

Decision 22-12-011 December 1, 2022

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric Company (U902M) for authorization to: (1) issue Debt Securities in an aggregate principal amount up to \$3,050 million of debt capital, in addition to previously-authorized amounts; (2) issue Roll-Over Debt Securities in an aggregate principal amount up to \$1,050 million of debt capital, in addition to previously-authorized amounts; (3) include certain features in the Debt Securities or to enter into certain derivative transactions related to underlying debt in order to improve the terms and conditions of the debt portfolio and with the goal of lowering the cost of money for the benefit of ratepayers; (4) hedge planned issuances of Debt Securities; and (5) take all other necessary, related actions.

Application 22-04-007

DECISION AUTHORIZING SAN DIEGO GAS & ELECTRIC COMPANY TO ISSUE UP TO \$3.05 BILLION IN NEW DEBT SECURITIES, TO ISSUE ROLL-OVER DEBT SECURITIES OF UP TO \$1.050 BILLION, TO UTILIZE CERTAIN FEATURES IN DEBT SECURITIES OR DERIVATIVE TRANSACTIONS, AND TO HEDGE ISSUANCE OF DEBT SECURITIES

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DECISION AUTHORIZING SAN DIEGO GAS & ELECTRIC COMPANY TO ISSUE UP TO \$3.05 BILLION IN NEW DEBT SECURITIES, TO ISSUE ROLL-OVER DEBT SECURITIES OF UP TO \$1.050 BILLION, TO UTILIZE CERTAIN FEATURES IN DEBT SECURITIES OR DERIVATIVE TRANSACTIONS, AND TO HEDGE ISSUANCE OF DEBT SECURITIES

Summary

This decision grants San Diego Gas & Electric Company (SDG&E) authority to issue up to \$3,050,000,000 of new debt securities. This decision also authorizes SDG&E to issue \$1,050,000,000 in roll-over debt securities, to utilize certain debt security features or enter into derivative transactions, and hedge planned issuances of debt securities.

The proceeding is closed.

1. Application 22-04-007

On April 15, 2022, San Diego Gas & Electric Company (SDG&E) filed Application (A.) 22-04-007 requesting authority to:

1. Issue First Mortgage Bonds (FMB), debentures, overseas indebtedness, foreign securities, long-term loans, accounts receivable financing, tax exempt debt securities in order to guarantee the obligations of others, variable-rate debt, and “fall-away” FMBs (collectively, debt securities) as further described in Section 2.4, in an aggregate principal amount of up to \$3,050 million of new debt capital, in addition to previously authorized amounts. SDG&E’s management or Board of Directors will determine the principal amount and the terms and conditions of each issue of Debt securities according to market conditions at the time of sale;
2. Issue Roll-Over debt securities in an aggregate principal amount up to \$1,050 million of debt capital, in addition to previously authorized roll-over debt amounts;
3. Include certain features in SDG&E’s debt securities as further described in Section 2.4. or to enter into certain derivative transactions related to underlying debt in order

to improve the terms and conditions of SDG&E's debt portfolio and with the goal of lowering SDG&E's cost of money for the benefit of ratepayers;

4. Hedge, when appropriate, existing, or planned issuances of debt securities within reasonable limits established by the Financing Rule; and
5. Take all other necessary and related actions.

The requests were in addition to existing authority to issue debt securities previously authorized by the Public Utilities Commission (Commission).

No protests or responses to the application were filed. On May 26, 2022, the Commission's Public Advocates Office filed a motion for party status. The motion was granted on May 27, 2022.

A prehearing conference was held on June 24, 2022.

On July 25, 2022, the assigned Commissioner issued a Scoping Memo and Ruling, categorizing the proceeding as ratesetting and determining that evidentiary hearings were not necessary.

SDG&E is a public utility under the jurisdiction of the California Public Utilities Commission.

2. Summary of Issues Before the Commission

2.1. Overview

SDG&E requests authorization to issue up to \$3.05 billion in new debt securities to fund forecasted capital investments in 2023 through 2025, which SDG&E forecasts will require approximately \$3.25 billion. SDG&E was previously authorized to issue \$2.3 billion in new debt securities in Decision (D.) 20-04-015, of which all but \$207 million has been issued or will be issued prior to January 1, 2023. SDG&E intends to combine that remaining authority with the authority requested in this application. SDG&E also seeks authority to issue an additional \$1.05 billion in debt securities to be utilized as

roll-over authority to replace existing debt maturing in 2023 and 2024 and to allow it flexibility to refinance other debt if reduced financing costs become available.

2.2. Requested Authorizations and Findings

SDG&E requests that the Commission issue an order authorizing SDG&E:

- 1) To issue debt securities, in an aggregate principal amount of up to \$3,050,000,000 of new debt capital, in addition to previously authorized amounts. SDG&E's management or Board of Directors will determine the principal amount and the terms and conditions of each issue of debt securities according to market conditions at the time of sale;
- 2) To issue roll-over debt securities in an aggregate principal amount up to \$1,050,000,000 of debt capital, in addition to previously authorized roll-over debt amounts;
- 3) To issue certain tax-exempt debt securities in order to guarantee the obligations of others;
- 4) To include certain features in SDG&E's debt securities or to enter into certain derivative transactions related to underlying debt in order to improve the terms and conditions of SDG&E's debt portfolio and with the goal of lowering SDG&E's cost of money for the benefit of ratepayers;
- 5) To hedge, when appropriate, planned issuances of debt securities within reasonable limits established by the new Financing Rule; and
- 6) To take all necessary and related actions, including but not limited to:
 - a. Specifically finding, that in the opinion of the Commission, the money, property, or labor to be procured or paid for by such issues is reasonably required for the purposes so specified, and that, except as otherwise permitted in the order in the case of bonds, notes, or other evidence of indebtedness, such purposes

are not, in whole or in part, reasonably chargeable to operating expenses or to income.

- b. Providing that the authority granted in such Order shall be effective upon payment of the fee prescribed in Public Utilities (Pub. Util.) Code Sections 1904(b) and 1904.1.¹
- c. Providing that if SDG&E intends to use any portion of the authority described in Section III that it currently expects to use for the potential refinancing of securities previously issued instead for capital expenditures, it shall notify the Commission and pay the corresponding fee before making such use.
- d. Providing that the authority granted in such Order shall be in addition to the authority previously granted in D.20-04-015, D.18-02-012, D.10-10-023, D.06-05-015, D.04-01-009, and D.93-09-069.
- e. Granting such additional authorizations as this Commission may deem appropriate.

2.3. Use of Proceeds

SDG&E intends to apply the net proceeds from the issuance of additional debt to fund various capital projects, to reimburse its treasury for monies expended or planned to be expended for the expansion and enhancement of its utility plant, and for potential contingencies like unforeseen capital needs or financial market disruptions. SDG&E intends to apply the net proceeds of the authorized roll-over securities to refinance previously authorized debt.

2.4. Types of Debt Securities

SDG&E requests authority to issue one or more series of debt securities of the following types of debt securities:

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

i. Secured Debt

Secured debt may be secured by a lien on property or through other credit-enhancement arrangements described in Section 2.5. FMBs will be issued in accordance with SDG&E's trust indenture dated July 1, 1940, as amended and supplemented and which heretofore has been filed with the Commission. The supplemental indenture delivered in connection with each new series of FMBs will be in a form consistent with supplemental indentures previously filed with the Commission.

Secured debt may be sold to either domestic or foreign investors. It may be sold to underwriters who in turn will offer the secured debt to investors, or it may be sold directly to investors either with or without the assistance of a private placement agent. Secured debt may be registered with the Securities and Exchange Commission (SEC), depending on the method of offering and sale, and may be listed on a stock exchange. In certain instances, SDG&E may enter into contractual agreements whereby a third party will provide appropriate credit facilities as security for a secured debt issue. "Sustainability, including Green or Social, or Sustainability-linked bonds" may also be used to finance the development of environmentally friendly projects. The cost of the credit facilities will be included in determining the issue's overall cost.

ii. Unsecured Debt (Debentures)

Debentures may be sold to either domestic or foreign investors. They may be sold to underwriters who in turn will offer the debentures to investors, or they may be sold directly to investors either with or without the assistance of a placement agent. They may also be sold as "green bonds" used to finance the development of environmentally friendly projects. Debentures may be registered

with the SEC and may be listed on a stock exchange. Unsecured debt may be senior or subordinated.

iii. Foreign Capital Markets

Debt securities issued by SDG&E in foreign capital markets may be denominated in, or proceeds from their sale received in, United States (U.S.) dollars or in other currencies. International bond issuance is commonly separated into two categories, U.S.-pay and foreign-pay. The U.S.-pay international bond market consists primarily of Eurodollar bonds, which are issued and traded outside of the U.S. and denominated in U.S. dollars. The foreign-pay, or simply foreign, bond market describes issues sold in a country outside of the U.S. in the local currency.

Certain circumstances may make international borrowing attractive to a U.S. utility. Competition among global investment banks may create low-cost offshore funding opportunities. Foreign bond markets may have a better appetite for a particular debt security than domestic markets. Finally, a domestic utility may find international markets more accessible during a time when domestic bond markets are not. To reduce or eliminate the risk of currency fluctuations, SDG&E may engage in currency swaps, defined below, or other arrangements.

iv. Direct Long-Term Loans

SDG&E may enter into long-term loans, debt securities with a maturity of greater than one year, pursuant to a line of credit with banks, insurance companies, or other financial institutions. SDG&E may enter into loans when it finds that interest rates or other circumstances make it attractive to do so.

v. Accounts-Receivable Financing

SDG&E may issue debt securities secured by a pledge, sale or assignment of its accounts receivable. SDG&E anticipates that the transactions would be

structured to be a true sale for bankruptcy purposes, a sale for financial reporting, and debt for tax purposes although other structures may be developed using accounts receivable as security or collateral.

Because an accounts receivable financing would be an encumbrance on utility properties to the extent that accounts receivable are considered to be utility property, SDG&E requests authorization under Section 851 to mortgage and encumber utility property.

vi. Tax-Exempt Debt

SDG&E anticipates that from time to time the cost of debt securities may be reduced by placing such securities with one or more political subdivisions (Authority) and unconditionally guaranteeing or otherwise securing such Authority's obligations in respect of its issuances of tax-exempt debt in connection with the financing of SDG&E facilities. SDG&E anticipates having the ability to use the tax-exempt option whenever: (1) its facilities qualify for tax-exempt financing under federal law, either as eligible pollution control facilities or facilities that may be financed by tax-exempt revenue bonds under the "two-county" rule, and (2) it receives sufficient "volume cap," or tax-exempt borrowing authority, from the California Debt Limit Allocation Committee (CDLAC). Such tax-exempt financings may be structured substantially as follows:

1. An Authority would issue and sell one or more series of its bonds, notes, debentures or other securities (Authority Bonds) to a group of underwriters who would ultimately market such Authority Bonds to investors. Concurrently with the sale and delivery of such Authority Bonds and in consideration for the proceeds of the Authority Bonds, SDG&E would enter into a loan agreement or other security agreement with the Authority, or would enter into an installment-sale agreement with the

Authority pursuant to which the eligible facilities would be conveyed to the Authority in consideration for the proceeds of the Authority Bonds, and the eligible facilities would be reconveyed to SDG&E in consideration for its debt securities. The operation and control of such facilities would remain with SDG&E or the project operator at all times.

2. Concurrently with the sale and delivery of such Authority Bonds, SDG&E would issue and deliver to the Authority, in consideration of the Authority's obligations set forth above, SDG&E Debt Securities plus accrued interest (the terms and conditions of such indebtedness would be substantially consistent with the terms and conditions of such Authority Bonds) or would unconditionally guarantee or otherwise secure such Authority's obligations in respect of the Authority Bonds. All rights and title of such Authority in company debt securities would be assigned to a trustee under an indenture pursuant to which the Authority Bonds would have been issued as security for the purchasers of the Authority Bonds.

vii. Variable-Rate Debt

SDG&E anticipates that from time to time the cost of SDG&E debt may be reduced by issuing variable-rate debt securities. A variable-rate debt security includes, but is not limited to, either debt securities bearing interest based on the Secured Overnight Financing Rate, a generally accepted replacement for the London Interbank Offered Rate, which is being discontinued, or some other replacement interest rate. A variable-rate debt Security may also be a debt security for which investors possess a series of periodic, mandatory put options that require SDG&E to repurchase all or a portion of the debt securities,

and which may be coupled with a re-marketing obligation by SDG&E of the repurchased debt security.

Certain variable-rate debt securities require credit support, such as bank lines. These bank lines may be in the form of a short-term or long-term bank line agreement. Since these credit facilities are an integral part of the variable-rate debt issuance, such facilities (and any borrowing thereunder) should not be considered by the Commission to count against existing short-term debt authorizations.

viii. “Fall-Away” Mortgage Bonds

SDG&E may issue debt that is initially secured and subsequently convertible into unsecured debt, known as “fall-away bonds.” These senior notes are initially secured under their indenture by collateral FMBs issued in equal principal amount under the existing 1940 first mortgage indenture and delivered to the fall-away indenture trustee. Subsequent to the redemption or maturity of all outstanding FMBs (other than the collateral FMBs held by the fall-away indenture trustee), the fall-away bonds will become unsecured general obligations of SDG&E. The fall-away bonds’ indenture will contain a negative pledge clause, which provides that the newly unsecured obligations will be secured equally with any secured bonds that may be issued in the future. SDG&E may also wish to issue debt that is initially unsecured and subsequently convertible into secured debt.

2.5. Debt Security Enhancements

SDG&E requests authorization to include certain features in its debt securities or enter into certain derivative transactions related to underlying debt. Such measures would be taken when appropriate to improve the terms and conditions of SDG&E’s debt securities and to lower the overall cost of money for

the benefit of the ratepayers. SDG&E is requesting the same types of security enhancements and related derivative transactions as requested in Application 19-10-015 and approved by the Commission in D.20-04-015. The requested features are described below.

i. Put Options

SDG&E anticipates that from time to time the cost of its debt Securities may be reduced by the inclusion of a put option. This feature grants to a debt security owner the right to require SDG&E to repurchase all or a portion of that holder's securities, commonly referred to as "putting" the security back to the company. Debt holders are willing to accept a lower interest rate in exchange for the protection against rising interest rates offered by the put option.

ii. Call Options

SDG&E anticipates that from time to time it may retain the right to retire, fully or partially, a debt security before the scheduled maturity date. This is commonly referred to as "calling" the security. The chief benefit of such a feature is that it permits SDG&E, should market rates fall, to replace the bond issue with a lower-cost issue, thus producing a net benefit to ratepayers.

iii. Sinking Funds

SDG&E anticipates that from time to time the cost of SDG&E debt securities may be reduced by the use of a sinking fund. A sinking fund typically operates in one of two ways: (1) SDG&E may set aside a sum of money periodically so that at the maturity date of the bond issue there is a pool of cash available to redeem the issue, or (2) SDG&E may periodically redeem a specified portion of the bond issue. Typically, SDG&E would have the right to meet its

sinking fund obligations in the latter fashion by either calling a certain number of bonds or purchasing the bonds in the open market.

iv. Interest Rate Swaps

An interest rate swap is a contractual agreement between two parties to exchange a series of payments for a stated period. In a typical interest rate swap, one party pays the other fixed-rate interest while the other, in turn, pays floating rate interest, both payment obligations based on a notional principal amount (*i.e.*, no principal exchanged). Swaps are generally used to reduce either fixed-rate or floating-rate costs, or to convert fixed-rate borrowing to floating.

v. Caps and Collars

In order to reduce ratepayers' exposure to interest rate risk on variable-rate securities, SDG&E may negotiate some type of maximum rate, usually called a cap. In that case, even if variable rates increase above the cap (or ceiling) rate, SDG&E would only pay the ceiling rate. In addition to the ceiling rate, sometimes a counterparty will desire a "floor" rate. In the event that the variable rate falls below the floor rate, SDG&E would pay the floor rate. The combination of a floor and a ceiling rate is called an interest-rate collar because SDG&E's interest expense is restricted to a band negotiated by SDG&E and the counterparty.

vi. Currency Swaps

A currency swap is an arrangement in which one party agrees to make periodic payments in its domestic currency, based on either fixed or floating interest rates, to a counterparty, which in turn makes periodic payments to the first party in a different currency. The payments are based on principal amounts that are exchanged at the initiation of the swap and re-exchanged at maturity. Currency swaps are useful in the management of exchange risk and will be used

when necessary to hedge exposures created by debt securities denominated in foreign currencies.

vii. Credit Enhancements

SDG&E may obtain credit enhancements for debt securities, such as letters of credit, standby bond purchase agreements, surety bonds or insurance policies, or other credit support arrangements. Such credit enhancements may be included to reduce interest costs or improve other credit terms; and the cost of such credit enhancements would be included in the cost of the debt securities.

2.6. Hedging the Issuance of Securities

SDG&E seeks authorization to hedge the issuance of debt securities when necessary. Circumstances requiring hedging may include, matters where legal, regulatory, and/or administrative matters preclude SDG&E from acting on a low-cost funding opportunity during a time of market volatility; or where SDG&E may have an immediate need for funds, but is reluctant to fix the cost at prevailing interest rates. Issuance-hedging strategies grant the ability to enter financial markets at times when interest rates or other circumstances appear most favorable.

i. “Price Today, Fund Later” Strategies

These hedges allow SDG&E to lock in today’s interest rate and issue securities at some later date:

a. Treasury Lock

This approach is used to lock in the Treasury component of SDG&E’s borrowing cost. SDG&E’s borrowing cost (*i.e.*, the interest rate paid on bonds) is comprised of two components: the yield on U.S. Treasury bonds of comparable maturity plus the credit spread, the market’s assessment of SDG&E’s ability to service its debt over time. The Treasury lock approach is used to determine in

advance the Treasury-yield component of the interest rate that SDG&E will pay on a future bond offering.

SDG&E can delay securities issuance and capture the current Treasury yield by entering into a Treasury lock. If interest rates rise during the hedge period, SDG&E will unwind the hedge at a profit; this will offset the higher coupon of the newly issued securities. If interest rates decline, SDG&E will unwind the hedge at a loss, but this will be offset by the lower cost of the newly issued securities.

b. Treasury Options

The purchase of Treasury put options is an alternative to the Treasury lock. In this transaction, SDG&E would purchase put options entitling it to sell Treasury securities of a maturity comparable to that of the contemplated security issuance at a specified yield (the strike yield) at any time before the option's expiration date. If interest rates rise above the put's strike yield, SDG&E will exercise the put and the resulting profit offsets the increased cost of borrowing. If interest rates decline, SDG&E will let the option expire as worthless and issue securities at prevailing lower rates.

c. Interest Rate Swaps

A forward-starting interest rate swap allows SDG&E to delay a securities issuance and capture current yields. As the fixed-rate payer in an interest rate swap, SDG&E hedges its borrowing cost: if interest rates rise, unwinding the

swap at a profit offsets higher borrowing costs. Conversely, if rates decline, lower borrowing costs offset the loss caused by unwinding the swap.

ii. “Fund Today, Price Later” Strategies

These hedges allow SDG&E to fund immediately and price the securities at some future date.

a. Long Hedge

This approach allows SDG&E to issue now and capture its current credit spread but leave all-in cost of the securities issue open. SDG&E establishes a long hedge by issuing securities today and investing the proceeds in Treasury securities of a comparable maturity. If interest rates subsequently decline, the gain in the value of the Treasury portfolio will compensate SDG&E for the lost opportunity to finance at lower rates. On the other hand, if rates rise, the interest expense savings realized by issuing immediately will be offset by the decline in value of the Treasury portfolio. Thus, the Treasury component of SDG&E's effective borrowing cost will be determined by the Treasury rates prevailing when it chooses to unwind the hedge; the credit spread is determined at the time of issuance.

b. Treasury Options

The purchase of Treasury call options is an alternative to the long hedge. With this approach, SDG&E would issue securities today and purchase call options on Treasury securities of a comparable maturity. Such a call option allows the holder to purchase Treasury securities at the strike yield any time before the expiration date. If rates decline below the strike yield, exercising the option produces a gain used to offset the interest cost of the securities issued

today. If interest rates rise above the strike yield, the option will expire unexercised. In this case SDG&E benefits from the lower borrowing rate.

c. Interest Rate Swaps

A forward-starting interest rate swap allows SDG&E to issue securities immediately and benefit from a subsequent fall in interest rates. As the floating-rate payer in an interest rate swap, SDG&E hedges its borrowing cost: if interest rates decline, unwinding the swap at a profit will compensate SDG&E for the lost opportunity to finance at lower rates. Conversely, if rates rise, the interest expense savings realized by issuing immediately will be offset by the loss caused by unwinding the swap.

2.7. Limitations and Conditions on SDG&E Debt Issuance

SDG&E's request for authority to employ debt enhancements and interest rate management transactions is subject to the uniform limitations and conditions established for utilities by the Commission's Financing Rule.

3. Statutory and Regulatory Requirements

3.1. Public Utilities Code Section 817

Section 817 establishes the authority to issue debt securities of the type, and in the manner, requested by SDG&E. Section 817 identifies the purposes for which a utility may issue long-term debt. SDG&E intends to issue new debt for the purposes authorized in Section 817 (property acquisition, activities related to facilities construction and payments related to previously issued debt or capital expenditures advanced from the corporate Treasury.)

We find that the request is permissible under Section 817. We also conclude that the proposed types of debt securities do not present an undue risk and that there is no other cause to deny the request. We have reviewed SDG&E's forecast of capital expenditures, sources, and use of funds for the period

2023-2025. We find the forecast to be reasonable and appropriate. The forecast supports the need for authorization to issue new debt. Accordingly, we find that SDG&E should be granted authority to issue up to \$3,050,000,000 in new debt securities. This grant of authority to issue new debt does not obligate the Commission to approve any capital project financed by that debt. Each capital project remains subject to appropriate regulatory review.

3.2. Commission Financing Rule and General Order 24-C

The Commission Financing Rule, adopted in D.12-06-015, sets requirements for public utility issuance of long-term debt. Long-term debt issuance must be conducted in manner that promotes the lowest long-term cost of capital while adhering to market standards of transparency and competition. It must be made with due regard for current and anticipated market conditions and the financial condition and requirements of the regulated utility.

Public utilities with \$25 million or more in annual California operating revenue must use best efforts to utilize and promote Women-, Minority-, Disabled Veteran-Owned Business Enterprises in key roles related to the debt security offerings and report upon those efforts. Utilities may use debt enhancements, swaps, and hedges for debt securities, subject to restrictions articulated in the rule. SDG&E shall comply with all requirements of the Commission Financing Rule when issuing the debt authorized by this decision.

As a condition of exercising the authority granted in decision, SDG&E shall semiannually file a report with the Commission. The report shall comply with the form and informational requirements established by General Order 24-C (GO 24-C). The reporting requirement shall extend to each debt security,

debt enhancement, swap, or hedge issued under the authority granted by this decision.

3.3. Public Utilities Code Section 1904(b) Fee

When a utility seeks authority to issue debt securities, Section 1904(b) requires that the Commission assess a fee based upon the amount of the proposed new financing. No fee is required for any portion of the new authorization dedicated to retiring existing debt for which a fee was previously paid. The fee is calculated as follows: \$2 for every \$1,000 authorized, up to \$1,000,000; \$1 for every \$1,000 over \$1,000,000 and up to \$10,000,000; and \$0.50 for every \$1,000 over \$10,000,000. SDG&E seeks authority to issue \$3,050,000,000 in new debt. The additional issuance of \$1,150,000,000 new debt will be issued to roll-over existing debt for which the fee was previously paid and is not subject to the fee. SDG&E shall pay a fee totaling \$1,531,000.

Line	Calculation of fee (for \$3,050,000,000)	Amount
A	$\$2 \times (\$1,000,000 / 1,000)$	\$2,000
B	$\$1 \times (\$9,000,000 / 1,000)$	\$9,000
C	$\$0.50 \times (\$3,040,000,000 / 1,000)$	\$1,520,000
Total Fee	Line A + B + C	\$1,531,000

The authority granted by this decision shall not become effective until the fee is paid in full.

4. Motion to File Confidential Information Under Seal

On April 15, 2022, SDG&E filed a motion pursuant to Rule 11.4 of the Commission's Rules of Practice and Procedure requesting that Schedules I, II, III-A, III-B, and IX be received under seal as confidential information. In

D.20-04-015, our decision in SDG&E's most recent application to issue debt securities, we granted confidential treatment to the same documents, finding that if released the information could harm investors and increase borrowing costs. We find that to be true of in this proceeding as well.

The granting of this request, like other Commission decisions, does not establish a precedent for approval of similar requests for confidentiality in the future. Furthermore, parties in other proceedings are not to use this approval as justification for obtaining confidential treatment of their data, as confidentiality must be determined on a case-by-case basis and not categorically.

5. Waiver of Comment Period

The decision grants the relief requested. The Commission's Public Advocates Office is a party to this matter but does not oppose the application. Accordingly, as provided in Rule 14.6(c)(2) of the Commission's Rules, the otherwise applicable 30-day public review and comment period for this decision is waived.

6. Assignment of Proceeding

John Reynolds is the assigned Commissioner and Jacob L. Rambo is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. SDG&E has a reasonable need for authority to issue \$3,050,000,000 in new debt securities. That need is in addition to the need to issue previous authorized, but not yet issued, debt securities.

2. The needed debt will be issued to acquire property, construct, complete or extend facilities. It will also be used to refund maturing debt, fund payments, redemptions, retirement, refinancing, or exchange of existing debt and debt

premiums. Debt will also be utilized to reimburse the Treasury of SDG&E for expenditures for which reimbursement is otherwise authorized by law.

3. The types of securities proposed by the application will provide SDG&E the flexibility to issue debt securities at the lowest cost to ratepayers. No good cause exists to prohibit the issuance of the proposed debt securities.

4. The debt enhancements proposed by SDG&E improve prices, rates, terms, and conditions of the proposed debt security issuance in a manner that benefits its ratepayers.

5. SDG&E will issue \$1,050,000,000 in debt securities to refund or retire debt for which a fee was previously paid under Pub. Util. Code Sections 1904(b).

6. A fee of \$1,531,0000 is required by Pub. Util. Code Sections 1904(b) and 1904.1.

Conclusions of Law

1. SDG&E should be authorized to issue up to \$3,050,000,000 in new debt securities for the purposes identified in the application and in this decision pursuant to Pub. Util. Code Section 817. That authority is for purposes allowed by Sections 817.

2. SDG&E should remit a fee of \$1,531,000 to the Commission prior to the issuance of the authorized debt securities.

3. SDG&E's motion for leave to file and maintain Schedules I, II, III-A, III-B, and IX under seal for a period of three years should be granted.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company is authorized to do the following pursuant to Public Utilities Code Section 817:

- (a) Issue, sell, and deliver one or more series of new, long-term debt securities with an aggregate principal amount not to exceed \$3,050,000,000.
- (b) To issue roll-over debt securities in an aggregate principal amount of up to \$1,050,000,000 of debt capital, in addition to previously authorized roll-over debt amounts;
- (c) To issue tax-exempt debt securities in order to guarantee the obligations of others;
- (d) To include certain features in SDG&E's debt securities or to enter into certain derivative transactions related to underlying debt in order to improve the terms and conditions of SDG&E's debt portfolio and with the goal of lowering SDG&E's cost of money for the benefit of ratepayers;
- (e) To hedge, when appropriate, planned issuances of debt securities within reasonable limits established by the Commission's Financing Rule.

2. San Diego Gas & Electric Company shall comply with the Commission Financing Rule adopted by Decision (D.) 12-06-015, as corrected by D.12-07-003 and General Order 24-C, when exercising any of the authority authorized by this decision.

3. This decision does not authorize or approve any capital projects, construction expenditures, rate base, capital structure, or cost of money.

4. San Diego Gas & Electric Company may not use proceeds from debt securities authorized by this order to finance a project until it has obtained all necessary project approvals.

5. San Diego Gas & Electric Company shall remit \$1,531,000 to the Commission pursuant to Public Utilities Code Sections 1904(b) and 1904.1. The authority granted by this decision shall not be effective until such payment is received by the Commission's Fiscal Office, 505 Van Ness Avenue, San Francisco.

6. San Diego Gas & Electric Company's motion for leave to file and maintain confidential materials under seal, Schedules I, II, III-A, III-B, and IX to the application, is granted. The information will remain under seal for a period of three years after the date of this order and shall not be made accessible or disclosed to anyone other than the Commission staff or on the further order or ruling of the Commission, assigned Commissioner, the assigned Administrative Law Judge (ALJ), the Law and Motion ALJ, the Chief ALJ, or the Assistant Chief ALJ, or as ordered by a court of competent jurisdiction. If San Diego Gas & Electric Company believes that it is necessary for this information to remain under seal for longer than three years, San Diego Gas & Electric Company may file a new motion stating the justification of further withholding of the information from public inspection. This motion shall be filed at least 30 days before the expiration of today's limited protective order.

7. Application 22-04-007 is closed.

This order is effective today.

Dated December 1, 2022, at San Francisco, California.

ALICE REYNOLDS

President

CLIFFORD RECHTSCHAFFEN

GENEVIEVE SHIROMA

DARCIE L. HOUCK

JOHN REYNOLDS

Commissioners