

(R-92-1709)


RESOLUTION NUMBER R-280258

ADOPTED ON JULY 1, 1992

BE IT RESOLVED, by the Council of The City of San Diego, that the Council hereby approves in concept the issuance of up to \$400 million of refunding industrial development bonds (IDBs) for San Diego Gas & Electric Company (SDG&E), as generally described in the Manager's Report attached hereto, and the City Manager is hereby authorized to return to the City Council with the ordinance authorizing the issuance of the bonds for consideration at the July 20 and August 3, 1992, Council hearings.

APPROVED: JOHN W. WITT, City Attorney

By


Harold O. Valderhaug
Deputy City Attorney

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The City of San Diego

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MANAGER'S REPORT

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DATE ISSUED: June 26, 1992 REPORT NO. 92-218
ATTENTION: City Council, Agenda of June 29, 1992
SUBJECT: Issuance of Refunding Industrial Development Bonds (IDB's) for San Diego Gas & Electric (SDG&E)
REFERENCE: CMR 92-194 dated June 17, 1992

SUMMARY

THIS IS AN INFORMATION ITEM ONLY. NO ACTION IS REQUIRED ON THE PART OF THE CITY COUNCIL.

BACKGROUND

This Manager's Report is written in response to issues raised at the Council meeting of June 23, 1992 regarding the costs and benefits of City issuance of refunding IDB's on behalf of San Diego Gas & Electric Co. (SDG&E).

The company proposes a \$400 million refunding program. It estimates that a significant portion of that amount (\$160 million) will be refunded in August 1992 (the first series of bonds) after an open-market repurchase offer is made to the holders of all \$400 million of outstanding bonds. The balance (estimated at \$240 million) may be refunded after subsequent open-market repurchase offers, or at the first optional call date of each respective series of outstanding bonds (6/93, 9/93 and 9/95), or not at all, depending on future interest rate trends. The company makes no representation about the direction of future interest rate trends, but it desires to reduce its overall exposure to the risk of interest rate increases by refunding a substantial portion of the \$400 million at this time.

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DISCUSSION

The following reflect issues that have been raised and staff's understanding based on discussions with SDG&E and bond counsel.

- Breakdown of All Costs

Every dollar of proceeds of the refunding bonds issued will be used to redeem an equal amount of outstanding bonds. The forecast debt service savings resulting from lower current interest rates will result in an estimated annual net savings to ratepayers of over \$7 million and a total cumulative savings of \$215 million if the entire \$400 million is issued and \$2.3 million/\$65 million for the first series of bonds (see Attachment A). These savings are net of all estimated transaction costs, which will be out-of-pocket costs to the company amortized and passed through to ratepayers over the life of the bonds.

BREAKDOWN OF ALL COSTS

	<u>\$160MM Issue</u>	<u>\$400MM Issue</u>
Redemption of Outstanding Bonds	\$160,000,000	\$400,000,000
Call Premiums on the Outstanding Bond (Attachment B)	18,800,000	23,600,000
Repurchase Offer Costs (Attachment C)	505,000	505,000
Cost of Issuance of Refunding Bonds (Attachment D)	<u>2,403,000</u>	<u>6,199,000</u>
TOTAL	\$181,708,000	\$430,304,000

- Fiscal Impact on Ratepayers

SDG&E's retail electric and gas rates are established by the California Public Utilities Commission (CPUC). In periodic rate cases, the CPUC's staff thoroughly reviews SDG&E's books and records to assure that only proper operating costs and costs of capital are passed through to ratepayers. Through annual cost of capital hearings conducted by the CPUC, the company's allowable rates are tied directly to its financing costs. This process is intended to ensure that the cost savings resulting from the lowered tax-exempt interest rates borne by the proposed financing program will be passed through to ratepayers. Annual and cumulative estimated rate savings are illustrated in Attachment E, by customer category.

It should be noted that the company recently filed with the CPUC for an increase in its allowed return on equity from 12.65% to 13%. If approved, this will increase future rates (see Attachment F).

- Fiscal Impact on the City of San Diego

Three cost factors directly impact the City financially: 1) City-collected bond issue origination and administration fees; 2) City-collected utility franchise fees; and 3) the rate reductions in the City's own utility bills for gas and electricity it consumes.

The City's standard IDB issuer fee schedule calls for an origination fee of $\frac{1}{4}\%$ and an annual fee of $2\frac{1}{2}$ basis points. This was the fee schedule applied to the NASSCO IDB approved in December, 1991. Per this fee schedule, if the first series of refunding bonds totals \$160 million, the City will receive origination fees of \$400,000 and annual administration fees of \$40,000. If all \$400 million of SDG&E bonds are issued, the City will ultimately receive total origination fees of \$1 million and annual administration fees of \$100,000.

As discussed in Attachment G, under federal tax law, in addition to recovering all its direct expenses, the City could legally receive a maximum of $1/8\%$ per year on the refunding bonds, or upfront, an amount equal to $1/8\%$ per year discounted at bond yield. On a \$160 million bond issue, this would equal approximately \$2.3 million. On a \$400 million bond issue, this would equal approximately \$5.9 million. For the sake of comparison, the City's standard fee schedule would be equivalent to a single upfront amount of approximately \$888,000 and \$2.2 million, respectively.

The City collects a 2.99% franchise fee on SDG&E's gross revenues from within the City of San Diego in consideration of the company's exclusive franchise to provide utility services. About 50% of the SDG&E's total gas and electric sales occur within the City limits. Assuming issuance of the \$160 million, and resulting systemwide customer savings of \$2.3 million per year, the City would forego annual franchise fee revenues of \$30,000 per year for the life of the refunding bonds due to ratepayer cost reductions. For the full \$400 million, \$7 million of annual customer savings would result in \$100,000 of City Franchise Fees forgone (see Attachment H).

Historically, annual gas and electric usage by the City has cost approximately \$15.7 million per year. At this level, as a consumer, the City would save \$65,000 annually on its own utility bill as a result of the interest cost reductions (see Attachment I).

A net present value (NPV) analysis included as Attachment J indicates the City would derive a net fiscal benefit by approving the IDB's.

- Fiscal Impact on SDG&E Shareholders

There will be some debt service saving during the year in which refunding bonds are issued. Under present CPUC procedures, this will result in an estimated \$500,000 savings to SDG&E's shareholders, according to the company. To the extent of any such savings, the City could consider requiring SDG&E to covenant not to seek recovery of a similar amount of

actual costs (for example, costs of issuing the proposed refunding bonds) in CPUC ratemaking proceedings for future years. This would effectively shift the savings benefit from SDG&E's shareholders to the ratepayers.

- Potential Linkage Between the IDB's and Merger Issues

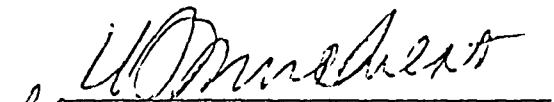
It would be legally possible for the Loan Agreement associated with the City's proposed refunding bonds to include a provision preventing SDG&E's rights and obligations in connection with the refunding bonds from being assigned in connection with a merger absent the City's consent. Such consent could be withheld for various reasons at the City's discretion, including relocation of the headquarters offices out of San Diego, for example. Orrick, Herrington & Sutcliffe, bond counsel, has advised that such a provision would not adversely affect either the validity or tax-exempt status of interest on the City's proposed refunding bonds (see Attachment K).

- Risk of Another Issuer of the Refunding IDB's

The City Council of the City of Chula Vista has approved an ordinance authorizing it to issue conduit revenue bonds to assist SDG&E in financing new electric and gas facilities throughout SDG&E's service area. That ordinance also authorizes the City of Chula Vista to issue refunding bonds for the same purpose, including bonds that might refund bonds previously issued by the City of San Diego. According to Orrick, Herrington & Sutcliffe, the City of Chula Vista ordinance is valid only to the extent it covers "municipal affairs" of the City of Chula Vista. Pursuant to that ordinance, the City of Chula Vista has approved a resolution authorizing the issuance of revenue bonds to finance new additions to SDG&E's electric and gas system, and is seeking a judicial validation of such issuance, to confirm the City of Chula Vista's finding that this constitutes a "municipal affair." The City of Chula Vista has not yet adopted any resolution approving the issuance of refunding bonds for the benefit of SDG&E, nor has the City of Chula Vista sought a judicial validation of any such refunding program. It is impossible to predict whether a court would agree that the City of Chula Vista's issuance of bonds to refund bonds previously issued by the City of San Diego constitutes a "municipal affair" of the City of Chula Vista.

Respectfully submitted,


Approved: Maureen A. Stapleton
Assistant City Manager


Submitted by: Kurt A. Chilcott
Deputy Director
Economic Development
236-6550

CHILCOTT:MAS:csn

Attachments

HS/SDG&E INFO

[CSN]MRS

SUMMARY SHEET FOR DETAILED CALCULATIONS OF CUSTOMER SAVINGS
(dollars in millions)

	CUSTOMER SAVINGS IN 1996 -----	CUMULATIVE CUSTOMER SAVINGS -----	AVERAGE ANNUAL SAVINGS OVER 28 YEARS -----
OPEN MARKET REPURCHASE (\$160 MILLION):			
1983 A	\$0.949	\$30.973	
1983 B	\$0.877	\$29.633	
1985 A	\$0.013	\$7.084	
	-----	-----	
	\$1.839	\$67.690	
	=====		
ROUNDED:		\$65.000	\$2.3
		=====	=====
CALL AT OPTIONAL REDEMPTION DATE (\$240 MILLION):			
1983 A	\$2.238	\$60.010	
1983 B	\$2.238	\$60.010	
1985 A	\$1.042	\$28.757	
	-----	-----	
	\$5.518	\$148.777	
	=====		
ROUNDED:		\$150.000	\$5.4
		=====	=====
TOTALS (\$400 MILLION):			
1983 A	\$3.187	\$90.983	
1983 B	\$3.115	\$89.643	
1985 A	\$1.055	\$35.841	
	-----	-----	
	\$7.357	\$216.467	
	=====		
ROUNDED:		\$215.000	\$7.7
		=====	=====

Source: SDG&E

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CALCULATION OF CUSTOMER SAVINGS OF REFINANCING THRU OPEN MARKET REPURCHASE FOR SERIES 1983 A: (dollars in millions)

INPUT DATA

bond issue size	\$150
est percent repurchased	40%
amount repurchased	\$60
year of maturity	2018
remaining life of bonds	26 years

SDGE's tax rate	40.00%
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costs:

costs which are deductible over life of new bonds for tax purposes:

new bond issue fees =	1.00%
other fees =	0.00%
total percent	1.00%
total in dollars	\$0.60

costs which are currently deductible for tax purposes:

for July 1 92 call=	10.00%
plus tender fees=	0.00%
plus other costs=	0.17%
plus city fees=	0.28%
total percent	10.442%
total in dollars	\$6.265
total after tax	\$3.759

old bond interest rate	10.00%
new bond interest rate	7.00%
interest savings	3.00%

SDGE's cost of capital	15.23%
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OUTPUT

customer savings over life	\$30.973
customer savings in 1996	\$0.949

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DETAILED CPUC CALCULATION TO CALCULATE SAVINGS:

year	a		b		c		d		e		f		g		h		i		j		k		
	after-tax	costs	not yet	reimbursed	company	financing	costs for	pass through	amount to	total	costs	not yet	reimbursed	company	financing	costs for	pass through	amount to	total	interest	net customer		
	costs	not yet	reimbursed	over life	costs	not yet	reimbursed	over life	costs	not yet	reimbursed	over life	costs	unreimbursed	costs	over life	costs	collect for	amount to	collect for	savings	savings	
1	\$3,759	\$0.572	\$0.241	\$0.813	\$0.600	\$0.091	\$0.114	\$1.800	\$0.872														
2	\$3,614	\$0.550	\$0.241	\$0.791	\$0.577	\$0.088	\$0.111	\$1.800	\$0.898														
3	\$3,470	\$0.528	\$0.241	\$0.769	\$0.554	\$0.084	\$0.107	\$1.800	\$0.923														
4	\$3,325	\$0.506	\$0.241	\$0.747	\$0.531	\$0.081	\$0.104	\$1.800	\$0.949														
5	\$3,181	\$0.484	\$0.241	\$0.725	\$0.508	\$0.077	\$0.100	\$1.800	\$0.974														
6	\$3,036	\$0.462	\$0.241	\$0.703	\$0.485	\$0.074	\$0.097	\$1.800	\$1.000														
7	\$2,892	\$0.440	\$0.241	\$0.681	\$0.462	\$0.070	\$0.093	\$1.800	\$1.025														
8	\$2,747	\$0.418	\$0.241	\$0.659	\$0.438	\$0.067	\$0.090	\$1.800	\$1.051														
9	\$2,602	\$0.396	\$0.241	\$0.637	\$0.415	\$0.063	\$0.086	\$1.800	\$1.076														
10	\$2,458	\$0.374	\$0.241	\$0.615	\$0.392	\$0.060	\$0.083	\$1.800	\$1.102														
11	\$2,313	\$0.352	\$0.241	\$0.593	\$0.369	\$0.056	\$0.079	\$1.800	\$1.127														
12	\$2,169	\$0.330	\$0.241	\$0.571	\$0.346	\$0.053	\$0.076	\$1.800	\$1.153														
13	\$2,024	\$0.308	\$0.241	\$0.549	\$0.323	\$0.049	\$0.072	\$1.800	\$1.178														
14	\$1,879	\$0.286	\$0.241	\$0.527	\$0.300	\$0.046	\$0.069	\$1.800	\$1.204														
15	\$1,735	\$0.264	\$0.241	\$0.505	\$0.277	\$0.042	\$0.065	\$1.800	\$1.230														
16	\$1,590	\$0.242	\$0.241	\$0.483	\$0.254	\$0.039	\$0.062	\$1.800	\$1.255														
17	\$1,446	\$0.220	\$0.241	\$0.461	\$0.231	\$0.035	\$0.058	\$1.800	\$1.281														
18	\$1,301	\$0.198	\$0.241	\$0.439	\$0.208	\$0.032	\$0.055	\$1.800	\$1.306														
19	\$1,157	\$0.176	\$0.241	\$0.417	\$0.185	\$0.028	\$0.051	\$1.800	\$1.332														
20	\$1,012	\$0.154	\$0.241	\$0.395	\$0.162	\$0.025	\$0.048	\$1.800	\$1.357														
21	\$0,867	\$0.132	\$0.241	\$0.373	\$0.138	\$0.021	\$0.044	\$1.800	\$1.383														
22	\$0,723	\$0.110	\$0.241	\$0.351	\$0.115	\$0.018	\$0.041	\$1.800	\$1.408														
23	\$0,578	\$0.088	\$0.241	\$0.329	\$0.092	\$0.014	\$0.037	\$1.800	\$1.434														
24	\$0,434	\$0.066	\$0.241	\$0.307	\$0.069	\$0.011	\$0.034	\$1.800	\$1.459														
25	\$0,289	\$0.044	\$0.241	\$0.285	\$0.046	\$0.007	\$0.030	\$1.800	\$1.485														
26	\$0,145	\$0.022	\$0.241	\$0.263	\$0.023	\$0.004	\$0.027	\$1.800	\$1.510														
27	\$0,000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	
28	\$0,000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000

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CALCULATION OF CUSTOMER SAVINGS OF REFINANCING THRU OPEN MARKET REPURCHASE FOR SERIES 1983 B: (dollars in millions)

INPUT DATA

bond issue size	\$150
est percent repurchased	40%
amount repurchased	\$60
year of maturity	2018
remaining life of bonds	26 years

SDGE's tax rate	40.00%
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costs:

costs which are deductible over life of new bonds for tax purposes:

new bond issue fees =	1.00%
other fees =	0.00%
total percent	1.00%
total in dollars	\$0.60

costs which are currently deductible for tax purposes:

for July 1 92 call=	11.00%
plus tender fees=	0.00%
plus other costs=	0.17%
plus city fees=	0.28%
total percent	11.442%
total in dollars	\$6.865
total after tax	\$4.119

old bond interest rate	10.00%
new bond interest rate	7.00%
interest savings	3.00%

SDGE's cost of capital	15.23%
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OUTPUT

customer savings over life	\$29.633
customer savings in 1996	\$0.877

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DETAILED CPUC CALCULATION TO CALCULATE SAVINGS:

year	a		b		c		d		e		f		g		h		i		j		k		
	after-tax	costs	not yet	reimbursed	company	financing	total	pass through	amount to	collect for	costs	not yet	reimbursed	company	financing	total	pass through	amount to	collect for	costs	not yet	reimbursed	
1	\$4,119	\$0.627	\$0.264	\$0.627	\$0.600	\$0.091	\$0.600	\$0.600	\$0.114	\$0.023	\$0.091	\$0.600	\$0.600	\$0.091	\$0.600	\$0.600	\$0.023	\$0.114	\$0.023	\$0.091	\$0.600	\$0.600	\$0.794
2	\$3,961	\$0.603	\$0.264	\$0.603	\$0.577	\$0.088	\$0.577	\$0.577	\$0.111	\$0.023	\$0.088	\$0.577	\$0.577	\$0.088	\$0.577	\$0.577	\$0.023	\$0.111	\$0.023	\$0.088	\$0.577	\$0.577	\$0.822
3	\$3,802	\$0.579	\$0.264	\$0.579	\$0.554	\$0.084	\$0.554	\$0.554	\$0.107	\$0.023	\$0.084	\$0.554	\$0.554	\$0.084	\$0.554	\$0.554	\$0.023	\$0.107	\$0.023	\$0.084	\$0.554	\$0.554	\$0.849
4	\$3,644	\$0.555	\$0.264	\$0.555	\$0.531	\$0.081	\$0.531	\$0.531	\$0.104	\$0.023	\$0.081	\$0.531	\$0.531	\$0.081	\$0.531	\$0.531	\$0.023	\$0.104	\$0.023	\$0.081	\$0.531	\$0.531	\$0.877
5	\$3,485	\$0.531	\$0.264	\$0.531	\$0.508	\$0.077	\$0.508	\$0.508	\$0.100	\$0.023	\$0.077	\$0.508	\$0.508	\$0.077	\$0.508	\$0.508	\$0.023	\$0.100	\$0.023	\$0.077	\$0.508	\$0.508	\$0.905
6	\$3,327	\$0.507	\$0.264	\$0.507	\$0.485	\$0.074	\$0.485	\$0.485	\$0.097	\$0.023	\$0.074	\$0.485	\$0.485	\$0.074	\$0.485	\$0.485	\$0.023	\$0.097	\$0.023	\$0.074	\$0.485	\$0.485	\$0.932
7	\$3,168	\$0.483	\$0.264	\$0.483	\$0.462	\$0.070	\$0.462	\$0.462	\$0.093	\$0.023	\$0.070	\$0.462	\$0.462	\$0.070	\$0.462	\$0.462	\$0.023	\$0.093	\$0.023	\$0.070	\$0.462	\$0.462	\$0.960
8	\$3,010	\$0.458	\$0.264	\$0.458	\$0.438	\$0.067	\$0.438	\$0.438	\$0.090	\$0.023	\$0.067	\$0.438	\$0.438	\$0.067	\$0.438	\$0.438	\$0.023	\$0.090	\$0.023	\$0.067	\$0.438	\$0.438	\$0.988
9	\$2,852	\$0.434	\$0.264	\$0.434	\$0.415	\$0.063	\$0.415	\$0.415	\$0.086	\$0.023	\$0.063	\$0.415	\$0.415	\$0.063	\$0.415	\$0.415	\$0.023	\$0.086	\$0.023	\$0.063	\$0.415	\$0.415	\$1,015
10	\$2,693	\$0.410	\$0.264	\$0.410	\$0.392	\$0.060	\$0.392	\$0.392	\$0.083	\$0.023	\$0.060	\$0.392	\$0.392	\$0.060	\$0.392	\$0.392	\$0.023	\$0.083	\$0.023	\$0.060	\$0.392	\$0.392	\$1,043
11	\$2,535	\$0.386	\$0.264	\$0.386	\$0.369	\$0.056	\$0.369	\$0.369	\$0.079	\$0.023	\$0.056	\$0.369	\$0.369	\$0.056	\$0.369	\$0.369	\$0.023	\$0.079	\$0.023	\$0.056	\$0.369	\$0.369	\$1,071
12	\$2,376	\$0.362	\$0.264	\$0.362	\$0.346	\$0.053	\$0.346	\$0.346	\$0.076	\$0.023	\$0.053	\$0.346	\$0.346	\$0.053	\$0.346	\$0.346	\$0.023	\$0.076	\$0.023	\$0.053	\$0.346	\$0.346	\$1,098
13	\$2,218	\$0.338	\$0.264	\$0.338	\$0.323	\$0.049	\$0.323	\$0.323	\$0.072	\$0.023	\$0.049	\$0.323	\$0.323	\$0.049	\$0.323	\$0.323	\$0.023	\$0.072	\$0.023	\$0.049	\$0.323	\$0.323	\$1,126
14	\$2,060	\$0.314	\$0.264	\$0.314	\$0.300	\$0.046	\$0.300	\$0.300	\$0.069	\$0.023	\$0.046	\$0.300	\$0.300	\$0.046	\$0.300	\$0.300	\$0.023	\$0.069	\$0.023	\$0.046	\$0.300	\$0.300	\$1,154
15	\$1,901	\$0.290	\$0.264	\$0.290	\$0.277	\$0.042	\$0.277	\$0.277	\$0.065	\$0.023	\$0.042	\$0.277	\$0.277	\$0.042	\$0.277	\$0.277	\$0.023	\$0.065	\$0.023	\$0.042	\$0.277	\$0.277	\$1,181
16	\$1,743	\$0.265	\$0.264	\$0.265	\$0.254	\$0.039	\$0.254	\$0.254	\$0.062	\$0.023	\$0.039	\$0.254	\$0.254	\$0.039	\$0.254	\$0.254	\$0.023	\$0.062	\$0.023	\$0.039	\$0.254	\$0.254	\$1,209
17	\$1,584	\$0.241	\$0.264	\$0.241	\$0.231	\$0.035	\$0.231	\$0.231	\$0.058	\$0.023	\$0.035	\$0.231	\$0.231	\$0.035	\$0.231	\$0.231	\$0.023	\$0.058	\$0.023	\$0.035	\$0.231	\$0.231	\$1,236
18	\$1,426	\$0.217	\$0.264	\$0.217	\$0.208	\$0.032	\$0.208	\$0.208	\$0.055	\$0.023	\$0.032	\$0.208	\$0.208	\$0.032	\$0.208	\$0.208	\$0.023	\$0.055	\$0.023	\$0.032	\$0.208	\$0.208	\$1,264
19	\$1,267	\$0.193	\$0.264	\$0.193	\$0.185	\$0.028	\$0.185	\$0.185	\$0.051	\$0.023	\$0.028	\$0.185	\$0.185	\$0.028	\$0.185	\$0.185	\$0.023	\$0.051	\$0.023	\$0.028	\$0.185	\$0.185	\$1,292
20	\$1,109	\$0.169	\$0.264	\$0.169	\$0.162	\$0.025	\$0.162	\$0.162	\$0.048	\$0.023	\$0.025	\$0.162	\$0.162	\$0.025	\$0.162	\$0.162	\$0.023	\$0.048	\$0.023	\$0.025	\$0.162	\$0.162	\$1,319
21	\$0,951	\$0.145	\$0.264	\$0.145	\$0.138	\$0.021	\$0.138	\$0.138	\$0.044	\$0.023	\$0.021	\$0.138	\$0.138	\$0.021	\$0.138	\$0.138	\$0.023	\$0.044	\$0.023	\$0.021	\$0.138	\$0.138	\$1,347
22	\$0,792	\$0.121	\$0.264	\$0.121	\$0.115	\$0.018	\$0.115	\$0.115	\$0.041	\$0.023	\$0.018	\$0.115	\$0.115	\$0.018	\$0.115	\$0.115	\$0.023	\$0.041	\$0.023	\$0.018	\$0.115	\$0.115	\$1,375
23	\$0,634	\$0.097	\$0.264	\$0.097	\$0.092	\$0.014	\$0.092	\$0.092	\$0.037	\$0.023	\$0.014	\$0.092	\$0.092	\$0.014	\$0.092	\$0.092	\$0.023	\$0.037	\$0.023	\$0.014	\$0.092	\$0.092	\$1,402
24	\$0,475	\$0.072	\$0.264	\$0.072	\$0.069	\$0.011	\$0.069	\$0.069	\$0.034	\$0.023	\$0.011	\$0.069	\$0.069	\$0.011	\$0.069	\$0.069	\$0.023	\$0.034	\$0.023	\$0.011	\$0.069	\$0.069	\$1,430
25	\$0,317	\$0.048	\$0.264	\$0.048	\$0.046	\$0.007	\$0.046	\$0.046	\$0.030	\$0.023	\$0.007	\$0.046	\$0.046	\$0.007	\$0.046	\$0.046	\$0.023	\$0.030	\$0.023	\$0.007	\$0.046	\$0.046	\$1,458
26	\$0,158	\$0.024	\$0.264	\$0.024	\$0.023	\$0.004	\$0.023	\$0.023	\$0.027	\$0.023	\$0.004	\$0.023	\$0.023	\$0.004	\$0.023	\$0.023	\$0.023	\$0.027	\$0.023	\$0.004	\$0.023	\$0.023	\$1,485
27	\$0,000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0,000
28	\$0,000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0,000

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DETAILED CPUC CALCULATION TO CALCULATE SAVINGS:

a	b	c	d	e	f	g	h	i	j	k
year	after-tax costs not yet reimbursed	company financing costs for unreimbursed costs	total pass through amount to collect for costs over life	total amount to collect for costs over life	costs not yet reimbursed	company financing costs for unreimbursed costs	pass through amount to collect for costs over life	total amount to collect for costs over life	interest savings	net customer savings
1	\$4,186	\$0.638	\$0.249	\$0.887	\$0.400	\$0.061	\$0.014	\$0.075	\$0.900	(\$0.062)
2	\$4,037	\$0.615	\$0.249	\$0.864	\$0.386	\$0.059	\$0.014	\$0.073	\$0.900	(\$0.037)
3	\$3,887	\$0.592	\$0.249	\$0.841	\$0.371	\$0.057	\$0.014	\$0.071	\$0.900	(\$0.012)
4	\$3,738	\$0.569	\$0.249	\$0.818	\$0.357	\$0.054	\$0.014	\$0.069	\$0.900	\$0.013
5	\$3,588	\$0.546	\$0.249	\$0.796	\$0.343	\$0.052	\$0.014	\$0.067	\$0.900	\$0.038
6	\$3,438	\$0.524	\$0.249	\$0.773	\$0.329	\$0.050	\$0.014	\$0.064	\$0.900	\$0.063
7	\$3,289	\$0.501	\$0.249	\$0.750	\$0.314	\$0.048	\$0.014	\$0.062	\$0.900	\$0.088
8	\$3,139	\$0.478	\$0.249	\$0.727	\$0.300	\$0.046	\$0.014	\$0.060	\$0.900	\$0.113
9	\$2,990	\$0.455	\$0.249	\$0.705	\$0.286	\$0.044	\$0.014	\$0.058	\$0.900	\$0.138
10	\$2,840	\$0.433	\$0.249	\$0.682	\$0.271	\$0.041	\$0.014	\$0.056	\$0.900	\$0.163
11	\$2,691	\$0.410	\$0.249	\$0.659	\$0.257	\$0.039	\$0.014	\$0.053	\$0.900	\$0.188
12	\$2,541	\$0.387	\$0.249	\$0.636	\$0.243	\$0.037	\$0.014	\$0.051	\$0.900	\$0.212
13	\$2,392	\$0.364	\$0.249	\$0.613	\$0.229	\$0.035	\$0.014	\$0.049	\$0.900	\$0.237
14	\$2,242	\$0.342	\$0.249	\$0.591	\$0.214	\$0.033	\$0.014	\$0.047	\$0.900	\$0.262
15	\$2,093	\$0.319	\$0.249	\$0.568	\$0.200	\$0.030	\$0.014	\$0.045	\$0.900	\$0.287
16	\$1,943	\$0.296	\$0.249	\$0.545	\$0.186	\$0.028	\$0.014	\$0.043	\$0.900	\$0.312
17	\$1,794	\$0.273	\$0.249	\$0.522	\$0.171	\$0.026	\$0.014	\$0.040	\$0.900	\$0.337
18	\$1,644	\$0.250	\$0.249	\$0.500	\$0.157	\$0.024	\$0.014	\$0.038	\$0.900	\$0.362
19	\$1,495	\$0.228	\$0.249	\$0.477	\$0.143	\$0.022	\$0.014	\$0.036	\$0.900	\$0.387
20	\$1,345	\$0.205	\$0.249	\$0.454	\$0.129	\$0.020	\$0.014	\$0.034	\$0.900	\$0.412
21	\$1,196	\$0.182	\$0.249	\$0.431	\$0.114	\$0.017	\$0.014	\$0.032	\$0.900	\$0.437
22	\$1,046	\$0.159	\$0.249	\$0.409	\$0.100	\$0.015	\$0.014	\$0.030	\$0.900	\$0.462
23	\$0,897	\$0.137	\$0.249	\$0.386	\$0.086	\$0.013	\$0.014	\$0.027	\$0.900	\$0.487
24	\$0,747	\$0.114	\$0.249	\$0.363	\$0.071	\$0.011	\$0.014	\$0.025	\$0.900	\$0.512
25	\$0,598	\$0.091	\$0.249	\$0.340	\$0.057	\$0.009	\$0.014	\$0.023	\$0.900	\$0.537
26	\$0,448	\$0.068	\$0.249	\$0.317	\$0.043	\$0.007	\$0.014	\$0.021	\$0.900	\$0.562
27	\$0,299	\$0.046	\$0.249	\$0.295	\$0.029	\$0.004	\$0.014	\$0.019	\$0.900	\$0.587
28	\$0,149	\$0.023	\$0.249	\$0.272	\$0.014	\$0.002	\$0.014	\$0.016	\$0.900	\$0.612

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CALCULATION OF CUSTOMER SAVINGS OF REFINANCING THRU CALL AT OPTIONAL REDEMPTION DATE FOR SERIES 1983 A: (dollars in millions)

INPUT DATA	OUTPUT
bond issue size	\$150
est percent repurchased	60%
amount repurchased	\$90
year of maturity	2018
remaining life of bonds	25 years
SDGE's tax rate	40.00%
customer savings over life	\$60.010
customer savings in 1996	\$2.238
costs:	
costs which are deductible over life of new bonds for tax purposes:	
new bond issue fees =	1.00%
other fees =	0.00%
total percent	1.00%
total in dollars	\$0.90
costs which are currently deductible for tax purposes:	
for July 1 92 call=	2.00%
plus tender fees=	0.00%
plus other costs=	0.17%
plus city fees=	0.28%
total percent	2.442%
total in dollars	\$2.198
total after tax	\$1.318
old bond interest rate	10.00%
new bond interest rate	7.00%
interest savings	3.00%
SDGE's cost of capital	15.23%

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DETAILED CPUC CALCULATION TO CALCULATE SAVINGS:

a	b	c	d	e	f	g	h	i	j	k	j-e-i
year	after-tax costs	company financing	pass through amount to collect for costs over life	total amount to collect for costs	costs not yet reimbursed	company financing costs for unreimbursed costs	pass through amount to collect for costs over life	total amount to collect for costs	interest savings	net customer savings	
1	\$1,318	\$0.201	\$0.088	\$0.289	\$0.900	\$0.137	\$0.036	\$0.173	\$2.700	\$2.238	
2	\$1,266	\$0.193	\$0.088	\$0.281	\$0.864	\$0.132	\$0.036	\$0.168	\$2.700	\$2.252	
3	\$1,213	\$0.185	\$0.088	\$0.273	\$0.828	\$0.126	\$0.036	\$0.162	\$2.700	\$2.265	
4	\$1,160	\$0.177	\$0.088	\$0.265	\$0.792	\$0.121	\$0.036	\$0.157	\$2.700	\$2.279	
5	\$1,108	\$0.169	\$0.088	\$0.257	\$0.756	\$0.115	\$0.036	\$0.151	\$2.700	\$2.292	
6	\$1,055	\$0.161	\$0.088	\$0.249	\$0.720	\$0.110	\$0.036	\$0.146	\$2.700	\$2.306	
7	\$1,002	\$0.153	\$0.088	\$0.241	\$0.684	\$0.104	\$0.036	\$0.140	\$2.700	\$2.319	
8	\$0,949	\$0.145	\$0.088	\$0.232	\$0.648	\$0.099	\$0.036	\$0.135	\$2.700	\$2.333	
9	\$0,897	\$0.137	\$0.088	\$0.224	\$0.612	\$0.093	\$0.036	\$0.129	\$2.700	\$2.346	
10	\$0,844	\$0.129	\$0.088	\$0.216	\$0.576	\$0.088	\$0.036	\$0.124	\$2.700	\$2.360	
11	\$0,791	\$0.120	\$0.088	\$0.208	\$0.540	\$0.082	\$0.036	\$0.118	\$2.700	\$2.373	
12	\$0,738	\$0.112	\$0.088	\$0.200	\$0.504	\$0.077	\$0.036	\$0.113	\$2.700	\$2.387	
13	\$0,686	\$0.104	\$0.088	\$0.192	\$0.468	\$0.071	\$0.036	\$0.107	\$2.700	\$2.400	
14	\$0,633	\$0.096	\$0.088	\$0.184	\$0.432	\$0.066	\$0.036	\$0.102	\$2.700	\$2.414	
15	\$0,580	\$0.088	\$0.088	\$0.176	\$0.396	\$0.060	\$0.036	\$0.096	\$2.700	\$2.427	
16	\$0,527	\$0.080	\$0.088	\$0.168	\$0.360	\$0.055	\$0.036	\$0.091	\$2.700	\$2.441	
17	\$0,475	\$0.072	\$0.088	\$0.160	\$0.324	\$0.049	\$0.036	\$0.085	\$2.700	\$2.454	
18	\$0,422	\$0.064	\$0.088	\$0.152	\$0.288	\$0.044	\$0.036	\$0.080	\$2.700	\$2.468	
19	\$0,369	\$0.056	\$0.088	\$0.144	\$0.252	\$0.038	\$0.036	\$0.074	\$2.700	\$2.481	
20	\$0,316	\$0.048	\$0.088	\$0.136	\$0.216	\$0.033	\$0.036	\$0.069	\$2.700	\$2.495	
21	\$0,264	\$0.040	\$0.088	\$0.128	\$0.180	\$0.027	\$0.036	\$0.063	\$2.700	\$2.509	
22	\$0,211	\$0.032	\$0.088	\$0.120	\$0.144	\$0.022	\$0.036	\$0.058	\$2.700	\$2.522	
23	\$0,158	\$0.024	\$0.088	\$0.112	\$0.108	\$0.016	\$0.036	\$0.052	\$2.700	\$2.536	
24	\$0,105	\$0.016	\$0.088	\$0.104	\$0.072	\$0.011	\$0.036	\$0.047	\$2.700	\$2.549	
25	\$0,053	\$0.008	\$0.088	\$0.096	\$0.036	\$0.005	\$0.036	\$0.041	\$2.700	\$2.563	
26	\$0,000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	
27	\$0,000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	
28	\$0,000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	

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CALCULATION OF CUSTOMER SAVINGS OF REFINANCING THRU CALL AT OPTIONAL REDEMPTION DATE FOR SERIES 1983 B: (dollars in millions)

INPUT DATA	OUTPUT
bond issue size	customer savings over life
\$150	\$60.010
est percent repurchased	customer savings in 1996
60%	\$2.238
amount repurchased	
\$90	
year of maturity	
2018	
remaining life of bonds	
25 years	
SDGE's tax rate	
40.00%	

costs:
costs which are deductible over life of new bonds for tax purposes:
new bond issue fees = 1.00%
other fees = 0.00%
total percent 1.00%
total in dollars \$0.90

costs which are currently deductible for tax purposes:
for July 1 92 call= 2.00%
plus tender fees= 0.00%
plus other costs= 0.17%
plus city fees= 0.28%
total percent 2.442%
total in dollars \$2.198
total after tax \$1.318

old bond interest rate 10.00%
new bond interest rate 7.00%
interest savings 3.00%

SDGE's cost of capital 15.23%

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DETAILED CPUC CALCULATION TO CALCULATE SAVINGS:

year	a	b	c	d	e	f	g	h	i	j	k	j-e-i			
												currently deductible costs..... costs deductible over life.....		
company															
after-tax costs			company financing				total			company financing			total		
not yet reimbursed			costs for unreimbursed costs				costs not yet reimbursed			costs for unreimbursed costs			total amount to collect for costs		
over life			pass through of costs				over life			pass through of costs			over life		
amount to collect for			amount to collect for				amount to collect for			amount to collect for			amount to collect for		
costs			costs				costs			costs			costs		
total			total				total			total			total		
net customer savings			net customer savings				net customer savings			net customer savings			net customer savings		
1	\$1.318	\$0.201	\$0.088	\$0.289	\$0.900	\$0.137	\$0.036	\$0.173	\$2.238						
2	\$1.266	\$0.193	\$0.088	\$0.281	\$0.864	\$0.132	\$0.036	\$0.168	\$2.252						
3	\$1.213	\$0.185	\$0.088	\$0.273	\$0.828	\$0.126	\$0.036	\$0.162	\$2.265						
4	\$1.160	\$0.177	\$0.088	\$0.265	\$0.792	\$0.121	\$0.036	\$0.157	\$2.279						
5	\$1.108	\$0.169	\$0.088	\$0.257	\$0.756	\$0.115	\$0.036	\$0.151	\$2.292						
6	\$1.055	\$0.161	\$0.088	\$0.249	\$0.720	\$0.110	\$0.036	\$0.146	\$2.306						
7	\$1.002	\$0.153	\$0.088	\$0.241	\$0.684	\$0.104	\$0.036	\$0.140	\$2.319						
8	\$0.949	\$0.145	\$0.088	\$0.232	\$0.648	\$0.099	\$0.036	\$0.135	\$2.333						
9	\$0.897	\$0.137	\$0.088	\$0.224	\$0.612	\$0.093	\$0.036	\$0.129	\$2.346						
10	\$0.844	\$0.129	\$0.088	\$0.216	\$0.576	\$0.088	\$0.036	\$0.124	\$2.360						
11	\$0.791	\$0.120	\$0.088	\$0.208	\$0.540	\$0.082	\$0.036	\$0.118	\$2.373						
12	\$0.738	\$0.112	\$0.088	\$0.200	\$0.504	\$0.077	\$0.036	\$0.113	\$2.387						
13	\$0.686	\$0.104	\$0.088	\$0.192	\$0.468	\$0.071	\$0.036	\$0.107	\$2.400						
14	\$0.633	\$0.096	\$0.088	\$0.184	\$0.432	\$0.066	\$0.036	\$0.102	\$2.414						
15	\$0.580	\$0.088	\$0.088	\$0.176	\$0.396	\$0.060	\$0.036	\$0.096	\$2.427						
16	\$0.527	\$0.080	\$0.088	\$0.168	\$0.360	\$0.055	\$0.036	\$0.091	\$2.441						
17	\$0.475	\$0.072	\$0.088	\$0.160	\$0.324	\$0.049	\$0.036	\$0.085	\$2.454						
18	\$0.422	\$0.064	\$0.088	\$0.152	\$0.288	\$0.044	\$0.036	\$0.080	\$2.468						
19	\$0.369	\$0.056	\$0.088	\$0.144	\$0.252	\$0.038	\$0.036	\$0.074	\$2.481						
20	\$0.316	\$0.048	\$0.088	\$0.136	\$0.216	\$0.033	\$0.036	\$0.069	\$2.495						
21	\$0.264	\$0.040	\$0.088	\$0.128	\$0.180	\$0.027	\$0.036	\$0.063	\$2.509						
22	\$0.211	\$0.032	\$0.088	\$0.120	\$0.144	\$0.022	\$0.036	\$0.058	\$2.522						
23	\$0.158	\$0.024	\$0.088	\$0.112	\$0.108	\$0.016	\$0.036	\$0.052	\$2.536						
24	\$0.105	\$0.016	\$0.088	\$0.104	\$0.072	\$0.011	\$0.036	\$0.047	\$2.549						
25	\$0.053	\$0.008	\$0.088	\$0.096	\$0.036	\$0.005	\$0.036	\$0.041	\$2.563						
26	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000						
27	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000						
28	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000						

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CALCULATION OF CUSTOMER SAVINGS OF REFINANCING THRU CALL AT OPTIONAL REDEMPTION DATE FOR SERIES 1985 A: (dollars in millions)

INPUT DATA

bond issue size \$100
 est percent repurchased 60%
 amount repurchased \$60
 year of maturity 2020
 remaining life of bonds 25 years

SDGE's tax rate 40.00%

OUTPUT

customer savings over life \$28.757
 customer savings in 1996 \$1.042

costs:

costs which are deductible over life of new bonds for tax purposes:

new bond issue fees = 1.00%
 other fees = 0.00%
 total percent 1.00%
 total in dollars \$0.60

costs which are currently deductible for tax purposes:

for July 1 92 call= 2.00%
 plus tender fees= 0.00%
 plus other costs= 0.17%
 plus city fees= 0.28%
 total percent 2.442%
 total in dollars \$1.465
 total after tax \$0.879

old bond interest rate 9.25%
 new bond interest rate 7.00%
 interest savings 2.25%

SDGE's cost of capital 15.23%

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DETAILED CPUC CALCULATION TO CALCULATE SAVINGS:

year	a		b		c		d		e		f		g		h		i		j		k		
	not yet reimbursed	costs	unreimbursed	costs	pass through	over life	costs	reimbursed	costs	total	collect for	not yet reimbursed	costs	company financing	costs for unreimbursed	over life	pass through	amount to collect	total	amount to collect	for savings	net customer savings	
1	\$0.079	\$0.134	\$0.059	\$0.192	\$0.600	\$0.091	\$0.024	\$0.115	\$1.350	\$1.042													
2	\$0.044	\$0.129	\$0.059	\$0.187	\$0.576	\$0.088	\$0.024	\$0.112	\$1.350	\$1.051													
3	\$0.809	\$0.123	\$0.059	\$0.182	\$0.552	\$0.084	\$0.024	\$0.108	\$1.350	\$1.060													
4	\$0.774	\$0.118	\$0.059	\$0.176	\$0.528	\$0.080	\$0.024	\$0.104	\$1.350	\$1.069													
5	\$0.738	\$0.112	\$0.059	\$0.171	\$0.504	\$0.077	\$0.024	\$0.101	\$1.350	\$1.078													
6	\$0.703	\$0.107	\$0.059	\$0.166	\$0.480	\$0.073	\$0.024	\$0.097	\$1.350	\$1.087													
7	\$0.668	\$0.102	\$0.059	\$0.160	\$0.456	\$0.069	\$0.024	\$0.093	\$1.350	\$1.096													
8	\$0.633	\$0.096	\$0.059	\$0.155	\$0.432	\$0.066	\$0.024	\$0.090	\$1.350	\$1.105													
9	\$0.598	\$0.091	\$0.059	\$0.150	\$0.408	\$0.062	\$0.024	\$0.086	\$1.350	\$1.114													
10	\$0.563	\$0.086	\$0.059	\$0.144	\$0.384	\$0.058	\$0.024	\$0.082	\$1.350	\$1.123													
11	\$0.527	\$0.080	\$0.059	\$0.139	\$0.360	\$0.055	\$0.024	\$0.079	\$1.350	\$1.132													
12	\$0.492	\$0.075	\$0.059	\$0.134	\$0.336	\$0.051	\$0.024	\$0.075	\$1.350	\$1.141													
13	\$0.457	\$0.070	\$0.059	\$0.128	\$0.312	\$0.048	\$0.024	\$0.072	\$1.350	\$1.150													
14	\$0.422	\$0.064	\$0.059	\$0.123	\$0.288	\$0.044	\$0.024	\$0.068	\$1.350	\$1.159													
15	\$0.387	\$0.059	\$0.059	\$0.118	\$0.264	\$0.040	\$0.024	\$0.064	\$1.350	\$1.168													
16	\$0.352	\$0.054	\$0.059	\$0.112	\$0.240	\$0.037	\$0.024	\$0.061	\$1.350	\$1.177													
17	\$0.316	\$0.048	\$0.059	\$0.107	\$0.216	\$0.033	\$0.024	\$0.057	\$1.350	\$1.186													
18	\$0.281	\$0.043	\$0.059	\$0.101	\$0.192	\$0.029	\$0.024	\$0.053	\$1.350	\$1.195													
19	\$0.246	\$0.037	\$0.059	\$0.096	\$0.168	\$0.026	\$0.024	\$0.050	\$1.350	\$1.204													
20	\$0.211	\$0.032	\$0.059	\$0.091	\$0.144	\$0.022	\$0.024	\$0.046	\$1.350	\$1.213													
21	\$0.176	\$0.027	\$0.059	\$0.085	\$0.120	\$0.018	\$0.024	\$0.042	\$1.350	\$1.222													
22	\$0.141	\$0.021	\$0.059	\$0.080	\$0.096	\$0.015	\$0.024	\$0.039	\$1.350	\$1.231													
23	\$0.105	\$0.016	\$0.059	\$0.075	\$0.072	\$0.011	\$0.024	\$0.035	\$1.350	\$1.240													
24	\$0.070	\$0.011	\$0.059	\$0.069	\$0.048	\$0.007	\$0.024	\$0.031	\$1.350	\$1.249													
25	\$0.035	\$0.005	\$0.059	\$0.064	\$0.024	\$0.004	\$0.024	\$0.028	\$1.350	\$1.258													
26	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	
27	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
28	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000

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ATTACHMENT B
SDG&E IDB
ESTIMATED CALL PREMIUMS (\$MM)

<u>Issue</u>	<u>Open-Market Repurchase</u>		<u>Call Premium</u>		<u>Optional Redemption</u>		<u>Call Premium</u>
983A	\$ 60.0	x	10% = \$ 6.0		\$90.0	x	2% = \$1.8
1983B	60.0	x	11% = 6.0		90.0	x	2% = 1.8
1985A	<u>40.0</u>	x	17% = <u>6.8</u>		<u>60.0</u>	x	2% = <u>1.2</u>
TOTAL	\$160.0		<u>\$18.8</u>		\$240.0		<u>\$4.8</u> TOTAL PREMIUM = \$23.6

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SAN DIEGO GAS & ELECTRIC COMPANY

ESTIMATE OF OPEN MARKET PURCHASE EXPENSES (1)

Dealer Manager's Counsel	\$ 25,000
Information Agent (2)	30,000
Depository Institution (3)	5,000
Tombstone Advertisement	35,000
Printing and Mailing	10,000
Fee for Bonds Purchased (\$2.50/\$1,000) (4)	400,000
Total	\$ 505,000

(1) Assumes \$160,000,000 of bonds purchased. All expenses are estimated based on recent comparable issues.

(2) The information agent will assist in collecting information regarding the current holders of the bonds.

(3) Depository Institution will collect all replies and process purchases.

(4) A fee paid to any financial institution that brings in a purchase.

SAN DIEGO GAS & ELECTRIC COMPANY

ESTIMATED COSTS OF ISSUANCE ASSOCIATED WITH REFUNDING BONDS (1)

	<u>\$160 million</u> <u>Open Market Purchase</u>	<u>\$400 million</u> <u>All Issues (2)</u>
City of San Diego Financing Fee (\$2.50/\$1,000) (3)	\$ 400,000	\$ 1,000,000
CPUC Financing Fee (\$0.50/\$1,000)	80,000	200,000
Bond Counsel Fees (4)	80,000	250,000
IDB Trustee Fees	8,000	32,000
IDB Trustee Counsel Fees	5,000	20,000
First Mortgage Trustee Fees	8,000	32,000
First Mortgage Trustee Counsel Fees	5,000	20,000
Official Statement Printing	15,000	60,000
Moody's investors Service Rating Fee (\$0.225/\$1,000)	36,000	90,000
Standard & Poor's Corporation Rating Fee (\$0.225/\$1,000)	36,000	90,000
Accounting Fees (3)	25,000	75,000
Underwriters' Counsel	65,000	230,000
Underwriters' Spread (\$10.25/\$1,000) (5)	1,640,000	4,100,000
Total	\$ 2,403,000	\$ 6,199,000

(1) All expenses are estimated based on recent comparable Issues.

(2) Open market purchase and three subsequent refundings at the respective call dates.

(3) All of this fee will remain in San Diego.

(4) A portion of this fee will remain in San Diego.

(5) Not to Exceed Underwriting Spread

Management Fee	\$1.50 /\$1,000
Takedown	7.50 /\$1,000
Underwriting Fee	.50 /\$1,000
Expenses	.75 /\$1,000
Total	\$ 10.25 /\$1,000

Management Fee, Takedown and Underwriting Fee will be split as follows:

Goldman, Sachs & Co.	65%
Bear Stearns	20%
Grigsby Brandford	10% (located in San Diego)
Girard Securities	5% (located in San Diego)

Expenses include wire service fees, overnight loan charges, CUSIP, DTC, MSRB, PSA, CDAC, travel expenses of the underwriters, ect..

SAVINGS BY CUSTOMER CLASS

	<u>Number of Customers</u>	<u>Ave Annual Savings per Customer</u>	<u>Total Savings for \$160m² Repurchase</u>	<u>Approx Percentage</u>
Low Income Residential	200,000	\$1.13	\$225,000	10%
Residential	794,500	\$1.00	\$795,000	30
Commercial Industrial and Other	116,500	\$10.99	\$1,280,000	60
Total	<u>1,111,000</u>		<u>\$2,300,000</u>	<u>100%</u>

	<u>Number of Customers</u>	<u>Ave Annual Savings per Customer</u>	<u>Total Savings for \$400m²Call</u>	<u>Approx Percentage</u>
Low Income Residential	200,000	\$3.38	\$675,000	10%
Residential	794,500	\$3.05	\$2,425,000	30
Commercial Industrial and Other	116,500	\$33.48	\$3,900,000	60
Total	<u>1,111,000</u>		<u>\$7,000,000</u>	<u>100%</u>

SDG&E's 1993 Cost of Capital

The California Public Utilities Commission requires energy utilities to file annually a request for cost of capital for the coming year. The utilities file their requests in May, hearings are held in August, and the Commission is scheduled to issue a decision in November for rate changes effective the following year.

On May 8, 1992, SDG&E filed its cost of capital testimony requesting an overall rate of return of 10.88% for 1993, as compared to 10.75% authorized for 1992. If approved, this request would result in a revenue increase of \$15.5 million. The requested 10.88% rate of return is comprised of the following parts:

1. Return on Equity - 13.0% is requested for 1993 versus the 12.65% authorized for 1992.
2. Capital Structure - A common equity ratio of 52.5% is requested for 1993 versus the 49.5% authorized for 1992. This increase is sought to help offset the capital structure adjustments being made by the Rating Agencies for purchased power contracts.
3. Embedded Costs - An embedded cost of debt of 8.70%, and a cost of preferred stock of 7.30%, is requested for 1993. This compares to 1992 authorized amounts of 9.09% and 7.31%, respectively. The drop in the cost of debt is due primarily to a forecasted refinancing of \$300 million of IDBs by the end of 1993. In early October, 1992, SDG&E will file an update to its embedded costs of debt to include actual information through that time. For example, if SDG&E refinances some IDBs before October, 1992, this change will be reflected in the SDG&E update.

Historically, SDG&E has been authorized a cost of capital which is less than the amount initially requested by the Company. For example, SDG&E initially requested an overall rate of return of 11.31%, and a return on equity of 13.60%, for 1992. As stated above, the authorized amounts were 10.75% and 12.65%, respectively.

ATTACHMENT G
Legal Limitations on City Issuer Fees

Federal income tax law restricts the amount of fees the City may collect in connection with tax-exempt conduit revenue bonds. In general, the City is permitted to recover its out-of-pocket costs incurred in connection with the bonds (including out-of-pocket costs incurred in monitoring and enforcing the Loan Agreement with SDG&E). In addition, the City is entitled to collect fees in an amount not exceeding the present value of one-eighth of one percentage point of the outstanding principal amount of the bonds each year, using yield on the bonds as a discount factor. If all \$400 million of proposed refunding bonds were issued on July 1, 1992 with an interest rate of approximately 7%, the City would be entitled to collect an upfront fee of approximate \$5.9 million (plus reimbursement of the City's out-of-pocket "administrative costs") in connection with the refunding bonds.

The proposed bonds would refund the City's Series 1983A, Series 1983B and Series 1985A Bonds. Consistent with the City's policy at the time, documents associated with those prior bonds generally imposed a much smaller issuer fee, aggregating just over \$500,000 for all three prior issues. Any additional fee sought to be imposed by the City now in connection with those prior bonds, beyond the amounts provided for in existing documents associated with those prior bonds, might be attributed to the refunding bonds and might be subject to the \$5.9 million limit. However, Loan Agreements associated with the Series 1983A and Series 1983B Bonds also require SDG&E to pay "reasonable expenses of the Issuer and its counsel related to the financing of the Project." The City might be justified in seeking recovery of some or all of its \$6.3 million legal costs under this existing document provision.

Source: Orrick, Herrington & Sutcliffe

CITY OF SAN DIEGO ESTIMATED FRANCHISE FEE IMPACT

For \$400 Million

SAVINGS	\$7,000,000
	X
PERCENT SALES WITHIN THE CITY (1)	50%
	X
FRANCHISE FEE	2.99%

FRANCHISE FEE REDUCTION	\$104,650
	=====
ROUNDED	\$100,000
	=====

For \$160 Million

SAVINGS	\$2,300,000
	X
PERCENT SALES WITHIN THE CITY (1)	50%
	X
FRANCHISE FEE	2.99%

FRANCHISE FEE REDUCTION	\$34,385
	=====
ROUNDED	\$30,000
	=====

(1) BASED ON 1991 ACTUAL BILLINGS

SOURCE: SDGE

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City of San Diego Estimated Energy Savings
For \$400 Million

Electric

175,700,000⁽³⁾ KWHR USEAGE x .0004 SAVINGS FOR THE AVERAGE
CUSTOMER⁽²⁾ x 8.2/9.0⁽¹⁾ = 64,032

Gas

1,100,000⁽³⁾ THERMS USEAGE x .0010 SAVINGS FOR THE AVERAGE
CUSTOMER⁽²⁾ x 54/41⁽¹⁾ = 1,449

TOTAL 65,481
ROUNDED 65,000

\$65,000 x 26 = \$1,690,000
ROUNDED \$1.7 million

For \$160 Million

Electric

175,700,000⁽³⁾ KWHR USEAGE x .00012 SAVINGS FOR THE AVERAGE
CUSTOMER x 8.2/9.0⁽¹⁾ = 19,209

Gas

1,100,000⁽³⁾ THERMS USEAGE x .0003 SAVINGS FOR THE AVERAGE
CUSTOMER x 54/41⁽¹⁾ = 434

TOTAL 19,643
ROUNDED 20,000

\$20,000 x 26 = \$520,000
ROUNDED \$500,000

(1) To adjust for the rates that the City pays which are different than the average customer's rates.

(2) See sheet in prior Manager's Report which shows \$3.30 average residential savings.

(3) Based on twelve months ended May 30, 1992.

ATTACHMENT J

City of San Diego Fiscal Impact Analysis
(Net Present Value)

\$160MM IDB

Issuer Fees Received

(Standard) NPV = \$ 880,000

Franchise Fee Revenues Foregone

\$30,000/Yr. for 26 yrs. NPV = (479,000)

Utility Expense Reduction

\$20,000/Yr. for 26 yrs. NPV = \$ 320,000

NET FISCAL BENEFIT \$ 729,000

\$400MM IDB

Issuer Fees Received

(Standard) NPV = \$2,170,000

Franchise Fee Revenues Foregone

\$100,000/Yr. for 26 yrs. NPV = (1,600,000)

Utility Expense Reduction

\$65,000/Yr. for 26 yrs. NPV = \$1,040,000

NET FISCAL BENEFIT \$1,610,000

ORRICK, HERRINGTON
& SUTCLIFFE

Direct Dial

415/773-5783

June 26, 1992

Ms. Maureen A. Stapleton
Assistant City Manager
City of San Diego
202 "C" Street
Mail Station 9A
City Administration Building
San Diego, CA 92101

Re: Proposed San Diego Gas & Electric
IDB Refunding Program

Dear Ms. Stapleton:

In section 5.2 of the form of Loan Agreement presently proposed to be used in connection with up to \$400 million of refunding revenue bonds proposed to be issued by the City of San Diego (the "City"), San Diego Gas & Electric Company ("SDG&E") would covenant not to merge unless an opinion of nationally recognized bond counsel is delivered to the trustee concluding that the merger will not adversely affect the tax-exempt status of interest on the bonds. This is identical to the covenant given by SDG&E in Loan Agreements associated with the City's Series 1986A, Series 1986B and 1987A bonds previously issued for the benefit of SDG&E. There is no similar express provision in loan agreements associated with the City's Series 1983A, Series 1983B and Series 1985A bonds which are proposed to be refunded.

In connection with SDG&E's earlier proposed merger with Southern California Edison Company ("SCE"), the Internal Revenue Service (the "IRS") issued a private letter ruling dated March 18, 1991, concluding that the City's revenue bonds issued for the benefit of SDG&E could remain tax-exempt only if they are immediately defeased and redeemed on their first call dates. This precluded SDG&E's assignment of its rights and obligations associated with the City's bonds in connection with that proposed merger. In a subsequent private letter ruling to SDG&E dated April 7, 1992, the IRS revoked its earlier ruling because SDG&E had abandoned its earlier merger plan. However, nothing in that

**ORRICK, HERRINGTON
& SUTCLIFFE**

Ms. Maureen A. Stapleton
June 26, 1992
Page 2

subsequent ruling suggests that the IRS would allow SDG&E's rights and obligations associated with the City's bonds to be assigned in connection with any such future merger.

Other potential merger scenarios might not raise the same tax issues that were presented in connection with the prior SDG&E/SCE merger proposal. For example, SDG&E's merger into SCE or into a wholly-owned subsidiary of SCE might not have required a defeasance and redemption of the City's bonds if SDG&E were operated as a separate division and if SDG&E's retail rates continued to be established independently of SCE's rates. In such cases, the proposed Loan Agreement language might not prevent assignment of SDG&E's rights and obligations in connection with the City's bonds.

In meetings earlier this week with representatives of SDG&E, you asked whether SDG&E would accept a provision in documents associated with the proposed refunding bonds requiring the City's consent before SDG&E assigns its rights and obligations in connection with the proposed refunding bonds to any other party in connection with any future merger of SDG&E, even if tax-exempt status of the City's bonds would not be adversely affected by the merger. You also requested our opinion whether such a provision would impair the validity or tax-exempt status of interest on the City's bonds. We believe such a provision in Loan Agreements associated with the City's proposed refunding revenue bonds would not adversely affect either the validity or the tax-exempt status of interest on those bonds.

Very truly yours,

Dean E. Criddle

Dean E. Criddle

cc: Curtis M. Fitzpatrick, Esq.
Mr. Mark A. Sullivan
Ms. Mary E. Vattimo
Ms. Terri S. Webster
Christopher Starr Williams, Esq.
Elaine R. Bayus, Esq.

JUL 01 1992

Passed and adopted by the Council of The City of San Diego on
by the following vote:

Council Members	Yeas	Nays	Not Present	Ineligible
Abbe Wolfsheimer	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ron Roberts	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
John Hartley	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
George Stevens	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tom Behr	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Valerie Stallings	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Judy McCarty	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bob Filner	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mayor Maureen O'Connor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

AUTHENTICATED BY:

(Seal)

MAUREEN O'CONNOR
Mayor of The City of San Diego, California.

CHARLES G. ABDELNOUR
City Clerk of The City of San Diego, California.

By *Maureen G. Fontenot* Deputy.

Office of the City Clerk, San Diego, California

Resolution Number **R-280258** Adopted **JUL 01 1992**