

RR/KLH/SR/WPSC

Decision 83 05 057 MAY 18 1983**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric Company to execute a loan agreement with the City of San Diego in connection with the issuance of up to \$300,000,000 of Industrial Development Revenue Bonds; to obtain authorization to issue up to \$300,000,000 in security for said loan agreement or Industrial Development Revenue Bonds; to modify Decision No. 82-12-070 regarding the use of First Mortgage Bonds; and to issue up to an additional \$175,000,000 of First Mortgage Bonds on or before December 31, 1983, and to execute one or more Supplemental Indentures in Connection therewith.

Application 83-03-32
(Filed March 11, 1983)

O P I N I O N

San Diego Gas & Electric Company (SDG&E) requests authority, under Public Utilities (PU) Code Sections 816 through 830, for the following:

1. To engage in up to \$300,000,000 of tax-exempt industrial development revenue bond financing (IDBs) or in the alternative
2. To issue up to an additional \$175,000,000 of SDG&E's own taxable First Mortgage Bonds (Bonds) plus \$125,000,000 authorized but unissued under Decision (D).82-12-070 dated December 15, 1982 in Application (A.)82-10-26.

Summary of Decision

This decision grants SDG&E the authority requested in its application except that the cost to qualify as a two-county utility as shown in Table 1 of Exhibit E, shall be shown as a cost of issuance and should not be charged as an expense to the balancing account.

Specifically, and in connection with the utilization of IDB financing, SDG&E requests authority as follows:

1. To execute one or more loan agreements (Loan Agreements) with the City of San Diego (City) for the purpose of obtaining up to \$300,000,000 of funds derived by the City from the issuance and sale of one or more series of IDBs;
2. To issue up to an additional \$175,000,000 of SDG&E's Bonds and to use up to \$125,000,000 of the Bonds previously authorized but unissued under D.82-12-070 dated December 15, 1982 in A.82-10-26 for an aggregate amount of up to \$300,000,000 of Bonds, to secure SDG&E's obligations under the Loan Agreement;
3. To enter into agreements with and obtain letters of credit, or other similar supplemental security arrangements from, one or more banking or other financial institutions to secure the IDBs;
4. To enter into agreements to obtain insurance policies to guarantee the obligations evidenced by the IDBs;

5. To guarantee unconditionally the obligations of the City and others arising out of the execution of the Loan Agreement or the issuance and sale of the IDBs;
6. To undertake or to guarantee unconditionally the undertaking of the City or others to repurchase the IDBs prior to their maturity at the election of the bondholder or under other circumstances as may be provided in connection with the sale; and
7. To have the sale of IDBs and Bonds issued for the purposes as stated in the application exempted from the requirements of the Commission's competitive bidding rule set forth in D.38614 dated January 15, 1946 as amended by D.49941, D.75556, and D.81908 in Case (C.)4761.

In the alternative, SDG&E seeks authorization from the Commission in the event it does not execute the Loan Agreement and obtain up to \$300,000,000 from the issuance and sale of the tax-exempt IDBs,

8. To issue and sell in one or more series, up to an additional \$175,000,000 of SDG&E's Bonds on or before December 31, 1983. The \$175,000,000 of Bonds would be in addition to the amount of up to \$125,000,000 of Bonds currently authorized but unissued under D.82-12-070. This would allow SDG&E to issue and sell during calendar year 1983 an aggregate amount of up to \$300,000,000 of its own Bonds.

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.

In its Statement of Income and Retained Earnings for calendar year 1982, SDG&E reports it generated total operating revenues of \$1,430,948,322 and net income of \$157,302,981 shown in the application as part of Exhibit A.

Also shown as part of Exhibit A is SDG&E's Balance Sheet as of December 31, 1982 summarized as follows:

<u>Assets</u>	
Net Utility Plant	\$2,054,063,099
Other Property and Property Investments	39,244,700
Current and Accrued Assets	316,740,718
Deferred Debits	<u>34,046,459</u>
Total	\$2,444,094,976
<u>Liabilities and Equity</u>	
Common Equity	\$ 817,440,840
Preferred/Preference Stock	269,000,000
Long-Term Debt	802,438,409
Current and Accrued Liabilities	424,597,318
Deferred Credits and Reserves	<u>130,618,409</u>
Total	\$2,444,094,976

As of December 31, 1982, SDG&E had outstanding short-term obligations totalling \$195,395,128. This total consisted of commercial paper and bank loans in the amount of \$82,000,000;

\$94,000,000 of bankers' acceptances (used to finance fuel oil); \$17,395,128 covering the current portion of long-term debt payable within twelve months; and \$2,000,000 in sinking fund requirements for preference stock.

IDB Financing

SDG&E proposes to engage in the utilization of IDB financing by executing a Loan Agreement with the City, which SDG&E has stated will be furnished to the Commission when executed. Under a trust indenture to be executed in connection with the contemplated Loan Agreement, the City would issue and sell its IDBs, in one or more series, in an aggregate principal amount up to \$300,000,000. The funds would then be loaned to SDG&E for the construction of certain facilities, including SDG&E's local transmission and generation facilities; local gas and electric distribution facilities; and a portion of SDG&E's 500 Kv Southwest Powerlink Transmission Line, a transmission line transporting power from Arizona to SDG&E's service area, which this Commission considered and approved in D.93785 dated December 1, 1981 in A.59575.

The use of IDB financing was approved by the San Diego City Council for financing the 500 Kv Southwest Powerlink Transmission Line, the local transmission and generating facilities, and

the San Onofre Nuclear Generating Station (SONGS) by a resolution adopted on September 29, 1981. Resolution 255112 of the San Diego City Council granted SDG&E preliminary approval for the expenditures of up to \$300,000,000 to finance the above projects.

On August 6, 1982, SDG&E filed an additional application with the City requesting approval for IDB financing for SDG&E's local electric and gas distribution facilities, in place of the financing of SONGS. The earlier application for financing SONGS was withdrawn by SDG&E because the Internal Revenue Service's approval of tax-exempt IDB financing for that project was considered unlikely. The additional application for the local electric and gas distribution facilities was approved by Resolution 258093 of the San Diego City Council on March 14, 1983. Although the total cost of the facilities for which SDG&E has requested IDB financing authority currently exceeds \$300,000,000, the City has granted approval for the use of up to only \$300,000,000 in IDB financing under an ordinance which was adopted by the San Diego City Council on April 4, 1983.

The IDBs will be limited obligations of the City and will be payable solely from and secured solely by the payments of SDG&E under the Loan Agreement, including amounts received under any supplemental security arrangements or insurance policies.

In order to provide the foregoing security, SGD&E seeks authorization from the Commission, concurrent with the issuance and sale of the IDBs, to engage in any one or combination of the following transactions as are to be agreed upon and set forth in the Loan Agreement:

1. To secure SDG&E's obligations under the Loan Agreement, SDG&E seeks authority to transfer to the City, or for its account, up to \$300,000,000 of SDG&E's Bonds on terms and conditions necessary to secure those obligations;
2. To secure the payments of principal, interest, and premium (if any) on the IDBs, SDG&E seeks authority to obtain letters of credit or other similar supplemental security arrangements paid for by SDG&E and issued by one or more commercial banking or other financial institutions; and
3. To secure the payments of principal, interest, and premium (if any) on the IDBs, SDG&E seeks authority to obtain insurance policies paid for by SDG&E.

In order to issue up to \$300,000,000 of SDG&E's Bonds as security, SDG&E requests the following:

1. Authority to issue up to an additional aggregate principal amount of \$175,000,000 of its Bonds for these purposes and
2. The modification of D.82-12-070 to authorize SDG&E to use for purposes of providing security an amount of up to \$125,000,000 of its Bonds authorized but unissued under this decision.

Additionally, SDG&E requests an order from the Commission under PU Code Section 830 authorizing SDG&E to guarantee unconditionally the obligations of the City and one or more banking, insurance, or financial institutions in order to provide security for the obligations arising out of SDG&E's execution of the Loan Agreement and the issuance and sale of up to \$300,000,000 of IDBs by the City for the benefit of SDG&E. SDG&E also requests authority to undertake, or guarantee unconditionally the undertakings of the City or others, to repurchase the IDBs prior to their maturity at the election of the bondholder or under other circumstances as may be agreed upon, in connection with the issuance of the IDBs. The specific terms and conditions of any guarantees or undertakings will be determined at the time of the execution of the Loan Agreement and the sale of the IDBs.

Since the interest on the IDBs will be exempt from both federal and California income taxation, the cost to SDG&E of a financing of this type will be significantly less than the cost of conventional, taxable long-term debt financing. While SDG&E states that the actual savings will be highly dependent on market conditions and maturities, SDG&E believes that annual savings of 2 to 4 percentage points would be realistic for a long-term tax-exempt issue by the City as compared with a corresponding issue of taxable

Bonds by SDG&E. Thus, for each \$100,000,000 in IDBs issued, interest savings of \$60,000,000 to \$120,000,000 over the life of a 30-year term IDB would be expected under these assumptions. The savings that would be passed on to the ratepayers would be reduced by any fees or expenses, including letter of credit fees and insurance premiums incurred in connection with the issuance of the IDBs.

Sale of the IDBs

SDG&E anticipates that the IDBs will be issued by the City during 1983, in one or more series, and will be sold by the City to one or more underwriters or sold by private placement. If the IDBs are sold to one or more underwriters, it is intended that the underwriters will re-offer the IDBs for sale. The final terms of the proposed offering, including the price, interest rate, sinking fund requirements (if any), call protection, and other redemption or repurchase provisions, optional repurchase requirements by or for the account of SDG&E, and the commission to be paid to the underwriters will be determined by negotiations among SDG&E, the City, and the underwriters or purchasers shortly before the proposed sale of any series of IDBs.

SDG&E has stated that it will promptly advise the Commission by letter of the terms and conditions of any Loan Agreement and associated issuance and delivery of any of its Bonds.

letters of credit, insurance policies, or guarantees used to secure its obligations under the Loan Agreement and the City's obligations arising out of the issuance and sale of the IDBs, and any undertakings for repurchase of the IDBs given in connection with their issuance.

Savings to Benefit Ratepayers

In order to obtain the approval of the City, SDG&E filed an application under the City's Economic Development Revenue Bond Law (City Bond Law). Under Section 97.0203 of the City Bond Law, any application for IDB financing must result in at least one of several enumerated public benefits. For SDG&E's projects, the result would be the "(p)reservation or enhancement of the supply of energy (including gas) and/or a reduction in the expected costs of issuance" under City Bond Law, Section 97.0203(c). To ensure manifest compliance with the "public benefits" test of the City Bond Law, SDG&E has specifically proposed to the City that it will pass on to its ratepayers the net savings resulting from the issuance of IDBs in place of SDG&E's taxable Bonds. The lower interest rate of IDB's would cause SDG&E's future rates to be lower than they would have been without the use of the IDBs.

In order to pass on to its customers at the earliest date the revenue impact of any interest savings realized in 1983, SDG&E requests the Commission establish an advice letter procedure to

determine the amount of rate reduction at the time of issuance of each IDB series. The rate reduction would be calculated under a proposed procedure described in Exhibit E of the application, however, the cost to qualify as a two-county utility as shown in Exhibit E, Table 1, shall be shown as a cost of issuance and should not be charged as an expense to the balancing account. The revenue decrease would accrue as an overcollection in the Electric Revenue Adjustment Mechanism (ERAM) and/or the Supply Adjustment Mechanism (SAM). The resulting change would then be implemented during subsequent Energy Cost Adjustment Clause or Combined Adjustment Mechanism proceedings.

Internal Revenue Code Requirements

The IDBs will be qualified under the Internal Revenue Code Section 103(b)(4)(E) which provides for tax-exempt IDBs used to finance facilities for the "local furnishing" of electric energy or gas. The applicable Treasury Regulations Section 1.103-8(f)(2)(iii) provides that facilities for the local furnishing of electric energy or gas include property which "... (i)s a part of a system providing service to the general populace of one or more communities or municipalities, but in no event more than two contiguous counties ..." (the so-called two-county rule). SDG&E serves electric customers in San Diego and Orange Counties, and currently serves eight electric customers in an isolated section of Imperial County.

SDG&E has been advised by bond counsel that its facilities would be qualified under the two-county rule if its minor distribution properties in Imperial County, and its obligation to serve the eight customers presently in Imperial County, were transferred to and assumed by the Imperial Irrigation District (IID), the electric utility generally serving Imperial County.

SDG&E and IID are proceeding with the arrangements necessary to implement the transfers. The parties have filed the necessary applications with the Commission.

Requirements Under the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA)

TEFRA Publication L.97-248 dated September 3, 1982, imposed new public approval requirements and maturity limitations on tax-exempt IDBs issued after December 31, 1982.

TEFRA Section 215 requires that all IDBs must be approved by (a) the governmental unit issuing the obligations and (b) each other governmental unit having jurisdiction over any area in which a facility being financed is located. If more than one other governmental unit has jurisdiction over the areas in which the facilities are to be located, only one other unit need approve the issue.

SDG&E is now in the process of obtaining approval from the City Council of San Diego for the issuance of the IDBs and expects to obtain approval from the Governor of California, or his

designee, concerning the projects to be financed with the IDBs. Under TEFRA, all approvals require prior notice and public hearing.

The other limitation imposed by TEFRA concerns the term of the IDBs which, for IDBs issued after December 31, 1982, may not exceed 120% of the average reasonably expected economic life, on a composite basis, of the facilities being financed with the IDBs. Under Treasury Regulations, SDG&E expects that the facilities to be financed with the IDBs will permit the IDBs of each series to have an average maturity of up to 35 years.

SDG&E's Bonds Issued as Security

In the event SDG&E's own Bonds are issued as security for the IDBs issued by the City, SDG&E seeks a waiver of the competitive bidding rule as established by D.38614 dated January 15, 1946, as amended, in C.4761.

If SDG&E's Bonds were issued to provide security for the IDBs, either as the mechanism for payment of SDG&E's corresponding obligation to the City or to provide collateral security for them, SDG&E's Bonds would have to be issued and delivered only to the City, or for its account, for the sole purpose of providing security for the repayment of SDG&E's obligations to the City under the Loan Agreement. Competitive bidding for SDG&E's Bonds would be precluded. The use of SDG&E's Bonds should provide the IDBs with a

credit rating (for SDG&E's benefit) corresponding to the credit rating applicable to SDG&E's own Bond issues, rather than the lower credit rating applicable to its unsecured corporate borrowings.

SDG&E's Bonds, if issued, would be issued under a Supplemental Indenture which would be substantially similar in form to the Supplemental Indentures issued previously by SDG&E supplementing its Mortgage and Deed of Trust to the Bank of California, N.A., as Trustee, dated July 1, 1940, as supplemented and amended by 26 Supplemental Indentures. The Supplemental Indenture would provide for terms and conditions necessary to secure SDG&E's obligations to the City under the Loan Agreement, including rate of interest, maturity and other payment dates, place and manner of payment, call protection not to exceed 15 years, and other redemption provisions including sinking fund (if any) deemed necessary and advisable by SDG&E. The principal amount of SDG&E's Bonds shall not exceed the aggregate principal amount of \$300,000,000 for all Supplemental Indentures issued in connection with this proceeding.

Use of IDB Proceeds

SDG&E intends to use the net proceeds from the Loan Agreement (exclusive of accrued interest) for the financing of certain facilities as described in the application and the payment

of interest on the IDBs during construction of those facilities. The facilities to be financed include a portion of SDG&E's 500 Kv Southwest Powerlink Transmission Line, SDG&E's local transmission, generation, and related facilities, and SDG&E's local gas and electric distribution facilities.

SDG&E's Bond Financing

In the event SDG&E does not execute the Loan Agreement and obtain up to \$300,000,000 from the issuance and sale of tax-exempt IDBs, SDG&E seeks authority to issue and sell by public sale or private placement during calendar year 1983 up to an additional \$175,000,000 of its own taxable Bonds. SDG&E is currently authorized to issue up to \$125,000,000 of its Bonds under D.82-12-070 and is now seeking authorization to sell an additional \$175,000,000 to an aggregate principal amount of \$300,000,000.

SDG&E's Bond Supplemental Indentures

SDG&E's Bonds (if issued) will be issued under a Supplemental Indenture which will be substantially similar in form to the Supplemental Indentures issued previously by SDG&E supplementing its Mortgage and Deed of Trust dated July 1, 1940, to the Bank of California, N. A., as Trustee, as previously supplemented and amended by 26 Supplemental Indentures. The final form of the Supplemental Indenture will provide for terms and conditions such as the rate of interest, maturity and other payment

dates, place and manner of payment, principal amount not to exceed in the aggregate \$300,000,000 for all Supplemental Indentures issued during 1983, call protection not to exceed 10 years, and other redemption provisions including sinking fund (if any) deemed necessary and advisable by SDG&E.

Request For Exemption From Competitive Bidding

SDG&E requested that the Commission exempt from the competitive bidding rule established by D.38614, as amended, the issuance of its Bonds in an amount up to \$175,000,000. SDG&E claimed that exemption from the competitive bidding rule for lower rated credits, such as SDG&E's, is appropriate for the reasons set forth in its A.82-10-26 filed October 13, 1982 on pps. 5 and 6. The Commission previously recognized the desirability of granting SDG&E an exemption from the competitive bidding rule in D.82-12-070, and the Commission is still of the opinion that the conditions previously referred to by SDG&E warrant continuation of the exemption from the competitive bidding rule.

Use of the Bond Proceeds

In the event SDG&E issues its own Bonds, it seeks to use the net proceeds from the sale or sales (exclusive of accrued interest) to (a) retire all or a portion of its then outstanding short-term bank loans and commercial paper; and (b) the balance (if any) for reimbursement of its capital expenditures.

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

	<u>December 31, 1981</u>	<u>Pro Forma</u>
Long-Term Debt	38.5%	41.9%
Short-Term Debt	<u>9.4</u>	<u>7.5</u>
Total Debt	47.9	49.4
Preferred/Preference Stock	12.9	11.6
Common Equity	<u>39.2</u>	<u>39.0</u>
Total	100.0%	100.0%

1. The proposed issuance and sale of up to 4,000,000 additional shares of SDG&E's Common Stock, \$5 par value, under its DRP, as amended, at the assumed price of \$20 per share, estimated to produce net proceeds of \$80,000,000 (D.83-05-009 dated May 4, 1980 in A.82-03-37);
2. The issuance and sale of 6,500,000 shares of SDG&E's Common Stock, \$5 par value at the assumed price of \$18 per share, estimated to produce net proceeds of \$112,320,000 (D.82-12-070 dated December 15, 1982 in A.82-10-26);
3. The issuance and sale of up to 640,469 shares of SDG&E's Common Stock, \$5 par value (previously authorized under D.91853 dated June 3, 1980 in A.59547), at the assumed price of \$18 per share, estimated to produce net proceeds of \$11,067,304;

4. The proposed issuance and sale of up to \$300,000,000 of First Mortgage Bonds (Bonds) composed of of the following:
 - a. \$125,000,000 of Bonds authorized but unissued under D.82-12-070 dated December 15, 1982 in A.82-10-26 and
 - b. \$175,000,000 of Bonds presently before this Commission in this proceeding; or, in the alternative, the issuance of
 - c. \$300,000,000 proposed in this proceeding of long-term debt obligation to the City in connection with an industrial development bond financing, either of which event is estimated to produce total net proceeds of \$292,500,000; and
5. The issuance and sale of up to 1,350,000 shares of Preference Stock (Cumulative) authorized but unissued (D.93733 dated December 1, 1981 in A.60933, as amended by D.82-12-070 dated December 15, 1982 in A.82-10-26) estimated to produce net proceeds of \$35,640,000.

SDG&E's construction budget for calendar years 1983 and 1984 amounts to about \$729,963,000 of which about \$54,900,000 has been spent as of February 28, 1983. Major classifications of the total budgeted construction (including allowances for funds used during construction) is summarized as follows:

<u>Description</u>	<u>1983</u>	<u>1984</u>
Electric Production	\$141,355,000	\$ 48,332,000
Electric Transmission	197,852,000	126,977,000
Electric Distribution	74,909,000	91,048,000
Gas Production, Trans- mission, and Distribution	19,919,000	22,537,000
Steam Department	25,000	150,000
Common Plant	<u>2,160,000</u>	<u>4,699,000</u>
Total	\$436,220,000	\$293,743,000

SDG&E reports it had unreimbursed construction as of December 31, 1982 totalling \$299,045,818.

The Revenue Requirements Division has reviewed SDG&E's 1983 and 1984 construction program. The Division has no objection to SDG&E's proposed IDB financing plans or request to issue and sell additional SDG&E Bonds as requested in the application. The Division reserves the right to reconsider the reasonableness of any specific construction expenditure in future rate proceedings.

The Revenue Requirements Division has analyzed the financial data provided by SDG&E and has concluded that the authorization requested in the application is proper and necessary to help SDG&E meet its projected capital requirements.

Opposition to the Application

Friends of the Earth has filed a letter expressing opposition to granting SDG&E's authority to issue the IDBs and lists 10 reasons for the opposition. Most of the reasons address the issue of need for and cost of the Southwest Powerlink project.

A letter expressing similar concerns was sent by Community Energy Action Network to the State Treasurer. Those issues should properly have been raised in A.59575 and A.82-08-52 dealing with SDG&E's application for a certificate of public convenience and necessity. The questions of need and cost were addressed in D.93785 dated December 1, 1981 in A.59575 (as amended by D.82-03-108) and in D.82-12-100 in A.82-08-52. They should not be subject to collateral attack by opposition to a financing application. The opposition by the Friends of the Earth was not timely filed as a formal protest in accordance with the Commission's Rules of Practice and Procedure.

Findings of Fact

1. SDG&E, a California corporation, operates as a public utility under the jurisdiction of this Commission.
2. SDG&E needs external funds for the purposes set forth in the application.
3. SDG&E's participation in the proposed IDB financing, including the issuance of its own Bonds, guarantees, and other security enhancements in connection with the IDB financing, would be for proper purposes.

4. The IDB financing, including the issuance of SDG&E's Bonds, guarantees, and other security enhancements in connection with the IDB financing, would not be adverse to the public interest.

5. The proposed alternative issuance and sale of SDG&E's Bonds would be for proper purposes.

6. The proposed alternative issuance and sale of SDG&E's Bonds would not be adverse to the public interest.

7. The money, property, or labor to be procured or paid for by the proposed IDB financing or issuance of SDG&E's Bonds are reasonably required for the purposes specified in the application.

8. 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 security issues are for lawful purposes and the money, property, or labor to be obtained by them are required for these purposes. Proceeds from the security issues may not be charged to operating expenses or income.

The complaint filed by the Friends of the Earth in opposition to the application was not filed in accordance with the Commission's Rules of Practice and Procedure. The issues raised were answered in D.93785, D.82-03-108, and D.82-12-100 and are not properly admissible in this financing application.

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 IDB financing or issuance and sale of its own debt securities.

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 and before December 31, 1983, may execute one or more Loan Agreements with the City of San Diego (City) for the purposes set forth in this proceeding to obtain the proceeds from the issuance and sale of up to an aggregate principal amount of \$300,000,000 of industrial development revenue bonds (IDBs) and may issue its own First Mortgage Bonds (Bonds) for up to \$300,000,000 of the IDBs by one or more combination of the following:

- a. By issuance of one or more series of SDG&E's Bonds, in an amount up to \$125,000,000 authorized but unissued under D.82-12-070 dated December 15, 1982 in A.82-10-26, and an additional proposed amount of up to \$175,000,000 as requested in the present proceedings, all under the terms and conditions as stated in the application;
 - b. By obtaining letters of credit or other similar supplemental security arrangements as set forth in the application to secure the IDBs;
 - c. By obtaining insurance policies as set forth in the application to guarantee the IDBs;
 - d. By guaranteeing unconditionally the obligations of the City and others arising out of the execution of the Loan Agreement or the issuance and sale of the IDBs by the City; and
 - e. By undertaking, or guaranteeing unconditionally the undertaking by the City or others, to repurchase the IDBs prior to their maturity at the election of the bondholder or upon other conditions and circumstances as may be agreed in connection with the sale of the IDBs.
2. In connection with the proposed IDB financing, SDG&E may
- a. Issue its Bonds which are used as security for its obligations under the Loan Agreement without meeting the requirements of competitive bidding as set forth in D.38614 dated January 15, 1946, as amended, in C.4761;

- b. Use the net proceeds (exclusive of accrued interest and expenses of issuances of the IDBs) to be received from the issuance and sale of the IDBs to reimburse SDG&E for capital expenditures as set forth in the application and the payment of construction-period interest on the IDBs from the date of issuance until the date of placement in service of the respective facilities financed by them; and
- c. Execute and deliver one or more Supplemental Indentures on terms and conditions contemplated under the application.

3. D.82-12-070 is hereby modified to authorize SDG&E to use up to \$125,000,000 of its Bonds as authorized but unissued under that order for purposes of providing security for the IDB financing as described in the application.

4. The procedure set forth in Exhibit E of the application to pass on to SDG&E's customers the net savings in interest rates resulting from the use of IDB financing for its electric or gas facilities, as applicable, in 1983 is approved, except that the cost to qualify as a two-county utility as shown in Table 1 of Exhibit E, shall be shown as a cost of issuance and should not be charged as an expense to the balancing account. SDG&E is authorized to proceed as follows:

- a- Within 30 days after the closing of each Bond issue, SDG&E shall file with the Commission an Electric and Gas advice letter which would have an immediate effective date;

- b. An attachment to the advice letter shall set forth the amount of the applicable reduction in the Electric Department's Authorized Base Rate Revenue and the Gas Department's Base Cost Amount. The reduction shall be based on the interest rate savings, less any costs associated with the Bond issuance, including letter of credit fees, insurance premiums, and other expenses;
- c. The reductions in the Electric Department's Authorized Base Rate Revenue and the Gas Department's Base Cost Amount shall result in overcollections in the Electric Department's Electric Revenue Adjustment Mechanism (ERAM) Balancing Account and the Gas Department's Supply Adjustment Mechanism (SAM) subaccount of the Consolidated Adjustment Mechanism respectively;
- d. The resulting rate changes shall be implemented during the subsequent Energy Cost Adjustment Clause or Combined Adjustment Mechanism adjustment proceeding; and
- e. The actual interest rates and amounts of Bonds issued in 1983 shall be reflected in the 1984 General Rate Case.

5. In the event SDG&E does not execute the Loan Agreement and obtain up to \$300,000,000 from the issuance and sale of the IDBs, SDG&E is granted authority from the effective date of this order through December 31, 1983 for the following:

- a. To issue and sell up to \$175,000,000 principal amount of SDG&E's Bonds, in one or more series, in addition, an amount up to \$125,000,000 of Bonds authorized but unissued under D.82-12-070 for the aggregate principal amount of up to \$300,000,000 of SDG&E's Bonds;

- b. To issue and sell SDG&E's Bonds by a competitive bid, negotiated public offering, or private placement sale exempt from the requirements of the Commission's competitive bidding rule; and
- c. To execute and deliver one or more Supplemental Indentures on terms and conditions as contemplated in this application.

6. SDG&E shall apply the net proceeds from the sale of the IDBs and/or its Bond to the purposes set forth in the application.

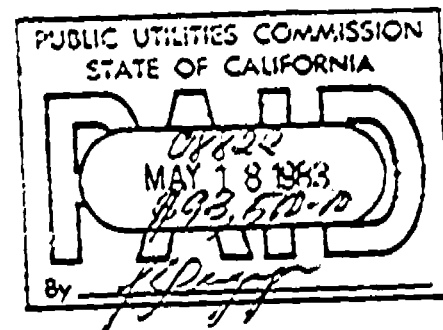
7. SDG&E shall file the reports required by General Order Series 24.

8. As soon as available, SDG&E shall file with the Commission three copies of the official statement pertaining to the IDB financing or the final prospectus pertaining to the issuance and sale of its Bonds.

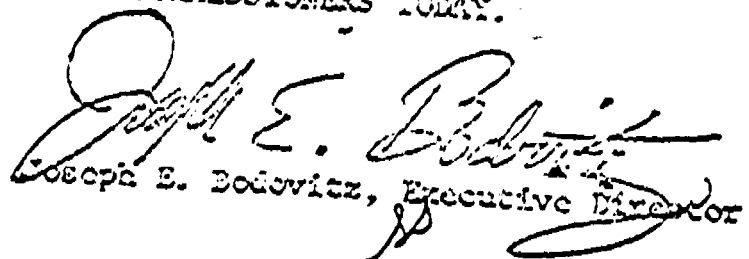
9. The authority granted by this order to issue debt securities will be effective when SDG&E pays \$93,500, the fee set by PU Code Section 1904(b) after taking credit for the fees paid in D.82-12-070 under which SDG&E was authorized to issue up to \$125,000,000 of its Bonds. In all other respects this order is effective today.

Dated MAY 18 1983, at San Francisco, California.

LEONARD M. GRIMES, JR.
President
VICTOR CALVO
FRISCILLA C. GREW
DONALD VIAL
Commissioners



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


Joseph E. Bodovitz, Executive Director

<u>Description</u>	<u>1983</u>	<u>1984</u>
Electric Production	\$141,355,000	\$ 48,332,000
Electric Transmission	197,852,000	126,977,000
Electric Distribution	74,909,000	91,048,000
Gas Production, Trans- mission, and Distribution	19,919,000	22,537,000
Steam Department	25,000	150,000
Common Plant	2,160,000	4,699,000
Total	\$436,220,000	\$293,743,000

SDG&E reports it had unreimbursed construction as of December 31, 1982 totalling \$299,045,818.

The Revenue Requirements Division has reviewed SDG&E's 1983 and 1984 construction program. The Division has no objection to SDG&E's proposed IDB financing plans or request to issue and sell additional SDG&E Bonds as requested in the application. The Division reserves the right to reconsider the reasonableness of any specific construction expenditure in future rate proceedings.

The Revenue Requirements Division has analyzed the financial data provided by SDG&E and has concluded that the authorization requested in the application is proper and necessary to help SDG&E meet its projected capital requirements.

Opposition to the Application

Friends of the Earth has filed a letter expressing opposition to granting SDG&E's authority to issue the IDBs and lists 10 reasons for the opposition. Most of the reasons address the issue of need for and cost of the Southwest Powerlink project.

SS
A letter expressing similar concerns was sent by Community Energy Action Network to the State Treasurer.