

EC/KLH

Decision 87 11 040

NOV 25 1987

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SAN DIEGO GAS &)
 ELECTRIC COMPANY for authority to)
 extend and decrease its short-term)
 borrowing authorization to an)
 aggregate principal amount not to)
 exceed \$200,000,000, in addition)
 to that amount otherwise author-)
 ized by Public Utilities Code)
 Section 823(c). (U 902-M))

ORIGINAL
 Application 87-10-006
 (Filed October 8, 1987)

O P I N I O N

Summary of Decision

This decision grants San Diego Gas & Electric Company (SDG&E) the authority requested in the application, but sets the expiration date at December 31, 1992 which provides a period of authority of about five years which is considered to be adequate.

SDG&E requests authority, under Public Utilities (PU) Code Section 823(c): (1) To decrease its short-term debt authority from \$275,000,000 to \$200,000,000, a decrease of \$75,000,000 below that authorized by Decision (D.)82-12-011 dated December 1, 1982 in Application (A.)82-10-17 and (2) To extend the period of authorization up to and including December 31, 1997.

Notice of the filing of the application appeared on the Commission's Daily Calendar of October 15, 1987. 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, gas and steam services in portions of San Diego County and electric services in portions of Orange County.

For the 12 months ended August 31, 1987, SDG&E reports it generated total operating revenues of \$1,549,013,000 and net income of \$199,599,000 in reports filed with the Commission.

Shown as part of Exhibit A attached to the application is SDG&E's Balance Sheet as of August 31, 1987 summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$2,883,099,441
Other Property & Investments	72,253,699
Current and Accrued Assets	498,806,804
Deferred Debits	<u>153,191,284</u>
Total	\$3,607,351,228
 <u>Liabilities and Equity</u>	
Common Stock Equity	\$1,216,790,722
Preferred/Preference Stock	160,493,000
Long-Term Debt	1,086,165,534
Current & Accrued Liabilities	478,300,605
Other Non-Current Liabilities	219,498,243
Deferred Credits	<u>446,103,124</u>
Total	\$3,607,351,228

As of August 31, 1987, SDG&E had outstanding short-term obligations totaling \$59,937,981. This total consisted of \$49,993,981 covering the current portion of long-term debt payable within 12 months, \$5,694,000 covering the current portion of capital leases and \$4,250,000 covering the preference stock sinking fund requirements.

SDG&E could issue up to \$76,903,000 aggregate principal amount of short-term debt, as of August 31, 1987, under the authority permitted by PU Code Section 823(c). It has authority,

which terminates on December 31, 1987 under D.82-12-011 dated December 1, 1982 in A.82-10-27 to issue and sell an additional \$275,000,000 under PU Code Section 823(c) giving it the combined authority to issue short-term obligations totaling \$351,903,000.

In this application, SDG&E requests a \$75,000,000 reduction in the amount it is authorized to borrow under PU Code Section 823(c) thereby reducing the authority granted in D.82-23-011 to \$200,000,000. SDG&E also requests an extension of this authority to December 31, 1997. The planned borrowing would be evidenced by SDG&E's commercial paper, short-term promissory notes and other credit agreements with various banks or other financial institutions or companies.

In response to a request dated October 9, 1987 from the Commission Advisory and Compliance Division (CACD) formerly the Evaluation and Compliance Division regarding the reduction in short-term financing of \$75,000,000, SDG&E made the following comment in their Telex message to the Commission on October 13, 1987:

"We don't have the critical cash flow problem we were suffering in 1982, when the PUC increased the amount from \$200 million, to \$275 million. A short-term debt level of \$276 million, which includes \$76 million authorized by Public Utilities Code Section 823(c) is adequate for our needs for the foreseeable future."

SDG&E requests an extension of the short-term borrowing authorization for the following reasons:

1. To permit it greater flexibility in the timing of security offerings, and
2. To provide the capability to quickly expand short-term borrowings in the event of delays or cancellations of its security offerings.

SDG&E proposes to repay short-term borrowings, from time to time, out of funds available from internal sources and the sale of additional securities and additional short-term borrowings within the limits of the authority in this application.

CACD has no objection to the reduction in short-term authority from \$275,000,000 to \$200,000,000 be approved but recommends the new authority be authorized to terminate as of December 31, 1992. We will adopt the recommendations of CACD.

Use of Proceeds

In this application, SDG&E requests authority to extend the period of authority and decrease the amount of its short-term borrowing authorization in order to retain adequate temporary financing to cover the following:

1. Additions and extensions of its utility plant;
2. Undercollections in SDG&E's Balancing Accounts;
3. Retirements, tenders, calls or other refundings of SDG&E's long-term debt or preferred stock; and
4. To satisfy such other short-term cash needs that may arise from time to time.

Construction Budgets

SDG&E's construction budget for calendar year 1987 amounts to \$219,000,000 of which \$125,000,000 had been spent as of August 31, 1987. The construction budget for calendar year 1988 has an estimated cost outlay of \$263,000,000. Major classifications of the 1987 and 1988 budgeted construction is summarized as follows:

<u>Description</u>	<u>1987</u>	<u>1988</u>
Electric Production	\$ 27,000,000	\$ 35,000,000
Electric Transmission	8,000,000	18,000,000
Electric Distribution	113,000,000	129,000,000
Gas Production Transmission, and Distribution	37,000,000	38,000,000
Common Plant	<u>34,000,000</u>	<u>43,000,000</u>
Total	\$219,000,000	\$263,000,000

SDG&E reports it has unreimbursed construction that as of August 31, 1987 totaled \$662,143,503 on which it could issue additional indebtedness.

CACD has reviewed SDG&E's 1987 and 1988 construction programs. The Division has no objection to the proposed decrease in short-term borrowing authorization requested in the application but reserves the right to reconsider the reasonableness of any specific construction expenditure in future rate proceedings.

Capitalization Ratios

SDG&E's capital ratios reported as of August 31, 1987 are shown below as recorded and adjusted to give pro forma effect to the transactions that follow:

	<u>August 31, 1987</u>	<u>Pro Forma</u>
Long-Term Debt	46.9%	46.0%
Short-Term Debt	<u>2.2</u>	<u>2.1</u>
Total Debt	49.1	48.1
Preferred/Preference Stock	5.8	5.6
Common Equity	<u>45.1</u>	<u>46.3</u>
Total	100.0%	100.0%

1. The issuance of up to \$25,000,000 Industrial Development Bonds (IDBs) aggregate principal amount of Debt Securities as security for the issuance of a like amount of IDBs by the City of San Diego (authorized by D.87-09-021 dated September 10, 1987 in A.87-07-029);
2. The issuance of up to 1,324,940 shares of SDG&E's Common Stock, no par value, authorized but unissued under SDG&E's 1986 Long-Term Incentive Plan, estimated to produce net proceeds of \$6,624,700 (authorized by D.86-08-046 dated August 20, 1986 in A.86-07-005);
3. The issuance of up to 1,470,848 shares of SDG&E's Common Stock, no par value, authorized but unissued under SDG&E's Tax Reduction Employee Stock Ownership Plan, as amended, estimated to produce net proceeds of \$48,537,984 (authorized by D.82-09-014 dated September 8, 1982 in A.82-07-50 and D.84-07-073 dated July 5, 1984 in A.84-05-083);
4. The issuance of up to 348,487 shares of SDG&E's Common Stock, no par value, authorized but unissued under SDG&E's Common Stock Investment Plan estimated to produce net proceeds of \$11,500,071 (authorized by D.83-05-009 dated May 4, 1983 in A.83-03-037); and

5. The issuance of up to 607,986 shares of SDG&E's Common Stock, no par value, authorized but unissued under SDG&E's Employees Savings Plan estimated to produce net proceeds of \$20,063,538 (authorized by D.92805 dated March 12, 1981 in A.60228).

The E&C Division has reviewed the application and has concluded that the requested short-term borrowing authorization is necessary to help SDG&E meet its projected capital requirements.

Findings of Fact

1. SDG&E, a California corporation, operates as a public utility under the jurisdiction of this Commission.
2. The proposed short-term notes and commercial paper would be for proper purposes.
3. SDG&E needs external funds for the purposes set forth in its application.
4. The money, property or labor to be procured, or paid for, by the proposed short-term notes and commercial paper is reasonably required for the purposes specified in the application.
5. There is no known opposition and there is no reason to delay granting the authority requested in the application.

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 action taken should not be construed as indicative of amounts to be included in proceedings for the determination of just and reasonable rates, nor as indicative of the action the

Commission would take on an application or applications for permanent financing.

The following order should be effective on the date of signature to enable SDG&E to issue its short-term obligations expeditiously. No fee is due or payable under PU Code Section 1904(b) due to a reduction in the short-term borrowing authorized herein.

ORDER

IT IS ORDERED that:

1. San Diego Gas & Electric Company (SDG&E), on or after the effective date of this order and on or before December 31, 1992, for the purposes set forth in the application, may issue short-term obligations in the form of promissory notes and commercial paper in the aggregate principal amount up to \$200,000,000 outstanding at any one time, in addition to that otherwise authorized under Public Utilities (PU) Code Section 823(c).

2. SDG&E shall apply the net proceeds from the sale of its short-term obligations to the purposes set forth in the application.

3. On or before the tenth day of each month, SDG&E shall file, with the Commission, a summary for the preceding month showing the aggregate amount of promissory notes and commercial paper issued and the purposes for which they were issued. This

filing shall be in lieu of reports required by General Order Series 24.

4. The application is granted as set forth above.

The authority granted by this order to issue short-term debt will become effective today.

Dated NOV 25 1987, at San Francisco, California.

STANLEY W. HULETT
President

DONALD VIAL
FREDERICK R. DUDA
C. MITCHELL WILK
JOHN B. OHANIAN
Commissioners

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


Victor Weissor, Executive Director

AB

which terminates on December 31, 1987 under D.82-12-011 dated December 1, 1982 in A.82-10-27 to issue and sell an additional \$275,000,000 under PU Code Section 823(c) giving it the combined authority to issue short-term obligations totaling \$351,903,000.

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The E&C Division has no objection to the reduction in short-term authority from \$275,000,000 to \$200,000,000 be approved but recommends the new authority be authorized to terminate as of December 31, 1992. We will adopt the recommendations of the E&C Division.

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The E&C Division has reviewed SDG&E's 1987 and 1988 construction programs. The Division has no objection to the proposed decrease in short-term borrowing authorization requested in the application but reserves the right to reconsider the reasonableness of any specific construction expenditure in future rate proceedings.

filing shall be in lieu of reports required by General Order Series 24.

4. The application is granted as set forth above.

The authority granted by this order to issue short-term debt will become effective upon signature. *TODAY* ✓ *Pretti*

Dated NOV 25 1967, at San Francisco, California.

STANLEY W. HULETT
President
DONALD VIAL
FREDERICK R. DUDA
G. MITCHELL WILK
JOHN B. O'HANIAN
Commissioners