

Decision 11-12-033 December 15, 2011

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of San Diego Gas & Electric Company (U902M), for Authority to Increase its Short-Term Borrowing Authorization to an Aggregate Amount not to Exceed \$400,000,000 in Addition to that Amount Otherwise Authorized by Public Utilities Code Section 823(c).

Application 11-08-003
(Filed August 2, 2011)

DECISION AUTHORIZING SAN DIEGO GAS & ELECTRIC COMPANY TO ISSUE SHORT-TERM DEBT OF \$400 MILLION IN EXCESS OF THE AMOUNT ALLOWED BY PUBLIC UTILITIES CODE SECTION 823(c)

1. Summary

This decision grants San Diego Gas & Electric Company (SDG&E) authority under Public Utilities Code Section 816 *et seq.*¹ to issue \$400 million of short-term debt through December 31, 2015 in excess of the amount allowed by Public Utilities Code Section 823(c), for the following purposes: 1) additions and extensions of its utility plant; 2) under-collections of SDG&E's balancing accounts; 3) retirements, tenders, calls or other refunding of SDG&E's long-term debt; 4) financing of SDG&E's nuclear fuel inventories and customer commodity hedge cash requirements; and 5) to satisfy such other short-term cash needs that may arise from time to time.

¹ All statutory references are to the Public Utilities Code unless otherwise indicated.

2. SDG&E Request

San Diego Gas & Electric Company (SDG&E) filed Application (A.) 11-08-003 on August 2, 2011. No party filed a protest to the application. SDG&E requests authority to issue short-term debt in excess of the amount allowed by § 823(c) of \$400 million. As in the past, SDG&E intends to use short-term debt for the following purposes: 1) additions and extensions of its utility plant; 2) under-collections of SDG&E's balancing accounts; 3) retirements, tenders, calls or other refunding of SDG&E's long-term debt; 4) financing of SDG&E's nuclear fuel inventories and customer commodity hedge cash requirements; and 5) to satisfy such other short-term cash needs that may arise from time to time.

SDG&E states that it needs authority to issue \$400 million of short-term debt because SDG&E plans to invest approximately \$4.5 billion during 2011 - 2013 for capital expenditures, and expects to average \$1.3 billion of capital expenditures annually during 2011 - 2015. In particular, SDG&E plans to expend about \$1.9 billion in 2011 and \$1.7 billion in 2012 in addition to other capital expenditures, in order to finish funding the Sunrise Powerlink Transmission Line project. This level of spending is higher than SDG&E's historical spending pattern per year.²

SDG&E plans to its finance infrastructure investments with well-timed placements of long-term debt. SDG&E is concerned, however, that it might not be able to obtain long-term financing due to unexpected events as was the case

² See Decision (D.) 05-05-047 at 4.

during the 2008 Financial Crisis.³ SDG&E states that having authority to issue \$400 million of short-term debt will enable it to address all potential contingencies through 2015.

3. Discussion

SDG&E's request for authority to issue \$400 million of short-term debt in excess of the amount allowed by § 823(c), is subject to §§ 816, 823(b), 823(c), and 823(d), which state, in relevant part, as follows:

§ 816: The power of public utilities to issue debt is a special privilege, the right of supervision, regulation, restriction, and control of which is vested in the State, and such power shall be exercised as provided by law under such rules as the commission prescribes.

§ 823(b): A public utility may issue notes, for proper purposes and not in violation of any provision of law, payable at periods of not more than 12 months after the date of issuance of the notes without the consent of the commission.

§ 823(c): Notwithstanding the provisions of subdivision (b), no public utility . . . shall, without the consent of the commission, issue notes payable at periods of not more than 12 months after the date of issuance of the notes if such notes and all other notes payable at periods of not more than 12 months after the date of issuance of such notes . . . would exceed in aggregate amount 5 percent of the par value of the other securities then outstanding. In the case of securities having no par value, the par value for the purposes of this subsection shall be the fair market value as of the date of issue.

³ SDG&E's most recent authority to issue \$550 million of short-term debt in excess of the amount allowed by § 823(c), pursuant to D.06-05-047 at 4, expired on December 31, 2010.

§ 823(d): No note payable at a period of not more than 12 months after the date of issuance of such note shall, in whole or in part, be refunded by debt or equity without the consent of the commission.

The Commission has broad authority under § 816 *et seq.*, to accept or reject a utility's request to issue short-term debt. In general, the Commission will authorize a utility to issue short-term debt when the utility can demonstrate a reasonable need to do so. Where necessary, the Commission may attach conditions to a utility's authority to issue short-term debt in order to protect and promote the public interest.

We conclude that it is in the public interest to grant SDG&E's uncontested request for authority to issue \$400 million of short-term debt in excess of the amount allowed by § 823(c). The health, safety, welfare, and prosperity of California depends on SDG&E having sufficient generation and transmission capacity to meet the needs of its customers. To this end, SDG&E intends to spend more than \$4.5 billion during 2011-2013, including approximately \$3.6 billion to build the Sunrise Powerlink Transmission Line during 2011-2012. This is a substantial financial commitment for a company that had total operating revenues of \$2.535 billion and \$2.426 billion in 2010 and 2011, respectively.⁴ Due to the sheer size of the forecasted capital expenditures, there is a real possibility that SDG&E's short-term cash needs could reach \$400 million.

SDG&E shall not use the short-term debt authorized by this Decision to fund dividends, inter-corporate borrowing, or management fees paid to its parent company or other affiliates. Consistent with § 824, SDG&E shall maintain

⁴ Annual Report of Sempra Energy for 2010. We take official notice of this information pursuant to Rule 73.

records to (1) identify the specific short-term debt issued pursuant to today's decision, and (2) demonstrate that the proceeds from such debt have been used only for the purposes authorized by today's decision.⁵ Accordingly, we hereby authorize SDG&E to issue up to \$400 million of short-term debt, in excess of the amount allowed by § 823(c).

4. General Order 24-B

General Order (GO) 24-B requires utilities to submit a monthly report to the Commission that contains, among other things, the following information: (1) the amount of debt issued by the utility during the previous month; (2) the total amount of debt outstanding at the end of the prior month; (3) the purposes for which the utility expended the proceeds realized from the issuance of debt during the prior month; and (4) a monthly statement of the separate bank account that the utility is required to maintain for all receipts and disbursements of money obtained from the issuance of debt.

In recent years the Commission has routinely authorized utilities to report on a quarterly basis the information required by GO 24-B in order to reduce the utilities' administrative and compliance costs.⁶ Consistent with this practice, SDG&E may report on a quarterly basis the information required by GO 24-B for

⁵ Section 824 states: "The commission may require...utilities to account for the disposition of the proceeds of all sales of...bonds, notes, or other evidence of indebtedness, in such form and detail as it deems advisable, and may establish such rules as it deems reasonable and necessary to insure the disposition of such proceeds for the purposes specified in its order."

⁶ See, for example, D.06-05-029, Ordering Paragraph (OP) 6; D.05-05-047, OP 8; D.04-04-041, OP 5; D.04-01-009, OP 11; D.03-12-052, OP 6; D.03-12-004, OP 13; D.03-11-018, OP 13; and D.03-09-020, OP 6.

debt issued pursuant to this order, except that SDG&E shall report this information on a monthly basis if directed to do so by Commission staff.

This opinion does not address the reasonableness of (1) any expenditures made by SDG&E with the proceeds from the short-term debt authorized herein, or (2) the cost, rates, terms, or conditions of debt issued by SDG&E pursuant to this opinion. These matters will be addressed in other proceedings, as appropriate.

5. Fees

Whenever the Commission authorizes a utility to issue debt, the Commission is required to collect a fee in accordance with § 1904(b).⁷ The fee is calculated as follows:

Computation of § 1904(b) Fee for \$400 Million of Short-Term Debt in Excess of the Amount Allowed by § 823(c)	
\$2 Fee on each \$1,000 up to \$1 Million	\$ 2,000
\$1 Fee on each \$1,000 up to \$10 Million	\$ 9,000
\$0.05 Fee on each \$1,000 Over \$10 Million	\$195,000
Total Fee	\$206,000

SDG&E shall remit the required fee of \$206,000 to the Commission’s Fiscal Office. The authority granted by this opinion shall not become effective until the fee is paid.

6. Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code

⁷ <http://www.leginfo.ca.gov/cgi-bin/waisgate?WAISdocID=56497716831+1+0+0&WAIAction=retrieve> .

and Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

7. Categorization and Need for Hearings

In Resolution ALJ 176-3279, dated August 18, 2011, the Commission preliminarily categorized this proceeding as ratesetting and preliminarily determined that hearings were not necessary. There were no protests or other responses to A.11-08-003. Based on the record of this proceeding, we affirm and finalize the determinations regarding categorization and the need for hearings that were made in Resolution ALJ 176-3279.

8. Assignment of Proceeding

Catherine J.K. Sandoval is the assigned Commissioner and Seaneen M. Wilson is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. Prior to this decision, SDG&E's authority to issue \$550 million of short-term debt in excess of the amount allowed by § 823(c) expired on December 31, 2010.

2. SDG&E plans to invest approximately \$4.5 billion during 2011 - 2013 for capital expenditures, and expects to average \$1.3 billion of capital expenditures annually during 2011 - 2015. In particular, SDG&E plans to expend about \$1.9 billion in 2011 and \$1.7 billion in 2012 in addition to other capital expenditures, in order to finish funding the Sunrise Powerlink Transmission Line project.

3. This decision does not address the reasonableness of the following:
(i) the rates, terms, and conditions of any debt issued by SDG&E pursuant to this decision; (ii) any expenditures made with the proceeds from short-term debt issued pursuant to this decision; (iii) the ratio of SDG&E's short-term debt to its

other debt and equity; and (iv) SDG&E's forecast of cash requirements and infrastructure expenditures.

4. SDG&E's request for authority to issue \$400 million of short-term debt in excess of the amount allowed by § 823(c), is subject to §§ 816, 823(b), 823(c), and 823(d).

Conclusions of Law

1. This is a ratesetting proceeding.

2. This is an uncontested matter, and there is no need for hearings.

3. The Commission has broad discretion to determine if a utility should be authorized to issue short-term debt pursuant to § 816, *et seq.*

4. SDG&E should be granted authority through December 31, 2015, to issue \$400 million of short-term debt in excess of the amount allowed by § 823(c) for the following purposes: 1) additions and extensions of its utility plant; 2) undercollections of SDG&E's balancing accounts; 3) retirements, tenders, calls or other refunding of SDG&E's long-term debt; 4) financing of SDG&E's nuclear fuel inventories and customer commodity hedge cash requirements; and 5) to satisfy such other short-term cash needs that may arise from time to time.

5. SDG&E should not use the short-term debt authorized by this decision to fund dividends, inter-corporate borrowing, or management fees paid to its parent company or other affiliates.

6. This opinion does not address the reasonableness of any expenditures made by SDG&E with the proceeds from the short-term debt authorized herein, or the cost, terms, or conditions of such short-term debt.

7. Consistent with Commission practice, SDG&E should be authorized to report on a quarterly basis all information required by GO 24-B regarding the

short-term debt authorized by this decision. However, SDG&E should report this information on a monthly basis if directed to do so by Commission staff.

8. SDG&E is required by § 1904(b) to pay a fee of \$206,000 for the \$400 million of short-term debt authorized by this decision.

9. Within 10 days from the effective date of this decision, SDG&E should remit to the Commission's Fiscal Office at 505 Van Ness Avenue, San Francisco, CA 94102, a check for \$206,000 pursuant to Public Utilities Code Section 1904(b). The decision number must appear on the face of the check. The authority granted by this Order should become effective when SDG&E has remitted \$206,000.

10. A.11-08-003 should be closed.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company (SDG&E) is authorized, pursuant to Public Utilities Code Section 816 et seq., to issue \$400 million of short-term debt in excess of the amount allowed by Public Utilities Code Section 823(c), through December 31, 2015, for the following purposes: 1) additions and extensions of its utility plant; 2) under-collections of SDG&E's balancing accounts; 3) retirements, tenders, calls or other refunding of SDG&E's long-term debt; 4) financing of SDG&E's nuclear fuel inventories and customer commodity hedge cash requirements; and 5) to satisfy such other short-term cash needs that may arise from time to time.

2. San Diego Gas & Electric Company shall not use the short-term debt authorized by this decision to pay dividends, finance inter-corporate borrowing, or pay management fees to its parent company or other affiliates.

3. San Diego Gas & Electric Company (SDG&E) may report on a quarterly basis all information required by General Order 24-B regarding the short-term debt authorized by this decision, except that SDG&E shall report this information on a monthly basis if directed to do so by Commission staff.

4. Within 10 days from the effective date of this Order, San Diego Gas & Electric Company (SDG&E) shall remit to the Commission's Fiscal Office at 505 Van Ness Avenue, San Francisco, CA 94102, a check for \$206,000 pursuant to Public Utilities Code Section 1904(b). The decision number of this Order must appear on the face of the check. The authority granted by this Order shall become effective when SDG&E has remitted \$206,000.

5. Application 11-08-003 is closed.

This order is effective today.

Dated December 15, 2011, at San Francisco, California.

MICHAEL R. PEEVEY
President
TIMOTHY ALAN SIMON
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
MARK J. FERRON
Commissioners