

Decision No. 87194**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SAN DIEGO GAS & ELECTRIC
COMPANY, to execute and deliver an
installment sale agreement for certain
pollution control facilities.

Application No. 57189
(Filed March 31, 1977)

O P I N I O N

San Diego Gas & Electric Company seeks authority to execute and deliver an Installment Sale Agreement with the California Pollution Control Financing Authority, and to sell and deliver related portions of its properties.

Applicant is a California corporation engaged principally in the business of providing electric service in portions of Imperial and Orange Counties, and electric, gas and steam service in portions of San Diego County.

The utility proposes to engage in California pollution control facility financing by executing an Installment Sale Agreement with the California Pollution Control Financing Authority, pursuant to which the latter would sell not exceeding \$10,000,000 aggregate principal amount of its Pollution Control Revenue Bonds (San Diego Gas & Electric Company) 1977 Series A to Blyth Eastman Dillon & Co. Incorporated and Merrill Lynch, Pierce, Fenner & Smith Incorporated. Concurrently with the sale and delivery of the bonds, applicant would sell previously acquired or constructed pollution control facilities to the California Pollution Control Financing Authority at a price equal to the utility's cost of construction for said facilities. In addition, the California Pollution Control Financing Authority would cause certain pollution control facilities to be constructed and installed according to

plans and specifications to be provided by applicant. Upon completion of construction of a pollution control facility, the California Pollution Control Financing Authority would convey title thereto to applicant.

According to Exhibit D attached to the application, the project involved in the proposed financing consists of the design, engineering and construction of wastewater treatment facilities for the Encina, South Bay, Silver Gate and Station B power plants to bring them into compliance with federal and state water pollution control requirements.

Applicant would make certain payments designed to be sufficient to assume the payment of the principal of and premium, if any, and interest on the bonds, and to pay certain fees and expenses of the California Pollution Control Financing Authority incurred in connection with the financing.

Regarding interest applicant states the following:

"Since the interest on the Series A Bonds will be exempt from both Federal and California income taxation, the cost to Applicant of a financing of this type will be significantly less than the cost of conventional long-term financing. Under current market conditions, the interest rate on the Series A Bonds should be at least two percentage points below the 8 3/4% rate on the Applicant's most recent issue of First Mortgage Bonds."

After consideration the Commission finds that:

1. The proposed Installment Sale Agreement would not be adverse to the public interest.
2. The proposed sale and delivery of constructed facilities would not be adverse to the public interest.
3. There is no known opposition and there is no reason to delay granting the relief requested.


On the basis of the foregoing findings we conclude that the application should be granted. The action taken herein is for the purpose of this proceeding only, and is not to be construed as indicative of amounts to be included in proceedings for the determination of just and reasonable rates. A public hearing is not necessary.

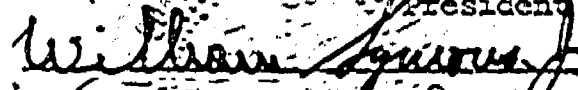
O R D E R


IT IS ORDERED that:


1. San Diego Gas & Electric Company may execute and deliver an Installment Sale Agreement in substantially the form attached to the application as Exhibit C.
2. San Diego Gas & Electric Company may sell and deliver those portions of the projects described in Exhibit D, attached to the application, which are to be conveyed to the California Pollution Control Financing Authority in the manner contemplated by the application.
3. The effective date of this order is the date hereof.

Dated at San Francisco, California, this 12th day
of April, 1977.



President






Commissioners