

ORIGINAL

Decision No. 64384

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
\$50,000,000 aggregate principal
amount of its First and Refunding
Mortgage Bonds, Series P, Due 1987,
and to execute and deliver a
Twenty-Second Supplemental Indenture.

Application No. 44812
Filed September 26, 1962

O P I N I O N

In this application, Southern California Edison Company seeks authorization to issue and sell \$50,000,000 of First and Refunding Mortgage Bonds, Series P, Due 1987, for the purpose generally of reimbursing its treasury, of financing the cost of properties and the construction, completion, extension and improvement of its facilities, and of providing the cost of refunding \$32,400,000 of its First and Refunding Mortgage Bonds, Series of 3s, Due 1965.

The company reports that during the next three years its new money requirements for new plant will be approximately \$60,000,000 a year and that, in addition, it will be required to pay at maturity an issue of \$108,000,000 of bonds of its Series of 3s on September 1, 1965, and an issue of \$30,000,000 of bonds of its Series of 3-1/4s on September 1, 1964, its

requirements for these purposes necessitating its entering the security markets to obtain in excess of \$300,000,000.

In order to avoid a single \$108,000,000 refunding offering in 1965, in addition to other offerings for plant additions in that year, applicant proposes to anticipate the maturity of some of the bonds of the Series of 3s by partial redemptions prior to 1965. It asserts that an offering of the magnitude of \$108,000,000 cannot readily be absorbed by the market without a significant increase in cost above that which would prevail in smaller offerings and that therefore it is desirable to reduce the amount of the outstanding issue of the bonds of the Series of 3s at this time. The \$32,400,000 of bonds to be redeemed will require the payment of aggregate premiums of \$243,000 which applicant proposes to charge to surplus.

Applicant intends to sell its new bonds at competitive bidding, the successful bid to determine the interest rate. The bonds will be dated as of November 1, 1962, will mature November 1, 1987, and will carry a five-year restricted redemption provision similar to that frequently employed in bond offerings at the present time. Applicant reports that it has investigated the advisability of including such a provision and has concluded that this feature will result in a lower cost of money than otherwise would obtain and would tend to broaden the market among institutional buyers.

Obviously, applicant will have to pay a higher interest rate on the bonds it proposes to sell at this time than it does on the bonds it proposes to redeem; however, it is clear that there is a practical limit to the volume of financing applicant can undertake and accomplish under reasonable terms during any twelve-months' period, and that applicant's management, in the exercise of its judgment, looking to the future, has concluded it is necessary and desirable, in arranging the company's financial program, to make provision for reducing its annual offerings to more manageable proportions.

We find that the proposed bond issue is for proper purposes, that applicant will have need for funds from external sources for the purposes set forth in this application, and that the inclusion of the five-year restricted redemption provision in the terms of the bonds will enable applicant to obtain its funds at a lower annual cost than it otherwise could. We will enter an order granting the application.

The authorization herein granted is for the purpose of this proceeding only and is not to be construed as indicative of amounts to be included in future proceedings for the purpose of determining just and reasonable rates.

O R D E R

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

IT IS ORDERED that -

1. Southern California Edison Company, on or after the effective date hereof and on or before December 31, 1962, may issue and sell not to exceed \$50,000,000 aggregate principal amount of its First and Refunding Mortgage Bonds, Series P, Due 1987, at competitive bidding at the price offered in the bids which will result in the lowest annual cost of money to applicant calculated in the manner provided in the bidding papers annexed to the application as Exhibit F, and may execute a Twenty-Second Supplemental Indenture in the same form, or substantially the same form, as that annexed to the application as Exhibit E.

2. The invitation for the submission of written sealed bids for the purchase of said bonds may be given by publication not less than five days prior to the date set for the opening of the bids.

3. Southern California Edison Company shall use the proceeds from the sale of said bonds, exclusive of accrued interest, in the manner and for the purposes set forth in this application. The accrued interest to be received may be used for said purposes or for general corporate purposes.

4. Immediately upon awarding the contract for the sale of said \$50,000,000 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.

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, the amount sold to each and the consideration received, together with three copies of its prospectus.

6. This order and decision shall become effective when Southern California Edison Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$7,400.

Dated at San Francisco, California,
this 16th day of October, 1962.

George A. Grover
President

Paul J. Ditcher

E. J. Fox

Robert W. Boyd

Frederick B. Hallock
Commissioners

