

RR/KLH/TCG/WPSC

**ORIGINAL**Decision 84 07 073

JUL 5 1984

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SAN DIEGO GAS & )  
 ELECTRIC COMPANY to Modify Decision )  
 No. 82-09-014 Authorizing the )  
 Issuance and Sale of not more than )  
 2,000,000 shares of its Common )  
 Stock, \$5 par value, under and )  
 pursuant to the Applicant's )  
 TRESOP Plan )

Application 84-05-083  
 (Filed May 21, 1984)

O P I N I O N

In Decision (D.) 82-09-014 dated September 8, 1982 in Application (A.) 82-07-50 San Diego Gas & Electric Company (SDG&E) was authorized to issue and sell up to 2,000,000 shares of its Common Stock, \$5 par value, in accordance with its Tax Reduction Employee Stock Ownership Plan (TRESOP) and associated Trust Agreement. The TRESOP is a qualified employee benefit plan.

In this petition for modification, SDG&E requests authority, under Public Utilities (PU) Code Section 1708 to modify D.82-09-014 to expressly authorize SDG&E to make contributions of its Common Stock, \$5 par value, to its TRESOP based on payroll or other tax credits (in addition to contributions of stock based on investment tax credits) as specifically authorized in D.82-09-014.

Summary of Decision

This decision grants SDG&E the authority it requested in its petition for modification.

Notice of the filing of the petition for modification appeared on the Commission's Daily Calendar of May 25, 1984. No protests have been received.

Prior Commission Authorization

In D.82-09-014, the Commission authorized SDG&E to issue and sell up to an aggregate amount of 2,000,000 shares of its stock by transferring the shares to its TRESOP. SDG&E's TRESOP is a qualified employee benefit plan established under Internal Revenue Code Sections 401(a) and 409A. SDG&E created this special type of qualified employee benefit plan to promote in its employees an interest in the successful operation of its business and accordingly realize an increased efficiency in the work of its employees. Under the TRESOP and federal tax laws and regulations, previously existing, SDG&E was entitled to take additional amounts of investment tax credit (ITC) on its federal income tax return if it contributed an amount equal to the tax credit to the TRESOP for the benefit of its employees.

Under the Economic Recovery Tax Act of 1981 (ERTA), the earlier law allowing tax credits based on ITCs was revoked and replaced with tax credits based on payroll (known as PAYSOP credits). (The law, however, did allow taxpayers to continue to use ITCs earned in prior years up through December 31, 1982, until those credits were fully utilized. Accordingly, SDG&E states that it made ITC-based TRESOP contributions for the 1981 and 1982 tax years and expects to continue making these contributions for the next several years).

Beginning with the 1983 tax year, however, taxpayers are also entitled to claim a tax credit based on the amount of payroll, provided that an amount in cash or stock equal to that credit is contributed to the TRESOP for the benefit of employees. Under current federal tax laws, the amount of payroll based tax credits for 1983 and succeeding years is as follows:

<u>Tax Year</u>	<u>Percentage of Payroll Allowed as Tax Credit</u>
1983	0.5%
1984	0.5
1985	0.75
1986	0.75
1987	0.75

SDG&E's TRESOP has been amended by a Third Amendment to provide for PAYSOP contributions by the company. A copy of the Third Amendment is attached as Exhibit E to the petition for modification.

The payroll based tax credit is scheduled to expire after the 1987 tax year. SDG&E states that it is not known, at this time, what changes might be made in federal tax laws and regulations and whether the payroll tax credits set forth above will be continued, modified, or replaced by another type of tax credit.

SDG&E requests modification of D.82-09-014 to expressly authorize it to issue and sell any of the previously authorized stock to the TRESOP for contributions based on payroll tax credits, or other tax credits, and in such amounts as may be authorized by federal tax laws and regulations.

SDG&E is not seeking authorization to issue any additional amount of stock. Of the 2,000,000 shares originally authorized, SDG&E has issued less than 300,000 shares to the Plan, and SDG&E expects that the remaining number of authorized shares of stock to be issued under the TRESOP will be sufficient for several more years for contributions based on both investment tax credits and payroll tax credits.

SDG&E states that the administrative provisions of the TRESOP will remain essentially unchanged and will continue as described in A.82-07-50.

SDG&E's capital ratios reported as of March 31, 1984 are shown below as recorded and adjusted to give pro forma effect to the transactions that follow:

	<u>March 31, 1984</u>	<u>Pro Forma</u>
Long-Term Debt	45.2%	45.6%
Short-Term Debt	<u>2.9</u>	<u>.4</u>
Total Debt	48.1	46.0
Preferred/Preference Stock	9.6	9.2
Common Equity	<u>42.3</u>	<u>44.8</u>
Total	100.0%	100.0%

1. The issuance and sale of up to 1,700,910 shares of SDG&E's Common Stock, \$5 par value, authorized but unissued, under its TRESOP and estimated to produce net proceeds of \$32,314,920 at the assumed price of \$19 per share (D.82-09-014 dated September 8, 1982 in A.82-07-50);
2. The proposed issuance and sale of up to \$135,000,000 aggregate principal amount of First Mortgage Bonds, Series Z, authorized but unissued, the net proceeds of which are to be used to refund one or more series of outstanding bonds (D.83-06-097 dated June 29, 1983 in A.83-05-47);
3. The issuance and sale of up to \$53,000,000 of First Mortgage Bonds and the sale of another \$11,500,000 of First Mortgage Bonds as security for the issuance and sale of Pollution Control Revenue Bonds by the California Pollution Control Financing Authority (D.84-01-43 dated January 19, 1984 in A.83-11-45);

4. The issuance and sale of up to 3,159,430 shares of SDG&E's Common Stock, \$5 par value, authorized but unissued, under SDG&E's Common Stock Investment Plan (CSIP) estimated to produce net proceeds of \$60,029,170 at the assumed price of \$19 per share (D.83-05-009, dated May 4, 1983 in A.83-03-37);
5. The issuance and sale of up to 1,247,980 shares of SDG&E's Common Stock, \$5 par value, authorized but unissued, under its Employee Savings Plan estimated to produce net proceeds of \$23,712,000 at the assumed price of \$19 per share (D.92805 dated March 12, 1981 in A.60228); and
6. The issuance of \$1,000,000 in promissory notes, authorized but unissued (D.82-06-057 dated June 15, 1982 in A.82-04-13).

The Commission's Revenue Requirements Division has reviewed SDG&E's petition for modification and has concluded that SDG&E's request is reasonable and should be granted. The Commission reserves the right to reevaluate the reasonableness of the contributions involved and the rate base treatment in future rate proceedings.

#### Findings of Fact

1. SDG&E, a California corporation, operates as a public utility under the jurisdiction of this Commission.
2. The proposed issuance of SDG&E's Common Stock, \$5 par value, to its TRESOP would be for a proper purpose.
3. SDG&E's TRESOP, as amended, would not be adverse to the public interest.
4. 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.

The proposed security issue is for a lawful purpose, and the money, property, or labor to be obtained by it is required for this purpose. Proceeds from the security issues may not be charged to operating expenses or income.

The number of shares outstanding, the total par value of the shares, and the dividends paid do not determine allowable return on plant investment. This authorization is not a finding of the value of SDG&E's stock or property, nor does it indicate the amounts to be included in ratesetting proceedings.

The following order should be effective on the date of issuance to enable SDG&E to proceed expeditiously.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company (SDG&E), on or after the effective date of this order, for the purpose set forth in this proceeding and in Decision (D.) 82-09-014 dated September 8, 1982, may issue and sell up to the number of shares of its Common Stock, \$5 par value, remaining from the 2,000,000 shares previously

authorized in D.82-09-014 to its Tax Reduction Employee Stock Ownership Plan (TRESOP), as amended, to fund its TRESOP with contributions based on payroll tax credits or other tax credits and in such amounts as may be authorized by federal tax laws and regulations.

2. SDG&E shall apply the net proceeds from the sale of its common stock to the purpose set forth in A.82-07-50, the original application.

3. On or before the 25th day of the month following each quarter in which a portion of common stock is issued, SDG&E shall file, with the Commission, a summary showing the total number of shares issued, 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 required by General Order Series 24.

4. In all other respects, D.82-09-014 dated September 8, 1982 in A.82-07-50 remains in full force and effect.

5. This petition for modification is granted as set forth above.

This order is effective today.

Dated JUL 5 1984 at San Francisco, California.

LEONARD M. GRIMES, JR.  
President

VICTOR CALVO

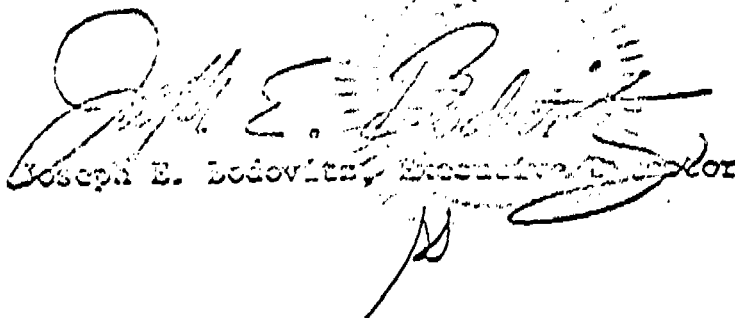
PRISCILLA C. GREW

DONALD VIAL

WILLIAM T. BAGLEY

Commissioners

I CERTIFY THAT THIS DECISION  
WAS APPROVED BY THE ABOVE  
COMMISSIONERS TODAY.

  
Joseph E. Bodovitz, Executive Director

4. The issuance and sale of up to 3,159,430 shares of SDG&E's Common Stock, \$5 par value, authorized but unissued, under SDG&E's Common Stock Investment Plan (CSIP) estimated to produce net proceeds of \$60,029,170 at the assumed price of \$19 per share (D.83-05-009, dated May 4, 1983 in A.83-03-37);
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Findings of Fact

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