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FEB 27 1979

Decision No. 90610

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric Company, to execute and deliver a Supplemental Installment Sale Agreement for certain pollution control facilities.

Application No. 58624
(Filed January 24, 1979)

O P I N I O N

San Diego Gas and Electric Company (SDG&E) seeks authority to execute and deliver a Supplemental Installment Sale Agreement with the California Pollution Control Financing Authority (Authority) for the purpose of financing the completion of certain water pollution control facilities.

SDG&E was previously granted authority for this type of financing by Decision No. 87194, dated April 12, 1977 in Application No. 57189. The Authority proposed to issue up to \$10,000,000 of its Pollution Control Revenue Bonds for the construction of wastewater treatment facilities for SDG&E's Encina, South Bay, Silver Gate, and Station B power plants, for the purpose of bringing them into compliance with federal and state pollution control requirements. The cost of these facilities is expected to exceed the original estimates substantially, and the present application was filed in order to allow for enough additional financing to complete construction of the facilities.

The Authority proposes to issue and sell its Pollution Control Revenue Bonds 1979 Series A in an amount not to exceed \$5.7 million. The bonds will be sold to Blyth Eastman Dillon and Company, which will in turn offer them to the public. The final terms of the offering will be determined by negotiation between SDG&E and the underwriter shortly before the proposed public offering.

Concurrently with the sale and delivery of the Series

A Bonds, SDG&E will sell to the Authority the portions of the projects heretofore acquired or constructed by it. The Authority agrees to complete the construction of the projects according to plans and specifications provided by SDG&E, and using SDG&E as its agent for the purpose of completion of said projects. Upon completion of each project, the Authority will convey title of each project to SDG&E. SDG&E agrees to make purchase payments which are sufficient to assume the payment of principal, interest, and premium, if any, on the Series A Bonds, and to pay certain fees and expenses of the Authority incurred in connection with this financing.

The interest on the Series A Bonds will be exempt from both federal and California income taxation, and as a consequence thereof said bonds will be less costly than conventional financing. The Applicant estimates that under current market conditions, the interest rate on the Series A Bonds should be at least two percentage points below the 9 3/4% rate on the most recent issue of its First Mortgage Bonds.

The Finance Division and Operations Division agree that the utility's request is reasonable and should be granted.

After consideration the Commission finds that:

1. The proposed Supplemental 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

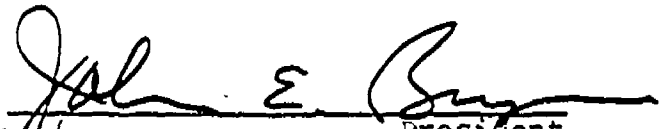
IT IS ORDERED that:


1. San Diego Gas & Electric Company may execute and deliver a Supplemental Installment Sale Agreement in substantially the form attached to the application as Exhibit B.


2. San Diego Gas & Electric Company may sell and deliver those portions of the projects described in Exhibit C, 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 27th day of FEBRUARY, 1979.



President








Commissioners