

ORIGINAL

Decision No. 61717

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 \$30,000,000 aggregate principal amount of its First and Refunding Mortgage Bonds, Series N, Due 1986, and to execute and deliver a Twentieth Supplemental Indenture.

Application No. 43188
Filed March 1, 1961

O P I N I O N

Southern California Edison Company has filed this application for authorization to execute a supplemental trust indenture and to issue and sell \$30,000,000 of its First and Refunding Mortgage Bonds, Series N, Due 1986.

Applicant intends to offer its bonds for sale at competitive bidding, the price and the interest rate to be specified in the bid to be accepted by it. The bonds will constitute a new series which will be dated as of April 1, 1961, will mature April 1, 1986, and may not be redeemed prior to April 1, 1966, if such redemption is for the purpose or in anticipation of refunding such bonds by the use, directly or indirectly, of funds borrowed by the company at an effective interest cost to the company of less than the effective interest cost of such bonds. In this connection, applicant asserts, after investigation, that it has concluded the elimination of the restricted redemption provision would

result in a higher cost of money and would tend to limit the market among institutional investors. It is reported that during the next five years applicant will be called upon to enter the market to raise funds not only to finance current capital costs but also to provide for the repayment of \$138,000,000 of bonds which will become due.

The purpose of the proposed financing is to provide applicant with funds, after payment of expenses incident to the issue, to pay promissory notes issued for capital purposes and to reimburse its treasury for moneys heretofore expended for capital additions and improvements to its plants and facilities. In presenting this matter to the Commission, applicant reports that its uncapitalized expenditures up to January 31, 1961, aggregated \$182,499,972 and that its estimated construction expenditures during the years 1961 and 1962 will aggregate \$246,400,000. Applicant estimates that approximately \$149,400,000 of this amount will be generated internally leaving \$97,000,000 to be obtained from new security issues.

It has been applicant's policy to finance its capital expenditures, in part, through the issue of first mortgage bonds and other long-term debt and shares of preferred and common stock, including retained earnings. Its capital ratios as of January 31, 1961, are as follows:

| | | |
|--|------------------------|-------------|
| Long-term debt (first mortgage bonds and debentures) | \$ 626,772,000 | 52% |
| Preferred and preference stock | 151,914,325 | 13 |
| Common stock and surplus | <u>418,017,746</u> | <u>35</u> |
| Total | <u>\$1,196,704,071</u> | <u>100%</u> |

Applicant's current assets, as of January 31, 1961, are reported at \$63,440,450 as compared with current liabilities of \$77,895,009.

A review of the application and of the company's financial statements shows that the company's bonded debt is approximately 50% of its reported net investment in utility plant and other properties, as of January 31, 1961, and that its net income available for fixed charges, during 1960, was approximately 3.5 times its interest requirements. The information before the Commission further shows that applicant is faced with a substantial construction program, that its internally generated funds will not suffice to meet its capital requirements, and that additional funds from external sources are required by applicant to reimburse its treasury and to pay debts, and to enable it to go forward with its construction activities.

Upon reviewing this application we are of the opinion, and so find and conclude, (1) that applicant has need for additional funds to improve its current financial position and to meet construction costs; (2) that applicant will be required to pay a lower interest rate than it would in the absence of a

restricted redemption provision and that the ensuing lower financial requirements will inure to the benefit of the consumers; and (3) 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, which purposes, except as otherwise authorized, are not, in whole or in part, reasonably chargeable to operating expenses or to income.

On the basis of the foregoing findings we will enter our order granting the application. The authorization thus granted is for the issue and sale of bonds 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 and that the application should be granted, therefore,

IT IS HEREBY ORDERED that:

1. Southern California Edison Company may invite the submission of written sealed bids for the purchase of \$30,000,000 in aggregate principal amount of its First and Refunding Mortgage Bonds, Series N, Due 1986, such invitation

for bids to be published at least five days prior to the date set for the opening of the bids.

2. Southern California Edison Company may execute a supplemental trust indenture and may issue and sell said \$30,000,000 of bonds at the price offered in said bids which will result in the lowest annual cost of money calculated as set forth in this application.

3. Southern California Edison Company shall use the proceeds from the issue and sale of such bonds, after payment of obligations incurred or expenses incident to their issue and sale, to retire and discharge promissory notes which may be outstanding which had been issued for the acquisition of property or for the construction, completion, extension or improvement of facilities, and to reimburse its treasury for moneys heretofore or hereafter actually expended from income or from other moneys in the treasury of applicant not secured by or obtained from the issue of stocks or stock certificates or other evidences of interest or ownership, or bonds, notes or other evidences of indebtedness, for any one or more of the purposes hereinabove specified, except maintenance of service and replacements. The accrued interest may be used for general corporate purposes.

4. Immediately upon awarding the contract for the sale of said \$30,000,000 of bonds, Southern California Edison Company shall file a written report with the Commission showing

as to each bid received, the name of the buyer, the price, the interest rate and the cost of money to applicant based on such price and interest rate.

5. Within thirty days after the issue and sale of the 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.

6. The authority herein granted will become effective seven days after the date hereof provided Southern California Edison Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$10,500.

Dated at San Francisco, California,
this 22nd day of March, 1961.

Walter W. Ruge
President
John E. Mitchell
E. J. Fox
George H. Groves

Commissioners

