CACD/BVC

Decision 90 02 051 FEB 23 1990

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SAN DIEGO GAS & ELECTRIC COMPANY to issue, sell, and deliver one or more series of long-term Debt Securities and to guarantee the obligations of others in respect of the issuance of certain tax-exempt Debt Securities, the total aggregate principal amount of such indebtedness and guarantees not to exceed $200,000,000; to execute and deliver one or more indentures; to sell, lease, assign, mortgage, or otherwise dispose of or encumber utility property; and for an exemption from the Commission's Competitive Bidding Rule. (U 902-M)	ORIGINAL A.89-11-016 (Filed November 13, 1989)

OPINION

Summary of Decision

This decision grants San Diego Gas & Electric Company (SDG&E) the authority requested in its application to issue, sell and deliver one or more series of long-term Debt Securities and to guarantee the obligations of others in connection with the issuance of certain tax-exempt Debt Securities.

SDG&E requests authority, under Public Utilities (PU) Code Sections 816-818, 821, 830 and 851, for the following:

1. To issue, sell and deliver one or more series of First Mortgage Bonds, Debentures, Overseas Indebtedness, Foreign Securities and Notes through public offerings or private placements and to enter into Loans;

2. To provide that the aggregate principal amount of First Mortgage Bonds (Bonds), Debentures, Overseas Indebtedness, Foreign Securities, Notes, and Loans (Debt Securities) issued by SDG&E shall not exceed $200,000,000;

3. To use the net proceeds from the Debt Securities to reimburse its treasury for moneys previously expended for capital improvements and to retire or refund long-term debt securities or short-term indebtedness previously issued;

4. To guarantee unconditionally or otherwise secure the obligations of one or more political subdivisions (Authority) in respect of their issuances of debt for pollution control, sanitary and solid waste disposal or other eligible facilities financings, including facilities eligible to be financed by "two-county" tax exempt revenue bonds (Eligible Facilities);

5. To execute and deliver an indenture or supplemental indenture in connection with any proposed issue of Debt Securities;

6. To sell, lease, assign, mortgage or otherwise dispose of or encumber utility property;

7. To have the issuance of certain Debt Securities exempted from the requirements of the Commission's Competitive Bidding Rule; and

8. To be allowed a modification of the Commission's competitive bidding requirements to permit SDG&E to shorten the period of time between the issuance of an invitation for bids and the scheduled receipt of bids to a period which is the shortest time reasonably required in order to obtain a sufficient number of bids from underwriters, purchasers or other groups; to accelerate, postpone or cancel the scheduled date and time for the receipt of bids; to reject all bids submitted; to request the resubmission of bids, to reschedule subsequent receipt of bids and to vary the amount, terms and conditions of the Debt Securities submitted for bids, all without newspaper publication.

Notice of the filing of the application appeared on the Commission's Daily Calendar of November 27, 1989. No protests have been received.

SDG&E is a public utility corporation organized and existing under the laws of the State of California, and is primarily engaged in the business of providing electric service in portions of Orange County and electric, gas and steam service in portions of San Diego County.

For the eight months ended August 31, 1989, SDG&E reports in its Statement of Income that it generated total operating revenues of $1,064,062,283 and net income of $113,474,862.

SDG&E's Balance Sheet as of August 31, 1989 is summarized as follows:

Assets	Amount
Net Utility Plant	$2,911,997,700
Other Property and Investments	144,874,428
Current Assets	246,918,430
Deferred Charges	146,061,978
Total	$3,449,852,536

Liabilities and Equity	Amount
Common Equity	$1,222,087,287
Preferred/Preference Stock	149,993,000
Long-Term Debt	1,032,746,685
Other Long-Term Liabilities	191,874,775
Current Liabilities	412,303,633
Deferred Credits	440,847,156
Total	$3,449,852,536

Debt Securities

The principal amount and the terms and conditions of each issue of Debt Securities will be determined by SDG&E's management and/or board of directors according to market conditions at the time of sale.

Each issue of Debt Securities may contain a provision allowing it to be redeemed or repaid prior to maturity. An early redemption provision may allow the Debt Securities to be redeemed, or repaid at any time, or it may allow the Debt Securities to be redeemed or repaid only after a certain restrictive period. In either case, the Debt Securities would be redeemable at a premium over par or at a stated price.

Debt Securities may bear a fixed or floating rate of interest and may be issued at par or with an original issue discount or premium. SDG&E will notify the Commission by letter, promptly after the date of issuance of any Debt Securities, of the terms and conditions of those Debt Securities. With the exception of medium-term notes, each series of Debt Securities is expected to have a maturity of between one year and 40 years. Medium-term notes are expected to have a maturity of between nine months and 40 years.

With the exception of First Mortgage Bonds (as defined below), and Loans each issue of Debt Securities may be issued under an indenture to be delivered to the trustee for such issue. The indenture may be a supplemental indenture to a previous indenture. The indenture would set forth the terms and conditions of each issue of Debt Securities.

The following describes in greater detail the types of Debt Securities that may be issued:

A. <u>Secured Debt Securities Issued in Discrete Amounts (Bonds)</u>

Security for Bonds may be included in the form of a lien on property (First Mortgage Bonds), a letter of credit, a standby bond purchase agreement, an insurance policy provided by a third party, or through other credit enhancement arrangements. Such credit enhancements may be included to reduce interest costs or improve other credit terms.

The First Mortgage Bonds will be issued in accordance with the trust indenture dated as of July 1, 1940 which has been filed with the Commission. The supplemental indenture delivered in connection with each series of First Mortgage Bonds will be in a form consistent with supplemental indentures previously filed with the Commission.

Bonds may be sold to either domestic or foreign investors. Bonds may be sold to underwriters in discrete amounts who in turn will offer the Bonds to investors, or may be sold directly to investors either with or without the assistance of a private placement agent. Bonds may be registered with the Securities and Exchange Commission (SEC), depending on the method of offering and sale. Bonds may be listed on a stock exchange.

In conjunction with the issuance of Bonds, SDG&E may enter into contractual agreements whereby a third party will provide appropriate credit facilities as security for Bonds. The cost of the credit facilities will be included in determining the overall cost of Bonds.

B. Unsecured Debt Securities (Debentures)

Debentures may be sold to either domestic or foreign investors. Debentures may be sold to underwriters in discrete amounts who in turn will offer the Debentures to investors or may be sold directly to investors either with or without the assistance of a placement agent. The Debentures may be registered with the SEC. The Debentures may be listed on a stock exchange.

C. Overseas Indebtedness

Overseas Indebtedness will be issued and sold ultimately to foreign investors and will likely be denominated in U.S. dollars. Overseas Indebtedness may be sold to underwriters who in turn will offer the Overseas Indebtedness to investors or may be sold directly to investors either with or without the assistance of a placement agent. Overseas Indebtedness would be issued and sold only when such issuances result in an overall cost of money to SDG&E lower than issuances of comparable domestic debt securities in the U.S. market.

D. Foreign Currency Denominated Securities (Foreign Securities)

SDG&E may issue Foreign Securities with the payment of interest or principal, or both, denominated in a foreign currency. Foreign Securities may be sold to foreign or domestic investors and may be denominated in any major foreign currency, including, but not limited to, Dutch guilders, Austrian schillings, British pounds, French francs, German marks, Australian, New Zealand, or Canadian dollars, Japanese yen, Swiss francs, or European Currency Units. Foreign Securities will be issued only if the borrowing costs, including all transaction and foreign exchange contract costs, are lower than a comparable U.S. dollar financing.

If Foreign Securities are issued, SDG&E will enter into one or a series of forward contracts by which a counterparty would be obligated to pay SDG&E the foreign currency for debt servicing. In exchange, SDG&E will pay a counterparty U.S. dollars based on a pre-determined formula.

This contract would be with a major financial intermediary, like a commercial bank, or directly with a principal in need of U.S. dollars. The cost of the forward contracts will be included for determining the overall cost of Foreign Securities.

E. Medium-Term Notes (Notes)

Notes may be offered on a continuous or periodic basis. Notes may be sold privately or publicly in the domestic or foreign capital markets. If sold in foreign capital markets, Notes may be denominated in U.S. dollars or in a foreign currency. If Notes are denominated in a foreign currency, SDG&E will enter into a separate contract whereby its debt servicing would be converted to U.S. dollars.

Notes may require registration under the federal securities laws by the filing of a registration statement which includes a prospectus, an indenture, and other pertinent documents. Notes may be issued as part of a program on a continuous or periodic basis. Notes may be unsecured or secured as described under Bonds in paragraph "A" above. SDG&E may sell Notes through a placement agent who markets Notes on a reasonable efforts basis. SDG&E also may sell Notes to underwriters who in turn offer Notes to investors or may sell Notes directly to investors. Notes may be listed on a stock exchange.

If Notes are sold through a placement agent, at least two agents will be used to ensure competitive pricing. Based on market conditions and consultation with the placement agents, SDG&E would determine the interest rates at which it would be willing to issue Notes of various maturities. The placement agents would be notified of those interest rates. The rates can be continuously updated to reflect changing market conditions and SDG&E's demand for funds.

F. <u>Direct Loans (Loans)</u>

Loans are Debt Securities currently outstanding pursuant to a line(s) of credit with banks, insurance companies, or other financial institutions.

<u>Features to Enhance Debt Securities</u>

SDG&E requests authorization to include at its discretion one or a combination of the following additional features (Credit Enhancements) in SDG&E's Debt Securities. Such features will be used as appropriate to improve the terms and conditions of SDG&E's Debt Securities and to lower SDG&E's overall cost of money for the benefit of ratepayers.

A. Put Option

SDG&E anticipates that, from time to time, the cost of SDG&E's Debt Securities may be reduced by the inclusion of a "put" option. This would allow the holders of Debt Securities to require SDG&E to repurchase all or a portion of each holder's securities.

B. Sinking Fund

SDG&E anticipates that, from time to time, the cost of SDG&E's Debt Securities may be reduced by the use of a "sinking fund."

A sinking fund may operate in either of two ways: (a) SDG&E may set aside a sum of money periodically so that, at the maturity date of the bond issue, there is a pool of cash available to redeem the issue, or (b) SDG&E may periodically redeem a specified portion of the bond issue. In this way, at the maturity date of the bonds, less than the original face value of the bond issue will remain outstanding. Typically, SDG&E would have the right to meet its sinking fund obligations by either calling a certain number of bonds or purchasing the bonds in the open market.

C. Tax-Exempt Feature

SDG&E anticipates that from time to time the cost of SDG&E Debt Securities may be reduced by placing such securities with one or more political subdivisions (Authority) and unconditionally guaranteeing or otherwise securing such Authority's obligations in respect of its issuances of tax-exempt debt in connection with the financing of SDG&E's facilities. SDG&E anticipates using the tax-exempt option whenever its facilities qualify for tax-exempt financing under federal law. In order to obtain the benefits of tax-exempt financing for pollution control and sanitary and solid waste disposal or its eligible facilities (Eligible Facilities), including facilities that may be eligible to be financed by "two-county" tax-exempt revenue bonds (IDBs), SDG&E proposes to engage in one or more financings with an Authority. It is currently contemplated that such proposed financings would be structured substantially as follows:

(1) An Authority would issue and sell one or more series of its bonds, notes, debentures or other securities (Authority Bonds) plus accrued interest, to a group of underwriters who would ultimately market such Authority Bonds to investors;

(2) Concurrently with the sale and delivery of such Authority Bonds, SDG&E would enter into a loan agreement or other security agreement with the Authority, or would enter into an Installment Sale Agreement with the Authority pursuant to which Eligible Facilities would be conveyed to the Authority in consideration for the proceeds of the Authority Bonds, and the Eligible Facilities would subsequently be reconveyed to SDG&E in consideration for SDG&E Debt Securities. The operation and control of such facilities would remain with SDG&E or the project operator at all times; and

(3) Concurrently with the sale and delivery of such Authority Bonds, SDG&E would issue and deliver to the Authority, in consideration of the Authority's obligations set forth in (2) above, SDG&E Debt Securities plus accrued interest (the terms and conditions of such indebtedness to be substantially consistent with the terms and conditions of such Authority Bonds) or would unconditionally guarantee or otherwise secure such Authority's obligations in respect of the Authority Bonds. All rights, title and interest of such Authority in SDG&E Debt Securities would be assigned to a trustee under an indenture pursuant to which the Authority Bonds would have been issued, as security for the purchasers of the Authority Bonds.

D. Variable Rate Debt Securities

A Variable Rate Debt Security includes, but is not limited to, Debt Securities bearing interest based on the prime rate of banks, bankers' acceptances, Eurocommercial paper, or some other "referenced" interest rate. A Variable Rate Debt Security may also be a Debt Security bearing a fixed interest rate but containing terms which create a Debt Security having the effect of a variable interest rate, such as a fixed rate obligation with the holder having periodic Put Options (which require SDG&E to repurchase all or a portion of the Debt Securities with a re-marketing obligation by SDG&E of the basic Debt Security) or a Debt Security having a maturity of less than three years.

Interest Rate Protections/Conversions

In connection with the issuance of Debt Securities, SDG&E may enter into contractual provisions containing one or more "interest rate protections/conversions" as described below. In normal market conditions, variable interest rate debt initially carries a lower interest rate than comparable fixed rate debt. However, there is the possibility that the variable rate could increase so that the average variable rate is higher than the fixed rate.

In order to reduce ratepayers' exposure to interest rate risk, SDG&E may negotiate some type of maximum rate, usually called a "cap." In that case, even if variable rates increase above the cap or "ceiling" rate, SDG&E would only pay the ceiling rate. In addition to the ceiling rate, sometimes the counterparty to the contract desires to have a "floor" rate. In the event that the variable rate falls below the floor rate, SDG&E would pay the floor rate. The floor and ceiling rates are called "interest rate collars" because the interest rate fluctuates within a band which is negotiated between SDG&E and the counterparty.

From time to time, SDG&E may be able to reduce its borrowing costs by issuing fixed or floating rate debt and entering into one or a series of interest rate swap (Swap) contracts to convert fixed interest payments into favorable floating rate payments or vice versa, or to convert floating rate payments tied to one index (e.g., the London Interbank Offering Rate (LIBOR)) into floating rate payments tied to another index (e.g., the Federal Reserve Composite Rate for commercial paper). The Swap contracts would require SDG&E to make interest payments on one basis (e.g., a fixed rate) to a counterparty, and would require the counterparty to make interest payments on another basis (e.g., a floating rate) to SDG&E. Swaps include the option to enter into a Swap. Swaps may be denominated in U.S. dollars or in a foreign currency. If SDG&E enters into a Swap denominated in a foreign currency, any exchange risk will be hedged through one or more forward contracts or through a currency swap. Swaps would be negotiated with a major financial intermediary (like a commercial bank) or directly with a principal seeking the other side of the Swap transaction.

SDG&E will enter into these Swap contracts in conjunction with the issuance of Debt Securities (Structured Transaction) only when such arrangements provide an overall cost of money lower than that available through the issuance of such Debt Securities.

The terms and conditions of Swaps will be determined by SDG&E according to market conditions at the time a Swap is negotiated.

CACD's Analysis of Interest Rate Swaps

SDG&E requests the authority to enter into "Swap" contracts in conjunction with the issuance of Debt Securities (Structured Transaction) only when such arrangements provide an overall cost of money lower than that available through the issuance of such Debt Securities with the terms and conditions of Swaps to be determined by SDG&E according to market conditions at the time a Swap is negotiated. CACD recommends that Swaps be provisionally authorized within the following parameters and their equity and effectiveness be evaluated in conjunction with SDG&E's next rate proceeding.

The CACD believes that the ratepayers should benefit from any cost savings which are realized by SDG&E from Swaps for expenses which were previously authorized. SDG&E recovers in its rates an allowance for the fees charged by banks for lines of credit necessary to support its short-term debt issues. Swaps may reduce SDG&E's requirement for such credit support.

The CACD recommends that SDG&E be required to maintain a memorandum account which will estimate the weighted average cost of SDG&E's lines of credit applicable to a balance equal to the principal amount of Swap securities. In SDG&E's next General Rate Case or Energy Cost Adjustment Clause (ECAC), SDG&E should be required to make a substantial showing justifying its lines of credit costs. The Division of Ratepayer Advocates (DRA) should critically examine this memorandum account with a view to recommending the appropriate level of refund to ratepayers. Such refund would be based upon the actual or the reasonably necessary lines of credit after any Swaps and the base rate allowance for these costs in SDG&E's last proceedings. The CACD further recommends that SDG&E should not enter into Swaps for a value greater than 80% of the items currently given rate recovery based upon the Federal Reserve Board's 90-day interest rate and that the balancing accounts and memorandum accounts be excluded from this balance. These latter items are more volatile and subject to regulatory change than are fuel oil inventories, etc.

1. <u>Limited Amount</u>

   Swaps should not exceed 80% of the authorized value at December 31, 1989 of all utility related items <u>excluding</u> balancing accounts and memorandum accounts accorded the Federal Reserve Board's 90-day interest rate treatment.

2. <u>Reports</u>

   a. Within 15 days of entering into a Swap, SDG&E shall furnish to the CACD a report analyzing the Swap including all costs associated with the Swap in comparison to a projection of "all-in cost" without a Swap.

b. Within 15 days of entering into a Swap, SDG&E shall provide the CACD with a complete copy of the executed agreement and all associated documentation.

c. SDG&E shall separately report all interest income and/or expenses arising from all Swaps in all monthly and annual financial reports to the Commission.

d. SDG&E shall provide copies of the accounting entries made in the memorandum account to the CACD on a quarterly basis.

3. Limit on Rate Recovery

a. Any Swap transaction which results in an increase in embedded debt cost shall not be recognized for ratemaking purposes. SDG&E shall not record any cost increases on the Swap memorandum account as to "net" against any cost savings.

b. If SDG&E elects to terminate the Swap before the original maturity or the Swap partner terminates the Swap, all costs associated with the termination shall be borne by SDG&E's stockholders.

c. SDG&E shall place into a memorandum account all of the costs associate with the underlying liquidity supports or lines of credit equal to the value of the Swap. This amount is to be offset against subsequent base rate changes in general rate or attrition proceedings and refunded to ratepayers based upon the DRA's review of actual and reasonable levels of lines of credit.

d. Regardless of the interest rate specified in the Swap, SDG&E will continue to receive recovery only at the Federal Reserve Board's 90-day interest rate plus the other adopted costs in rates after reduction for (c) above.

4. Limits on Type of Swaps

a. Swaps shall be restricted to an exchange of SDG&E's medium or long-term obligation.

The Commission has considered the CACD's recommendations above and, finding them reasonable, will adopt them as stated above.

Exemption from Competitive Bidding

Exhibit A to Commission Resolution No. F-616, dated October 1, 1986, states,

> Securities privately placed with specific lenders and bank term loans obviously must be negotiated. Competitive bidding is not presently available in European or Japanese markets. Certain tax-exempt pollution control bonds and IDBs have terms which are specifically negotiated. Variable interest rate debt securities are normally completed on a negotiated basis. It is reasonable that these types of debt instruments should be exempt from the Competitive Bidding Rule.

Moreover, Notes and Variable Rate Debt Securities are sold through a placement agent on a reasonable efforts basis in a manner analogous to that used for issuing Commercial Paper. Also, Structured Transactions are specifically negotiated since the interest rate paid on the Swap and the Debt Security must be established simultaneously. Therefore, SDG&E requests an exemption from the Competitive Bidding Rule with respect to obtaining Loans, issuing Debt Securities or otherwise guaranteeing or securing Authority Bonds in conjunction with financing Eligible Facilities, issuing Variable Rate Debt Securities, Overseas Indebtedness, Foreign Securities, and Notes and entering into Structured Transactions. However, fixed-rate Bonds and Debentures sold publicly in the domestic market will be offered through competitive bidding.

In addition, to provide added flexibility to take advantage of market opportunities, SDG&E requests that the Commission modify its Competitive Bidding Rule to permit SDG&E to use the following procedures:

1. To shorten the period of time between the issuance of an invitation for bids and the scheduled receipt of bids to a period which is the shortest time reasonably required in order to obtain a sufficient number of bids from underwriters or purchasers or groups of underwriters or purchasers (which time period may be as short as a few hours); and

2. To further modify the Competitive Bidding Rule to permit SDG&E to do the following:.
   a. To accelerate, postpone, or cancel the scheduled date and time for receipt of bids;
   b. To reject all bids submitted;
   c. To request the resubmission of bids;
   d. To reschedule subsequent receipt of bids; and
   e. To vary the amount, terms and conditions of the Debt Securities submitted for bids.

All of the above to be without newspaper publication.

The Commission Advisory and Compliance Division (CACD) has reviewed SDG&E's request and reasons for further modification of the Competitive Bidding Rule as modified by Resolution F-616. The CACD has determined that SDG&E has made a compelling showing that the exemptions requested are warranted and recommends that SDG&E's requests be granted. We will accept the CACD's recommendation.

We place SDG&E on notice that if it chooses to issue and sell the company's Debt Securities by means of negotiated private placements, or negotiated public offerings where approved by this decision, the reasonableness of the resulting interest rate and cost of money to the company will be closely scrutinized in SDG&E's next general rate proceeding. This may result in a disallowance of the interest expense, if it is determined that the cost of money incurred was not prudent. We will also require SDG&E to provide us with a showing of why it believes that the resulting interest rate and cost of money were advantageous to SDG&E and its ratepayers. We will require this showing within 30 days after issuance of SDG&E's Debt Securities.

Use of Proceeds

SDG&E proposes to use the proceeds from the issue and sale of its Debt Securities, other than for payment of accrued interest, if any, and after payment or discharge of obligations incurred for expenses incident to their issue and sale, to reimburse SDG&E for money it has actually expended from income or from any other money in its treasury not secured by or obtained from the issue of stocks or stock certificates or other evidences of interest or ownership, or bonds, notes, or other evidences of SDG&E's indebtedness, for the acquisition of property, or for the construction, completion, extension or improvement of SDG&E facilities exclusive of maintenance of service and replacements and/or for the retirement or the refunding of securities or short-term indebtedness previously issued and upon which SDG&E paid the fees prescribed by Public Utilities Code Section 1904(b). The amounts so reimbursed will become a part of SDG&E's general treasury funds.

Capital Ratio

SDG&E's capital ratios reported as of August 31, 1989 are shown below as recorded and adjusted to give pro forma effect to the transactions that follow:

Component	August 31, 1989	Pro Forma
Long-Term Debt	47.1%	50.0%
Short-Term Debt	0.6	0.6
Total Debt	47.7%	50.6%
Preferred/Preference Stock	5.6	5.1
Common Equity	46.7	44.3
Total	100.0%	100.0%

1. The proposed sale of up to $200,000,000 aggregate principal amount of SDG&E's Debt Securities;

2. The issuance of up to 1,305,897 shares of SDG&E's Common Stock, without par value, authorized but unissued under SDG&E's 1986 Long-Term Incentive Plan, estimated to produce net proceeds of $6,529,485 at the assumed price of $5 per share (D.86-08-046 dated August 20, 1986 in A.86-07-005);

3. The issuance and sale of up to 348,487 shares of SDG&E's Common Stock, without par value, authorized but unissued under SDG&E's Common Stock Investment Plan estimated to produce net proceeds of $14,287,967 at the assumed price of $41.00 per share (D.83-05-009 dated May 4, 1983 in A.83-03-37);

4. The issuance and sale of up to 607,986 shares of SDG&E's Common Stock, without par value, authorized but unissued under SDG&E's Employee Savings Plan estimated to produce net proceeds of $24,927,426 at the assumed price of $41.00 per share (D.92805 dated March 12, 1981 in A.60228).

SDG&E is placed on notice, by this decision, that the Commission does not find that its capital ratios or the inclusion of short-term debt in its capital structure are necessary or reasonable for ratemaking purposes. These are issues which are normally tested in general rate cases or cost of capital proceedings.

<u>Construction Budgets</u>

SDG&E's estimated construction budgets for calendar years 1989, 1990 and 1991 amount to about $700,000,000. Major classification of the total budgeted construction are summarized as follows:

Components	1989	1990	1991
Electric Production	$ 35	$ 36	$ 37
Electric Transmission	11	30	28
Electric Distribution	126	112	117
Gas	41	42	52
Steam	-0-	-0-	-0-
Common	19	9	5
Total	$232	$229	$239

SDG&E's Board of Directors approved the 1989 Construction Budget at their August 1989 meeting. SDG&E is placed on notice, by this decision, that the Commission does not find that SDG&E's construction budgets are necessary or reasonable for ratemaking purposes. These are issues normally tested in general rate cases or rate base offset proceedings.

Cash Requirements Forecasts

	(Millions)		
Components	1989	1990	1991
Funds needed for Construction Expenditures	$231.8	$228.9	$239.0
Bond Maturities and Redemption	.4	30.4	.4
Preferred Stock Redemption	3.0	3.0	3.0
Short-Term Debt Outstanding at beginning of year	28.0	67.0	112.0
Subtotals	$263.2	$329.3	$354.4
Less: Estimated Internal Cash Generation	140.2	142.3	172.4
Additional Funds Required from External Sources	$123.0	$187.0	$182.0

The CACD has analyzed SDG&E's cash requirements forecast for 1989, 1990, and 1991 provided in SDG&E's Supplemental Data as summarized above. The CACD has concluded that internally generated funds will provide about 60% or $140.2 million of the capital requirements in 1989, 54% or $142.3 million in 1990 and 71% or $172.4 million in 1991. The CACD concludes that the proposed sale of SDG&E Debt Securities is necessary to help meet forecasted cash requirements which includes capital expenditures.

The CACD has reviewed the application and has concluded that the proposed sale of SDG&E's Debt Securities is reasonable and that the authority should be granted.

Findings of Fact

1. SDG&E, a California corporation, operates as a public utility subject to the jurisdiction of this Commission.

2. The proposed Debt Securities would be for proper purposes.

3. The money, property or labor to be procured, or paid for, by the proposed Debt Securities is reasonably required for the purposes specified in the application.

4. Transactions which relate to obtaining Loans, issuing Debt Securities or otherwise guaranteeing or securing Authority Bonds in conjunction with financing Eligible Securities, issuing Variable Rate Debt Securities, Overseas Indebtedness, Foreign Securities and Notes and entering into Structured Transactions should not be required to be made through the Commission's Competitive Bidding Rule.

5. With respect to fixed-rate Bonds and Debentures sold publicly in the domestic market, it is in the public interest to modify the Commission's competitive bidding requirements to permit SDG&E:

a. to shorten the period of time between the issuance of an invitation for bids and the scheduled receipt of bids to a period which is the shortest time reasonably required in order to obtain a sufficient number of bids from underwriters or purchasers of the Bonds or Debentures; and

b. to accelerate, postpone or cancel the scheduled date and time for receipt of bids, reject all bids submitted, request the resubmission of bids, reschedule subsequent receipt of bids and vary the amount, terms and conditions of the Debt Securities submitted for bids; all of the above to be without newspaper publication.

6. There is no known opposition and there is 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 Debt Securities are for lawful purposes and the money, property or labor to be obtained, or paid for, by the Debt Securities is required for these purposes. Proceeds from the Debt Securities may not be charged to operating expenses or income.

The following order shall be effective on the date of signature and the authorization to issue securities shall be effective upon payment of the fee set by Code Section 1904(b) to enable SDG&E to issue its Debt Securities expeditiously.

O R D E R

IT IS ORDERED that:

1. At any time after the effective date of this order and on or prior to the earlier of December 31, 1991 or the date SDG&E terminates its existence by merging into Edison, San Diego Gas & Electric Company (SDG&E) is authorized to do the following:

a. To issue, sell and deliver one or more series of Debt Securities and/or guarantee unconditionally or otherwise secure the obligations of one or more Authorities in respect of their issuance of Authority Bonds for Eligible Facilities with all such issues and sales of Debt Securities and/or guarantees being upon terms and conditions substantially consistent with those set forth or contemplated by the application and not to exceed an aggregate principal amount of $200,000,000;

b. To include one or a combination of the features to enhance Debt Securities as set forth in greater detail in the application;

c. To execute and deliver an indenture or one or more supplemental indentures in connection with any issue of Debt Securities, and sell, lease, assign, mortgage or otherwise dispose of, or encumber, utility property in connection with the issuance and sale of any Debt Securities;

d. To issue, sell and deliver Debt Securities by public offering or private placement;

e. To issue, sell, and deliver Debt Securities or otherwise guarantee or secure Authority Bonds in conjunction with financing Eligible Facilities, Variable Rate Debt Securities, Commercial Paper, Overseas Indebtedness, Foreign Securities, and Notes and enter into Structured Transactions exempt from the Commission's Competitive Bidding Rule;

f. To shorten the period of time between the issuance of an invitation for bids and the scheduled receipt of bids to a period which is the shortest time reasonably required in order to obtain a sufficient number of bids from underwriters, purchasers or groups thereof;

g. To accelerate, postpone or cancel the scheduled date and time for receipt of bids, reject all bids submitted, request the resubmission of bids, reschedule subsequent receipt of bids and vary the amount, terms and conditions of the Debt Securities submitted for bids, all of the above to be without newspaper publication; and

h. To apply the proceeds of the indebtedness authorized for the purpose specified in the application.

2. Within 30 days after awarding the contract for the sale of Debt Securities by competitive bidding, SDG&E shall file a written report with the CACD showing for each bid received, the name of the bidder, the price, the interest rate and the cost of money to SDG&E based on the price and interest rate.

3. If the Debt Securities are sold by means of a public offering, SDG&E shall file with the CACD three copies of its final prospectus pertaining to the Debt Securities, as soon as practicable, after the prospectus is available.

4. Within 30 days after the issuance and sale of any series of Debt Securities by means of negotiated underwritten public offerings or negotiated private placements, including commercial bank borrowings, in either the domestic or foreign markets, SDG&E shall file with CACD a report showing why the resulting interest rate and cost of money were the most advantageous to SDG&E and its ratepayers.

5. If SDG&E enters into contractual agreements to induce third parties to provide credit enhancements or interest rate protections/conversions in conjunction with the issue and sale of Debt Securities, within 30 days after the issuance and sale of any series of Debt Securities, SDG&E shall file with the CACD a detailed listing of the costs of the credit enhancements and a report showing why SDG&E believes the cost of money and cost of the credit enhancements were advantageous to SDG&E and its ratepayers.

6. SDG&E shall file copies of all interest rate swap agreements and other Swap related reports as described in this decision.

7. SDG&E shall file the reports required by General Order Series 24.

8. SDG&E shall submit an original and four copies of the reports required by ordering paragraphs 2 through 6 to the CACD with a transmittal letter stating the application and decision numbers. Parties need not be served with copies of the reports unless they request such service in writing. When service is made on parties who request copies of the report, SDG&E shall attach to its report a certificate showing service by mail upon all those requesting copies. The Director of CACD shall send the original and one copy to the Formal File for filing.

9. The application is granted as set forth above.

The authority granted by this order to issue Debt Securities will become effective when SDG&E pays $106,000, the fee set by Public Utilities Code Section 1904(b). In all other respects, this order is effective today.

Dated FEB 23 1990, 1990, at San Francisco, California.

33391

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
PAID
MAR 5 1990 $106,000.
By

G. MITCHELL WILK
President
FREDERICK R. DUDA
STANLEY W. HULETT
JOHN B. OHANIAN
PATRICIA M. ECKERT
Commissioners

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

NEAL J. SHULMAN, Executive Director

PO