

CACD/RHG

Decision 95-11-064 November 21, 1995

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
SAN DIEGO GAS & ELECTRIC COMPANY )  
U-902-M, for authority to issue secu- )  
rities consisting of up to 1,350,000 )  
shares of its Common Stock, \$5 par )  
value, and related stock options to )  
implement its 1986 Long Term Incentive )  
Plan. )

Application 86-07-005  
(Petition for Modification  
filed August 9, 1995)

**ORIGINAL**

S U P P L E M E N T A L O P I N I O N

Summary of Decision

This decision grants San Diego Gas & Electric Company (SDG&E) the authority requested in its petition for modification of Decision (D.) 86-08-046.

Notice of the filing of the petition for modification appeared on the Commission's Daily Calendar of October 12, 1995. No protests have been received.

By D.86-08-046 dated August 18, 1986, in Application (A.) 86-07-005, the Commission authorized SDG&E to issue up to 1,350,000 shares of its Common Stock and related stock options under its 1986 SDG&E Long-Term Incentive Plan, as amended (Incentive Plan). The decision provided that such authority would terminate on January 31, 1996, or on the termination date if the plan were terminated by SDG&E's Board of Directors at an earlier date.

Modification Sought

Pursuant to Rule 47 (formerly 42) of the Rules of Practice and Procedure SDG&E requests that the authority granted in D.86-08-046 be modified to extend the effectiveness of the Commission's authorization until the earlier of January 31, 2006 or the termination date of the Incentive Plan.

In accordance with D.92-04-046 dated April 22, 1992, SDG&E effected a two-for-one stock split of its Common Stock. This decision also authorized the issuance of an additional 1,200,188 shares of Common Stock under the Incentive Plan.

On October 24, 1994, SDG&E's Board of Directors amended, restated and extended the Incentive Plan, subject to approval by SDG&E shareholders, to, among other things, extend the term until April 24, 2005 and provide for an annual automatic grant of 300 shares of Common Stock to non-employee directors as compensation for past service. If not extended, the expiration date for the Incentive Plan would have been January 27, 1996, ten years after its adoption by the Board of Directors.

On April 25, 1995, SDG&E shareholders approved the amendment, restatement and extension of the Incentive Plan which was incorporated into SDG&E's 1995 Proxy Statement, shown as Exhibit A to the Application.

SDG&E states that currently, in post-stock split numbers, 429,227 shares of Common Stock have been issued under its Incentive Plan and 2,270,773 remain available for issuance. SDG&E's petition for modification of D.86-08-046 would not increase the number of shares available for grant under the Incentive Plan.

#### Discussion

In D.86-08-046, the Commission noted that the purpose of the Incentive Plan is to promote the interests of SDG&E and its shareholders by encouraging officers and key employees to acquire stock or to otherwise increase their proprietary interest in the company. By providing the opportunity to acquire SDG&E stock or receive other incentives, the company seeks to attract and retain those key employees upon whose judgment, initiative and leadership the success of the company largely depends.

SDG&E states that while the number of individuals receiving discretionary grants under the Incentive Plan has declined in recent years, and the maximum number of shares available for award (which has remained constant since inception) is modest in comparison to the total number of shares of SDG&E

Common Stock outstanding, SDG&E believes that the Incentive Plan remains an important means of compensating key employees.

We have reviewed SDG&E's request to extend its unused authority to issue shares of Common Stock and related stock options under its Incentive Plan and have determined that the proposed extension is for proper purposes and is not adverse to the public interest. We will therefore extend the authorization granted in D.86-08-046 until the earlier of January 31, 2006 or the termination of the Incentive Plan. In all other respects, D.86-08-046 remains in full force and effect.

Findings of Fact

1. The requested extension to issue shares of Common Stock and related stock options under SDG&E's Incentive Plan granted by D.86-08-046 is for proper purposes and is not adverse to the public interest.

2. There is no known opposition to the petition for modification and there is no reason to delay granting the authority requested.

Conclusions of Law

1. A public hearing is not necessary.

2. The petition for modification should be granted to the extent set forth in the supplemental order that follows.

3. The following supplemental order should be effective on the date of signature.

S U P P L E M E N T A L   O R D E R

IT IS ORDERED that:

1. Ordering Paragraph 2 of Decision (D.) 86-08-046, is modified to read as follows:

2. The authority to issue common stock under the Incentive Plan will terminate on the earlier of January 31, 2006 or the termination date of the Incentive Plan.

2. San Diego Gas & Electric Company's petition for modification is granted as set forth above.

3. In all other respects, D.86-08-046 remains in full force and effect.

This order is effective today.

Dated November 21, 1995, at San Francisco, California.

DANIEL Wm. FESSLER  
President  
P. GREGORY CONLON  
JESSIE J. KNIGHT, JR.  
HENRY M. DUQUE  
JOSIAH L. NEEPER  
Commissioners