

ORIGINAL

Decision 82 06 057 JUN 15 1982

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SAN DIEGO GAS & )  
ELECTRIC COMPANY to issue promissory )  
notes for use in the acquisition of )  
rights-of-way for the APS/SDG&E 500 )  
kv interconnection transmission )  
line. )

Application 82-04-13  
(Filed April 6, 1982)

O P I N I O N

San Diego Gas & Electric Company (SDG&E) requests authority, under Public Utilities (PU) Code Sections 816 through 818 to issue promissory notes (Notes) in an aggregate principal amount not to exceed \$1,000,000.

Notice of the filing of the application appeared on the Commission's Daily Calendar of April 8, 1982. No protests have been received.

SDG&E is a California corporation engaged principally in the business of providing electric service in portions of Orange and Imperial Counties and electric, gas, and steam service in portions of San Diego County. According to the annual report filed with the Commission for the 12 months ending

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December 31, 1981, SDG&E generated total operating revenues of \$1,159,662,282 and net income of \$110,155,783. The utility's Balance Sheet as of the above date is summarized from Exhibit A attached to the application as follows:

<u>Assets and Other Debits</u>	<u>Amount</u>
Net Utility Plant	\$1,793,663,312
Other Property & Investments	34,596,414
Current and Accrued Assets	318,388,912
Deferred Debits	<u>44,843,579</u>
Total	\$2,191,492,217
<u>Liabilities and Other Credits</u>	
Proprietary Capital	\$ 918,378,903
Long-Term Debt	781,513,921
Current & Accrued Liabilities	414,760,374
Deferred Credits	69,098,478
Operating Reserves	1,092,481
Deferred Income Taxes	<u>6,648,060</u>
Total	\$2,191,492,217

SDG&E's construction budget for the year 1982 amounts to \$330,300,000 of which \$78,600,000 has been spent. A classification of the budgeted construction for 1982 is as follows:

<u>Description</u>	<u>Amount</u>
Electric Production	\$109,200,000
Electric Transmission	105,900,000
Description of Electric Distribution	84,600,000
Gas & Steam Production Transmission & Distribution	24,500,000
Common Plant	<u>6,100,000</u>
Total	\$330,300,000

The Commission's Revenue Requirements Division has reviewed SDG&E's construction program and has concluded that the budgeted construction expenditures are necessary. The Division reserves the right, however, to reconsider the reasonableness of any specific construction expenditure in future rate proceedings.

SDG&E proposes to issue up to \$1,000,000 of Notes. The principal amount of the Notes will be repaid in up to 10 annual installments. The simple interest on the proposed Notes will not exceed 13%.

According to the Commission's Competitive Bidding Rule, as most recently promulgated by Decision (D.) 81908, dated September 25, 1973, in Case (C.) 4761, competitive bidding is not required for debt security issues of \$5,000,000 or less.

The proposed notes will be used to acquire real property rights-of-way for a 500 kV transmission line from Miguel Substation in California to the Palo Verde Nuclear Generating Station Units 1, 2, and 3 Switchyard in Arizona. The transmission line is referred to as the APS/SDG&E Eastern Interconnection Project (Project). A certificate of public convenience and necessity was granted to SDG&E by D.93785 dated December 1, 1981 in Application 59575, to construct and operate the Project. D.93785 is presently on appeal to the California Supreme Court (S.F. Nos. 24419 and 24422).

One aspect of the Project, involves the acquisition of rights-of-way for the transmission line and appurtenant facilities over agricultural lands located in Imperial Valley, California. Certain owners of the agricultural lands have requested that an alternative method of financing be devised by which the landowners would not receive full payment for the rights-of-way in any one given year. Installment payments would provide such an alternative. The Notes would be issued, at the election of the landowner, as evidences of SDG&E debt which would provide for installment payments over time for the purchase of the rights-of-way. A form of the promissory note is attached to the application as Exhibit E.

The installment payment method would be limited to facilitate only the acquisition of rights-of-way over agricultural areas in the Imperial Valley and the Notes would be issued to any owner of such agricultural lands wishing to take advantage of the installment method. The obligation to be evidenced by each Note would be unsecured. Collectively, the value of all Notes issued would not exceed \$1,000,000. Issuance of the Notes will enable SDG&E to maintain and improve relations with the owners of

agricultural lands in the Imperial Valley. By offering a viable financing alternative, the Project may be more acceptable to property owners and rights-of-way will be acquired at a reduced expense.

The Commission's Revenue Requirements Division has reviewed SDG&E's application and has concluded that the alternative financing mechanism provided by the issuance of the Notes is desirable for the above-stated purposes. The Division has no objection to the issuance of the Notes.

Findings of Fact

1. SDG&E is a California corporation operating under the jurisdiction of this Commission.
2. The proposed issuance of up to \$1,000,000 of debt, evidenced by the Notes, would be for proper purposes.
3. Issuance of the Notes would aid in the acquisition of rights-of-way for the Project and would provide a financial benefit to SDG&E.
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. Issuance of the Notes is exempted from the requirements of the competitive bidding rule of the Commission, established in D.38614, dated January 15, 1946 as amended from time to time in C.4761.

3. The application should be granted to the extent set forth in the order which follows.

The proposed notes are for lawful purposes and the money, property, or labor to be obtained by them is required for these purposes. Proceeds from the notes may not be charged to operating expenses or income.

The following order should be effective on the date of signature and payment of the fee set by PU Code Section 1904(b) to enable SDG&E to proceed expeditiously with the acquisition of real property rights-of-way for the Project.

O R D E R

IT IS ORDERED that:

1. On or after the effective date of this order, but before June 30, 1984, San Diego Gas & Electric Company may execute and issue unsecured promissory notes (Notes) payable in not greater than 10 annual installments, at an annual simple interest rate not to exceed 13%, and in an aggregate principal amount not to exceed \$1,000,000 for use in the acquisition of real property rights-of-

way for a 500 kV transmission line from Miguel Substation to the Palo Verde Nuclear Generating Station Units 1, 2, and 3 Switchyard, referred to as the APS/SDG&E Eastern Interconnection Project (Project).

2. San Diego Gas & Electric Company shall issue the Notes for the purposes set forth in the application.

3. The proposed Notes are exempted from the Commission's competitive bidding rules.

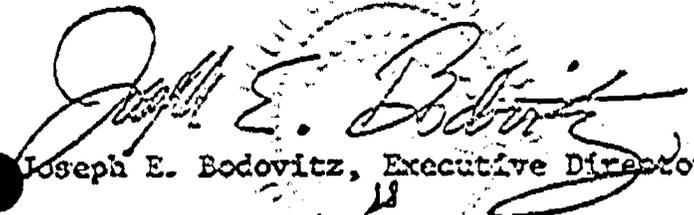
4. The properties to be procured by SDG&E's issuance of the Notes are located within the Project corridor and are reasonably required for the purposes stated in the application.

5. The authority granted by this order to issue notes will become effective when SDG&E pays \$2,000, the fee set by PU Code Section 1904(b).

Dated JUN 15 1982, at San Francisco, California.

JOHN E. BRYSON  
President  
RICHARD D. GRAVELLE  
LEONARD M. GRIMES, JR.  
VICTOR CALVO  
PRISCILLA C. CREW  
Commissioners

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

  
Joseph E. Bodovitz, Executive Director

