

ORIGINAL

Decision No. 60522

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SOUTHERN CALIFORNIA EDISON COMPANY,
a corporation, for authority to
issue and sell not to exceed
\$60,000,000 aggregate principal
amount of its First and Refunding
Mortgage Bonds, Series M, Due 1985,
and to execute and deliver a
Nineteenth Supplemental Indenture.

Application No. 42480

O P I N I O N

On July 19, 1960, Southern California Edison Company filed the above-entitled application for authorization to issue and sell \$60,000,000 of bonds and to execute and deliver a supplemental indenture.

Applicant proposes to offer the bonds for sale at competitive bidding at a price of not less than 99 per cent of the principal amount, plus accrued interest from September 1, 1960, and to sell said bonds at the price which shall provide the lowest annual cost of money. The bonds will constitute a new series which will be designated as First and Refunding Mortgage Bonds, Series M, Due 1985. They will be dated as of September 1, 1960, will mature September 1, 1985, and will be subject to redemption at the option of the company, as a whole or in part, upon payment of the principal amount, plus premiums determined as set forth in the bidding papers, plus accrued interest, provided, however, that such bonds shall not be redeemed prior to September 1, 1965, if such redemption is for the purpose, or in anticipation, of refunding said new bonds through

the use, directly or indirectly, of funds borrowed by applicant at an effective interest cost to applicant (computed in accordance with generally accepted financial practice) of less than the effective cost of said new bonds. Applicant asserts that as a result of its investigation, it is of the opinion that the elimination of the nonredemption feature would result in a higher annual cost of money and would tend to limit the market for said bonds among institutional investors.

The purpose of the proposed financing is to provide applicant with funds to retire and discharge promissory notes which may be outstanding as of the date of the receipt of the proceeds from the sale of the bonds and to reimburse its treasury for cash actually expended from income for capital purposes. It is reported that any amounts so reimbursed will become a part of the general treasury funds of applicant and will be available to finance, in part, the company's continuing construction program. The application shows that the company had \$18,500,000 of notes outstanding on June 30, 1960 and that its construction expenditures during 1960-61 are estimated at \$257,772,072. The following tabulation sets forth the proposed expenditures and the estimated sources of funds:

Expenditures -

Steam production	\$114,772,537	
Hydraulic production	1,121,476	
Transmission lines	11,381,923	
Transmission substations	11,665,392	
Distribution lines	73,578,044	
Distribution substations	22,696,661	
Other additions	11,555,919	
Engineering, I.D.C., etc.	11,000,000	
Total	<u>257,772,072</u>	
Less salvage recoveries	8,882,332	
Cash requirements		<u>\$248,889,740</u>

Sources of funds -

Internal funds	\$128,367,419	
Proceeds from Series L bonds	7,022,321	
Proceeds from proposed sale of Series M bonds	60,000,000	
Future financing	<u>53,500,000</u>	
Total sources		<u>\$248,889,740</u>

It appears that the company has financed itself primarily with long-term debt, consisting of mortgage bonds and debentures, with notes payable, with shares of stock and retained earnings and with deferred taxes on income. Its capital ratios as of June 30, 1960, and as adjusted to give effect to the proposed bond issue, are indicated in the following tabulation:

	<u>June 30, 1960</u>	<u>Pro Forma</u>
Long-term debt	48%	51%
Notes payable	2	0
Preferred and preference stock	13	13
Common stock equity	34	33
Deferred taxes	<u>3</u>	<u>3</u>
Total	<u>100%</u>	<u>100%</u>

We have considered this application and based upon the information before us, we find and conclude (1) that applicant will have need for additional funds to meet its obligations and to proceed with its construction activities; (2) that the proposed issue of bonds is for a proper purpose; (3) that applicant will be

required to pay a lower interest rate on the bonds it now proposes to issue than it would if the five-year redemption feature were to be deleted and that the ensuing lower financial requirements should inure to the benefit of the consumers; and (4) that the money, property or labor to be procured or paid for by the issue of the bonds herein authorized is reasonably required for the purposes specified herein, and that such purposes, except as otherwise authorized, are not, in whole or in part, reasonably chargeable to operating expenses or to income. On the basis of these findings, we will enter our order granting the application.

The authorization herein given is for the sale of bonds only and is not to be construed as indicative of amounts to be included in a future rate base for the purpose of determining just and reasonable rates.

O R D E R

The Commission having considered the above-entitled matter and being of the opinion that a public hearing is not necessary, therefore,

IT IS HEREBY ORDERED as follows:

1. Southern California Edison Company, on or after the effective date hereof and on or before December 31, 1960, may execute and deliver a supplemental indenture, in, or substantially in, the same form as that filed in this proceeding as Exhibit E.

2. Southern California Edison Company may invite the submission of written sealed bids for the purchase of \$60,000,000 of its First and Refunding Mortgage Bonds, Series M, Due 1985, such invitation to be published at least five days prior to the date set for the opening of the bids.

3. Southern California Edison Company may issue and sell said \$60,000,000 of bonds at the price offered in said bids which shall provide the lowest annual cost of money to applicant, said lowest annual cost of money to be calculated in the manner provided in the Statement of Terms and Conditions Relating to Bids, which is filed as Exhibit F.

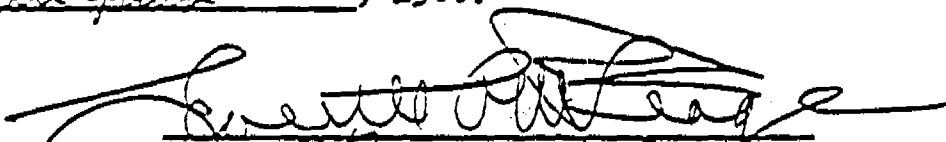
4. Southern California Edison Company shall use the proceeds from the sale of said bonds for the purpose of paying outstanding indebtedness and of reimbursing its treasury. The accrued interest may be used for said purposes or for general corporate purposes.

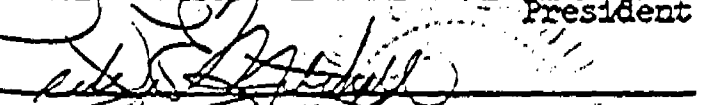
5. Immediately upon awarding the contract for the sale of said \$60,000,000 of bonds, Southern California Edison Company shall file a written report with the Commission showing, as to each bid received, the name of the bidder, the price, the interest rate and the cost of money to applicant based upon such price and interest rate.


6. Within 30 days after the issue and sale of said bonds herein authorized, Southern California Edison Company shall file a report with the Commission showing the date on which said bonds were sold, the names of those to whom sold and the consideration received, together with three copies of its prospectus.


7. The authority herein granted will become effective when Southern California Edison Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$18,000.

Dated at San Francisco, California,
this 9th day of August, 1960.



President






Commissioners

