

RR/KLH/TCG/WPSC

ORIGINAL

Decision 82 OS 008 AUG 4 - 1982

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application)	
of San Diego Gas & Electric)	
Company to modify Decision 93733)	Application 82-06-60
re the issuance of First Mortgage)	(Filed June 25, 1982)
Bonds in aggregate principal)	
amount not to exceed \$75,000,000.)	

O P I N I O N

By Decision (D.) 93733 dated November 13, 1981, corrected by D.93780 dated December 1, 1981 in Application (A.) 60933, San Diego Gas & Electric Company (SDG&E) was authorized, among other things, to sell up to \$200,000,000 aggregate principal amount of its First Mortgage Bonds (Bonds), in one or more series during 1982, exempt from the Commission's competitive bidding rule to enable it to sell its Bonds, by either competitive bidding, negotiated public offerings, or negotiated private placement.

In the present application, SDG&E requests authority, under Public Utilities (PU) Code Section 830, to modify D.93733 as follows:

1. To issue and sell during calendar year 1982 to SDG&E's wholly owned subsidiary, San Diego Gas & Electric Finance N.V. (Finance), a corporation organized and existing under the laws of the Netherlands Antilles, up to \$75,000,000 aggregate principal amount of the \$200,000,000 of Bonds authorized under D.93733 for the purpose of securing a series of Eurobonds to be issued by Finance, or, in the alternative,

2. To guarantee unconditionally the obligations of Finance arising out of the issuance of Finance's Eurobonds.

Under D.93733, SDG&E received authority to issue and sell its Bonds exempt from the Commission's competitive bidding rule set forth in D.38614 dated January 15, 1946, as amended, in Case 4761, for a negotiated public offering or a private placement sale. This authority remains in full force and effect and does not preclude SDG&E from financing by competitive bidding.

Notice of the filing of the application appeared on the Commission's Daily Calendar of June 29, 1982. 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 service in portions of Orange and Imperial Counties and electric, gas, and steam service in portions of San Diego County.

D.93733 authorized SDG&E to issue up to \$200,000,000 aggregate principal amount of its Bonds in one or more series; to execute and deliver a Supplemental Indenture for each series; to sell the Bonds by either competitive bidding, negotiated public offering, or private placement; and to treat the sale of the Bonds as exempt from the Commission's competitive bidding rule regarding sales of debt securities.

SDG&E now requests authorization from the Commission to carry out a part of its long-term financing program by participating in the sale of up to \$75,000,000 of Eurobonds. The Eurobonds would be issued by Finance.

SDG&E contemplates that the Eurobonds would be issued and sold by Finance in one or more series, and the proceeds from the Eurobonds would then be loaned to SDG&E in return for SDG&E's issuance to Finance (1) a corresponding amount of SDG&E's Bonds or (2) an unconditional guarantee of Finance's obligations under the Eurobonds.

In order to participate in the Eurobond issuance, SDG&E requests Commission authorization to use the Bonds previously authorized by D.93733.

Specifically, SDG&E requests the authority to use, before December 31, 1982, in one or more series, an aggregate principal amount of up to \$75,000,000 of its Bonds for the purpose of guarantying or providing security for the issuance of a corresponding amount of Finance's Eurobonds. The Bonds would be issued, sold, and delivered to, and would contain terms and conditions to be negotiated with Finance.

SDG&E asserts that no competitive bidding market exists for Eurobonds. The maturity date, interest rate, and other terms of the Eurobonds to be issued by Finance will be negotiated between SDG&E and Finance at the time of offering. SDG&E alleges that the

interest rates associated with the Eurobonds cannot be anticipated at this time. However, SDG&E declares that it would participate in the issuance and sale of Eurobonds only if the sale of the bonds would result in an overall cost of money to SDG&E that was at least as advantageous as the sale of SDG&E's Bonds in the U.S. market.

SDG&E contemplates that the Eurobonds will carry call provisions more favorable to SDG&E and its ratepayers than those typically associated with domestic bond issues.

Additionally, in the alternative, SDG&E requested an order from the Commission authorizing it to guarantee unconditionally the obligations of Finance in connection with a Eurobond offering in an aggregate principal amount up to \$75,000,000, excluding interest, premiums (if any), and other charges associated with the Eurobonds. SDG&E states that a guarantee is common in Eurobond offerings and is often required to induce purchase by foreign investors. The specific terms and conditions of any guarantee are to be determined at the time of the Eurobond offering.

SDG&E requests concurrence from the Commission that any series of Bonds issued and delivered to Finance to secure and guarantee Eurobonds would, as set forth in D.93733, remain exempt from the requirements of the Commission's competitive bidding rule.

SDG&E states that any Bonds issued to secure a Eurobond financing would be issued and sold on a negotiated private placement basis to Finance and would be precluded from competitive bidding. SDG&E states that unless the Commission authorizes an exemption from the competitive bidding requirement any Bonds used to secure a Eurobond offering, the company will be unable to participate in Eurobond financings. It is noted that the Commission has previously granted exemptions from the competitive bidding requirements to other California utilities for securities issued in connection with Eurobond financing.

SDG&E is put on notice that in its next general rate proceeding before the Commission, the reasonableness of the resulting interest rate and cost of money to the company will be scrutinized closely and may result in a disallowance of interest expense if it is determined that the cost of money incurred was not the most prudent. We will also require SDG&E to provide us with a showing that the resulting interest rate and cost of money were the most advantageous to the company and its ratepayers. We will require this showing within a reasonable period after the issuance and sale of the proposed securities.

SDG&E paid the \$145,500 fee set by PU Code Sections 1904(b) and 1904.1 when it was authorized to issue up to \$200,000,000 of its Bonds and other securities in regard to D.93733 dated November 13, 1981 in A.60933. No additional fee is required for this modification.

The Commission's Revenue Requirements Division has reviewed SDG&E's application and has concluded that SDG&E's request for further authorization regarding the use of its Bonds and its alternative request for an order to guarantee the obligations of Finance as set forth in this application are proper and necessary. The Division has no objection to the proposed use of Bonds as specified in the application but reserves the right to reconsider the reasonableness of any specific financing program and associated matters 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. SDG&E has need for external funds for the purposes set forth in this proceeding.
3. The money, property, or labor to be procured or paid for by the proposed Bonds is reasonably required for the purposes specified in the application.
4. The proposed issuance and sale of up to \$75,000,000 of SDG&E's Bonds to Finance to secure a like amount of Finance's Eurobonds would be for a proper purpose.

5. The Commission finds that the sale of the proposed Bonds to Finance would continue to remain exempt from the requirements of the Commission's competitive bidding rule set forth in D.38614, as amended, and the Bonds may be sold by negotiated private placement to the subsidiary upon terms and conditions to be agreed upon between SDG&E and Finance.

6. SDG&E's request for authority to guarantee Finance's obligations in connection with its issuance of Eurobonds is for a proper purpose.

7. There is no known opposition to the application and no reasons 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 lawful purposes and the money, property, or labor to be obtained by it is required for these purposes. Proceeds from the security issues may not be charged to operating expenses or income.

The following order should be effective on the date of signature to enable SDG&E to proceed with its financings expeditiously.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company (SDG&E) may issue, sell, and deliver on a negotiated basis to San Diego Gas & Electric Finance N.V. (Finance), a wholly owned subsidiary of SDG&E, one or more series of its First Mortgage Bonds (Bonds) in an aggregate principal amount of up to \$75,000,000 of the \$200,000,000 authorized by Decision (D.) 93733 dated November 13, 1981 as corrected by D.93780 dated December 1, 1981 in Application (A.) 60933 under terms and conditions substantially consistent with those set forth, or contemplated, in the application.

2. In the alternative, SDG&E may guarantee an aggregate principal amount of up to \$75,000,000, excluding interest, premiums (if any), and other charges associated with Eurobonds issued by Finance.

3. SDG&E's proposed sale of its Bonds to Finance is exempted from the Commission's competitive bidding requirements set forth in D.38614 dated January 15, 1946 in Case 4761, as amended.

4. Promptly after SDG&E ascertains the price, interest rate, and other terms pertaining to its Bonds and Eurobond offerings, SDG&E shall notify the Commission in writing.

5. As soon as available, SDG&E shall file with the Commission copies of the final offering circular or prospectus associated with any Eurobond offerings.

6. Within 30 days after the issuance and sale of any Eurobonds in which SDG&E has participated, the company shall file with the Commission a report setting forth the reason it believes the resulting interest rate and cost of money were the most advantageous to the SDG&E and its ratepayers.

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

8. In all other respects, D.93733 dated November 13, 1981 corrected by D.93780 dated December 1, 1981 in A.60933 remains in full force and effect.

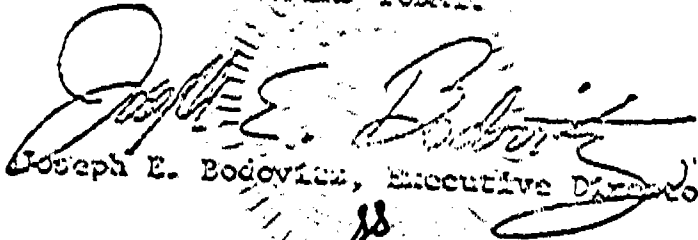
This order is effective today.

Dated AUG 4 1982, at San Francisco, California.

JOHN E. BRYSON
President
LEONARD M. GRIMES, JR.
VICTOR CALVO
PRISCILLA C. GREW
COMMISSIONERS

Commissioner Richard D. Gravello, being necessarily absent, did not participate in the disposition of this proceeding.

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


Joseph E. Bodovick, Executive Director