

ORIGINAL

Decision No. 77760

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 SAN DIEGO GAS & ELECTRIC COMPANY and )  
 SOUTHERN CALIFORNIA EDISON COMPANY, )  
 California corporations, for authority )  
 to execute and deliver a Financial )  
 Agreement and for each to pledge its ) Application No. 52156  
 customer accounts receivable and fuel ) Filed August 24, 1970  
 in storage and to issue and sell its )  
 serial promissory notes pursuant to )  
 and in the proportionate principal )  
 amounts set out therein and for an )  
 exemption of each of such proposed )  
 issues of promissory notes from the )  
 requirements of the competitive bidding )  
 rule established in the Commission's )  
 Decisions Nos. 38614, 49941 and 75556. )

Rollin E. Woodbury, Harry W. Sturges, Jr. and  
 Robert J. Cahall, by Robert J. Cahall, for  
 Southern California Edison Company, applicant.  
 Chickering & Gregory, by F. S. Bayley, for San Diego  
 Gas & Electric Company, applicant.  
Sidney J. Webb, for the Commission staff.

O P I N I O N

San Diego Gas & Electric Company and Southern California  
 Edison Company seek an order of the Commission authorizing them  
 (a) to issue, sell and deliver, exempt from competitive bidding,  
 Promissory Notes in an aggregate principal amount of pounds sterling

not exceeding an amount equivalent to \$7,100,200 and \$28,400,700, respectively, and (b) to enter into and carry out the terms and provisions of a Financial Agreement and Security Agreements.

After due notice, a public hearing in the above-entitled matter was held before Examiner Donovan in San Francisco on September 3, 1970, at the conclusion of which the matter was taken under submission. The Commission has received no protests in the proceeding.

Pursuant to interim authority granted by Decision No. 67180, dated May 5, 1964, which was finalized by Decision No. 74182, dated May 28, 1968, in Application No. 45231, applicants constructed Unit No. 1 of their San Onofre Nuclear Generating Station. On July 16, 1970, applicants filed Application No. 52045 in which they seek authority to construct and operate Units Nos. 2 and 3 at said San Onofre Nuclear Generating Station.

In order to meet scheduled dates for commencing commercial operation of San Onofre Unit No. 2 on June 1, 1976, and San Onofre Unit No. 3 on June 1, 1977, applicants have found it necessary to award, execute and deliver purchase and construction contracts for major equipment items required for such units pending action by this Commission on said Application No. 52045. Accordingly, the utilities have entered into a Purchase Agreement containing cancellation provisions with The English Electric Company Limited for

the manufacture and purchase of two nuclear steam turbine generator units for installation at San Onofre for an aggregate contract price of \$47,967,098, subject to certain adjustments.

For the purpose of obtaining funds to finance a portion of said contract price, applicants propose to enter into a Financial Agreement with a syndicate of British merchant banks headed by N. M. Rothschild & Sons, to execute and deliver Security Agreements, and to issue Promissory Notes equivalent to not exceeding \$35,500,900 in aggregate principal amount. Each note will bear interest at the rate of 5-1/2% per annum, payable semiannually, and will mature prior to December 1, 1980.

The application sets forth reasons for supporting the request for exemption from the requirements of the Commission's competitive bidding rule, as follows:

"Applicants are informed and believe and therefore allege that the proposed financial arrangements and issuance of promissory notes by each of the Applicants are uniquely tailored in timing of issue, principal amounts of Notes and purpose of the issue to the financing of the obligations of each of the Applicants under the Purchase Agreement and cannot practicably be submitted to competitive bidding by other financial sources. Moreover, each of the Applicants alleges, on information and belief, that alternative financing arrangements of comparable maturities (the average maturities of the Notes are approximately 67 months barring delays in the presentation of claims by the Supplier) cannot be effected at as low a cost at present levels of the money market..."

After consideration of the application, testimony and exhibits, and noting the absence of any opposition, we find that:

1. The proposed notes are for a proper purpose.
2. Applicants have need for funds from external sources for the purpose set forth in this proceeding.
3. The proposed documents would not be adverse to the public interest.
4. The money, property or labor to be procured or paid for by the issue of the notes herein authorized is reasonably required for the purpose specified herein, which purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.
5. The issue and sale of the proposed notes should not be required to be at competitive bidding.

On the basis of the foregoing findings we conclude that the application should be granted. The authorization herein granted is for the purpose of this proceeding only and is not to be construed as indicative of (a) amounts to be included in proceedings for the determination of just and reasonable rates, or (b) the action the Commission will take with respect to said Application No. 52045.

O R D E R

IT IS ORDERED that:

1. The issue and sale by San Diego Gas & Electric Company and Southern California Edison Company of Promissory Notes in an aggregate principal amount of pounds sterling not exceeding an amount equivalent to \$7,100,200 and \$28,400,700, respectively, are

hereby exempted from the Commission's competitive bidding rule set forth in Decision No. 38614, dated January 15, 1946, as amended, in Case No. 4761.

2. San Diego Gas & Electric Company and Southern California Edison Company may enter into, and carry out the terms and provisions of, a Financial Agreement and Security Agreements in the same forms, or in substantially the same forms, as those filed in this proceeding as Exhibit No. 3.

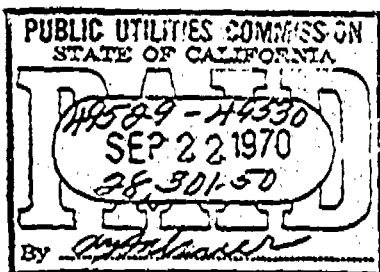
3. San Diego Gas & Electric Company and Southern California Edison Company may issue, sell and deliver Promissory Notes in an aggregate principal amount of pounds sterling not exceeding an amount equivalent to \$7,100,200 and \$28,400,700, respectively. The notes shall be in the same forms, or in substantially the same forms, as Appendices C(I) and C(II) of Exhibit No. 3 filed in this proceeding, and the tenor and manner shall be consistent with the Financial Agreement authorized by Ordering Paragraph No. 2 hereof.


4. San Diego Gas & Electric Company and Southern California Edison Company shall apply the proceeds from the sale of the notes herein authorized to the purpose set forth in the application.

5. Within 30 days after each December 31 and June 30, San Diego Gas & Electric Company and Southern California Edison Company shall each file with the Commission a statement listing the dates of issuance and maturity and principal amount of notes issued during the preceding six months pursuant to authority herein granted. The statements shall be in lieu of reports required by General Order No. 24-B, and shall show amounts including cumulative totals in pounds sterling and dollar equivalents.

6. This order shall become effective when San Diego Gas & Electric Company and Southern California Edison Company have paid the fees prescribed by Section 1904(b) of the Public Utilities Code, which fees are \$8,101 and \$20,200.50, respectively, and totaling \$28,301.50.

Dated at San Francisco, California,  
this 22nd day of SEPTEMBER, 1970.



  
Chairman

  
Commissioners

Commissioner William Symons, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner Thomas Moran, being necessarily absent, did not participate in the disposition of this proceeding.