed issue but 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. The proposed sale of Preference Stock would be for proper purposes.
3. SDG&E has need for external funds for the purposes set forth in this proceeding.
4. The money, property or labor to be procured or paid for by the Preference 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, or the dividends paid, as measuring the return it should be allowed to earn on its investment in plant. This authorization is neither 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 an amount up to 1,600,000 shares of its Cumulative Preference Stock, without par value, to produce net proceeds not to exceed \$40,000,000, on terms and conditions to be negotiated with underwriters. This authorization is effective through December 31, 1981.
2. San Diego Gas & Electric Company shall apply the net proceeds from the sale of its Cumulative Preference Stock, herein authorized, to the purposes set forth in the application.
3. Promptly after San Diego Gas & Electric Company ascertains the final terms and conditions for the sale of its Cumulative Preference Stock, herein authorized, the company shall notify the Commission in writing of each of the following: The number issued, the aggregate amount, price and dividend rate, the redemption and sinking fund provisions (if any), and the underwriting spread.
4. As soon as available, San Diego Gas & Electric Company shall file, with the Commission, three copies of its final prospectus pertaining to the sale of its Cumulative Preference 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 \$26,000.

Dated MAR 3 1981, at San Francisco, California.

*John E. Coyne* President  
*Richard D. Krawinkel*  
*Lawrence M. ...*  
*Victor ...*  
  
Commissioners

PUBLIC UTILITIES COMMISSION  
STATE OF CALIFORNIA  
104121  
MAR 3 - 1981  
\$ 26,000.00  
BY *J. J. ...*