

ORIGINAL

Decision 82 09 014 SEP 8 - 1982

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SAN DIEGO GAS &  
ELECTRIC COMPANY to issue and  
sell not more than 2,000,000  
shares of its Common Stock, \$5  
par value, under and pursuant  
to Applicant's TRESOP Plan.

Application 82-07-50  
(Filed July 26, 1982)

O P I N I O N

San Diego Gas & Electric Company (SDG&E) seeks authority, under Public Utilities (PU) Code Section 817, to issue and sell up to 2,000,000 shares of its Common Stock, \$5 par value, by transferring the shares to its Tax Reduction Employee Stock Ownership Plan (TRESOP), a qualified employee benefit plan.

Notice of the filing of the application appeared on the Commission's Daily Calendar of July 29, 1982. No protests have been received.

SDG&E, a California corporation, engages 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.

SDG&E reports in its Supplemental Data provided the Commission that for the 12 months ended May 31, 1982, it generated total operating revenue of \$1,279,565,000 and net income of \$134,509,000.

SDG&E's Balance Sheet as of May 31, 1982 attached to the application as part of Exhibit C is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$1,871,147,688
Other Property and Investments	36,621,950
Current and Accrued Assets	288,236,121
Deferred Debits	<u>45,246,295</u>
Total	\$2,241,252,054

<u>Liabilities and Equity</u>	
Common Equity	\$ 733,889,955
Preferred/Preference Stock	271,000,000
Long-Term Debt	728,237,035
Current and Accrued Liabilities	408,997,967
Reserves and Deferred Credits	<u>99,127,097</u>
Total	\$2,241,252,054

In this application, SDG&E proposes to issue and sell up to 2,000,000 shares of its Common Stock, \$5 par value, by transferring them to its TRESOP where they will be sold to employees under the plan.

SDG&E's TRESOP was established under the Internal Revenue (IR) Code of 1954, as amended, 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 SDG&E's business on the assumption this interest will be reflected in increased efficiency in the employees' work. Under the TRESOP, SDG&E will be permitted under federal tax statutes and regulations

to take additional amounts of investment tax credit (ITC) on its federal income tax return, provided that the amount equal to the tax credit is contributed to the TRESOP.

SDG&E's TRESOP was adopted and originally made effective on January 1, 1977 and has been amended twice. The second amendment, comprising a restatement of the TRESOP, was adopted by SDG&E on July 19, 1982 and was made effective as of January 1, 1981. The restated TRESOP is attached to the application as Exhibit F. Although the TRESOP has been in existence for several years, no contributions to the TRESOP have been made by SDG&E because its financial condition and tax status did not allow it to use the tax credits that would ordinarily result from contributions to the TRESOP.

Under the TRESOP, SDG&E may contribute to the plan an amount equal to an additional 1% of ITC allowed to corporations under the federal tax law. As a result of that contribution, SDG&E's federal income tax liability would be reduced by an identical amount. The TRESOP also allows SDG&E to contribute an additional amount equal to as much as 1/2% of its ITC to the TRESOP, if that amount is matched by employee contributions. The 1% ITC is generally allocated among SDG&E's employees according to each employee's compensation (up to a limit of \$100,000). The additional 1/2% ITC is allocated among those employees who elect to match SDG&E's contribution on an equal basis.

SDG&E's contributions to the TRESOP will be made in an amount of common stock equal to its ITC. The right to the stock is vested immediately with the employee upon allocation to the employees' accounts under the TRESOP, but the stock is not distributed to employees until death, disability, retirement, or termination of employment. Upon election, employees may receive distributions of shares of stock after a holding period of 84 months from the time the stock has been allocated to the employees' accounts.

All contributions from SDG&E and from its participating employees will be made to a trustee under the TRESOP in accordance with the provisions of the TRESOP and the Trust Agreement. A trust agreement, substantially in the form of the agreement to be executed with the Trustee, is attached to the application as Exhibit G. SDG&E estimates that 2,000,000 shares of stock would be sufficient to meet the requirements of the TRESOP for a period of about four years.

SDG&E has received a determination letter from the Internal Revenue Service (IRS) to the effect that the TRESOP, as amended by the first amendment, is a qualified plan under the IR Code. SDG&E intends to submit the TRESOP to the IRS for a determination that the TRESOP, as amended by the second amendment, remains a qualified plan under the IR Code.

SDG&E's capital ratios reported as of May 31, 1982 are shown below as recorded and adjusted to give pro forma effect to the transactions that follow:

	<u>May 31, 1982</u>	<u>Pro Forma</u>
Long-Term Debt	42.0%	45.7%
Preferred/Preference Stock	15.6	14.1
Common Equity	<u>42.4</u>	<u>40.2</u>
Total	100.0%	100.0%

1. The proposed issuance and sale of up to 2,000,000 shares of SDG&E's Common Stock, \$5 par value, at the assumed price of \$15 per share, estimated to produce net proceeds of \$30,000,000 over the next four years;
2. The issuance of \$200,000,000 aggregate principal amount of First Mortgage Bonds (Bonds) (Decision (D.) 93733 dated November 13, 1981 in Application (A.) 60933);
3. The issuance of \$1,000,000 aggregate principal amount of Promissory Notes (D.82-06-057 dated June 15, 1982 in A.82-04-13);
4. The issuance of up to \$15,000,000 of Cumulative Preference Stock, without par value (D.93733 dated November 13, 1981, as amended by D.93780 dated December 1, 1981 in A.60933);
5. The issuance and sale of 4,000,000 shares of Common Stock, \$5 par value, estimated to produce net proceeds of \$53,125,000 (D.93733 dated November 13, 1981, as amended by D.93780 dated December 1, 1981 in A.60933); and

6. The retirement of \$400,000 principal amount of Bonds, Series 5-1/2%, in September, 1982 (D.93270 dated July 7, 1981 in A.60554).

Use of the Proceeds

SDG&E proposes to use the estimated net proceeds of \$30,000,000 from the proposed sale of its common stock under the TRESOP to reimburse its treasury for capital expenditures, the unreimbursed portion amounting to \$281,368,886 as of May 31, 1982, shown attached to the application as Exhibit E.

SDG&E's construction budget for calendar year 1982 amounted to \$315,409,000 of which \$104,029,000 has been spent as of May 31, 1982. A detailed classification of the budgeted construction for 1982 and 1983 as of July 13, 1982 is as follows:

<u>Purpose</u>	<u>1982</u>	<u>1983</u>
Electric Production	\$132,783,000	\$ 45,600,000
Electric Transmission	66,433,000	221,100,000
Electric Distribution	85,501,000	99,700,000
Gas and Steam Production, Transmission, and Distribution	24,790,000	34,900,000
Common Plant	<u>5,902,000</u>	<u>5,400,000</u>
Total	\$315,409,000	\$406,700,000

The Commission's Revenue Requirements Division has reviewed SDG&E's construction program and has concluded that the utility's estimated construction program is necessary. The Division has no objection to the proposed stock issue specified in the application but reserves the right to reconsider the reasonableness of any specific construction expenditure in future rate proceedings.

The Commission's Revenue Requirements Division has analyzed SDG&E's cash requirements forecast for 1982 and 1983 provided the Commission in Supplemental Data and has concluded that internally generated funds will provide about 33% of the capital expenditures for 1982 and about 30% of the capital expenditures for 1983. The Division has concluded that the proposed issuance of common stock is necessary to help SDG&E meet its forecasted cash requirements.

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 purpose set forth in the application.
3. The proposed issuance of up to 2,000,000 shares of SDG&E's Common Stock, \$5 par value, would be for a proper purpose.

4. SDG&E's TRESOP would not be adverse to the public interest.

5. The money, property, or labor to be procured or paid for by the proposed common stock is reasonably required for the purpose specified in the application.

6. There is no known opposition to the application 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 signature and payment of the fee set by PU Code Section 1904.1 to enable SDG&E to proceed with its financings expeditiously.

O R D E R

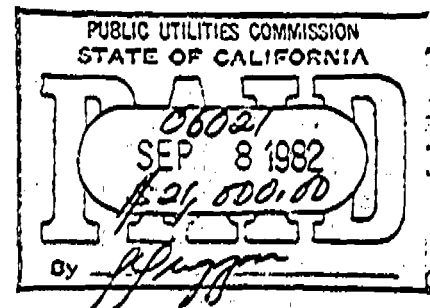
IT IS ORDERED that:

1. San Diego Gas & Electric Company (SDG&E), on or after the effective date of this order, may 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 attached as Exhibits F and G, respectively, to the application.
2. SDG&E shall apply the net proceeds from the sale of common stock to the purpose set forth in the application.
3. On or before the 25<sup>th</sup> 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.

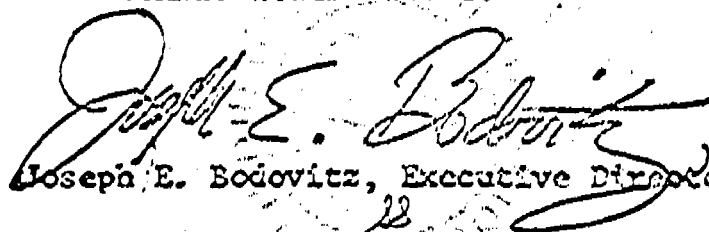
4. The authority granted by this order to issue common stock will become effective when SDG&E pays \$21,000, the fee set by PU Code Section 1904.1.

Dated SEP 8 1982, at San Francisco, California.

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



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

  
Joseph E. Bodovitz, Executive Director