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Decision No. 92805

MAR 17 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 6,500,000)
shares of its Common Stock,)
\$5 par value.)

Application No. 60228
(Filed January 29, 1981)

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 up to 6,500,000 shares of its Common Stock, \$5 par value, in one or more series, by offering to the public, through a group of underwriters, up to 4,000,000 shares and the remaining 2,500,000 shares to SDG&E's Savings Plan (the Plan).

Notice of the filing of the application appeared on the Commission's Daily Calendar of February 4, 1981. No protests have been received.

SDG&E, a California corporation, operates as a public utility under the jurisdiction of the 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 total operating revenues of \$960,444,000 and net income of \$52,046,000, 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 Investment	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>

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	226,268,000
Total	<u>\$2,225,289,000</u>

<u>Deductions</u>	
Amount not Bondable per Decision No. 10032	\$ 45,000
Proceeds from:	
Sale of Bonds and Notes	981,712,000
Sale of Debentures	34,598,000
Sale of Preferred Stock	225,853,000
Sale of Common Stock	432,628,000
Depreciation Reserve	417,841,000
Total	<u>\$2,092,677,000</u>
Unreimbursed Construction as of December 31, 1980	<u>\$ 132,612,000</u>

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. SDG&E also had outstanding \$117,000,000 of Bankers' Acceptances used to finance fuel oil.

The company's construction budget for calendar year 1980 amounted 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 proposes to issue and sell an aggregate of up to 4,000,000 shares, in one or more series, during 1981, on a negotiated basis through a nationwide group of underwriters who will agree to purchase SDG&E's common stock pursuant to a purchase agreement to be entered into with the underwriters' representatives prior to each sale, with the intention that thereafter the proposed shares will be offered to the public. The underwriting agreement, when entered into, will be submitted to the Commission.

The price of the proposed shares to be paid to SDG&E by the underwriters shall in no event be less than 90 percent of the last reported sale price of the SDG&E's proposed shares on the New York Stock Exchange prior to the time the price is fixed. No offering of rights to shareholders is contemplated.

SDG&E also seeks authority to issue and sell an aggregate amount of 2,500,000 shares in connection with the operation of, and subject to the provisions of, the Plan, as amended, a copy of which is on file with this Commission. SDG&E's best estimate is that this number of shares will be sufficient to meet its needs under the Plan for the next several years. The price of the proposed shares utilized for this purpose shall be determined pursuant to the provisions of the Plan.

The net proceeds from the proposed sale of 4,000,000 shares of common stock to the public through the underwriters, at the assumed price of \$13 per share, are estimated to be \$52,000,000. This money would be used to retire all or a portion of SDG&E's then outstanding short-term debt issued to provide temporary financing of additions to SDG&E's utility plant. The balance, if any, would be used to reimburse the utility for capital expenditures. The net proceeds from the proposed sale of 2,500,000 shares of common stock through the Plan are estimated to be \$32,500,000 and will also be utilized to retire SDG&E's short-term debt.

SDG&E's capital ratios recorded as of December 31, 1980, and adjusted to give effect to the following:

1. The proposed issue and sale of 6,500,000 shares of SDG&E's Common Stock, \$5 par value, estimated to produce total net proceeds of \$84,500,000 and
2. the issue and sale of \$40,000,000 of SDG&E's Cumulative Preference Stock not to exceed 1,600,000 shares 1/

are shown below:

	<u>December 31, 1980</u>	<u>Pro Forma</u>
First Mortgage Bonds	40.2%	37.1%
Debentures	1.5	1.4
Other Long-Term Debt	<u>6.1</u>	<u>5.7</u>
Total Long-Term Debt	47.8	44.2
Preferred and Preference Stock	13.9	15.3
Common Stock Equity	<u>38.3</u>	<u>40.5</u>
Total	<u>100.0%</u>	<u>100.0%</u>

1/ Decision No. 92756, dated March 3, 1981, in Application No. 60206.

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 common stock are needed for the purposes specified. The staff has no objection to the proposed issue; however, the Division reserves the right to reconsider the reasonableness of SDG&E's construction expenditures in future rate proceedings.

Findings of Fact

1. SDG&E, a California corporation, operates 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 up to 4,000,000 shares of common stock to the public through underwriters would be for a proper purpose.
4. The proposed issuance of up to 2,500,000 shares of common stock pursuant to SDG&E's Savings Plan would be for a proper purpose.
5. 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.
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.

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 not to be construed as a finding of the value of the company's stock or property or 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 to exceed 4,000,000 shares of its Common Stock, \$5 par value, in one or more series, on terms and conditions to be negotiated with underwriters.

2. San Diego Gas & Electric Company may issue and sell not to exceed 2,500,000 shares of its Common Stock, \$5 par value, in one or more series, substantially in accordance with The Savings Plan and the Trust Agreement on file with the Commission in Application No. 59370, dated January 9, 1980.

3. 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.

4. 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.

5. As soon as available, San Diego Gas & Electric Company shall file with the Commission three copies of its final prospectus pertaining to the stock.

6. 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.

7. 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 \$48,250.

Dated MAR 17 1981, at San Francisco, California.

John E. Coyne
President
Richard D. ...
...
Victor ...

Commissioners

