CACD/KLH

Decision 88 08 052 AUG 24 1988

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN CALIFORNIA EDISON COMPANY to issue, sell, and deliver one or more series of Debt Securities and to guarantee the obligations of others in respect of the issuance of Debt Securities, the total aggregate principal amount of such indebtedness and guarantees not to exceed $300,000,000; to execute and deliver one or more debentures; to sell, lease, assign, mortgage, or otherwise dispose of or encumber utility property; and for an exemption from the Commission's Competitive Bidding Rule. (U 338-E)	Application 88-07-007 (Filed July 6, 1988)

OPINION

Summary of Decision

This decision grants Southern California Edison Company (Edison) the authority requested in its application and related proceedings to issue, sell and deliver one or more series of Debt Securities and to guarantee the obligations of others in connection with the issuance of those Debt Securities.

Edison requests authority, under Public Utilities Code (Code) Sections 816-818, 821, 830 and 851, for the following:

1. To issue, sell and deliver one or more series of First and Refunding Mortgage Bonds, Debentures, Overseas Indebtedness, Foreign Securities and Notes through public offerings or private placements and to enter into Loans;

2. To fully guarantee the Debentures, Overseas Indebtedness, Foreign Securities, Notes and Loans of a direct or indirect subsidiary of Edison (Subsidiary) that is engaged in activities regulated by the Commission, the proceeds of which indebtedness may be lent to Edison or to another Edison Subsidiary;

3. To provide that the aggregate principal amount of First and Refunding Mortgage Bonds (Bonds),

Debentures, Overseas Indebtedness, Foreign Securities, Notes and Loans (to be collectively referred to as Debt Securities) issued by Edison or issued by a Subsidiary and guaranteed by Edison shall not exceed $300,000,000;

4. To use the net proceeds from the Debt Securities to reimburse its treasury for moneys previously expended for capital improvements and to retire or refund securities previously issued;

5. To guarantee unconditionally or otherwise secure the obligations of one or more political subdivisions (Authority) in respect of their issuances of debt for pollution control, sanitary and solid waste disposal or other eligible facilities financings;

6. To execute and deliver an indenture or supplemental indenture in connection with any proposed issue of Debt Securities;

7. To sell, lease, assign, mortgage or otherwise dispose of or encumber utility property;

8. To have the issuance of certain Debt Securities exempted from the requirements of the Commission's Competitive Bidding Rule; and

9. To be allowed a modification of the Commission's competitive bidding requirements to permit Edison to shorten the period of time between the issuance of an invitation for bids and the scheduled receipt of bids to a period which is the shortest time reasonably required in order to obtain a sufficient number of bids from underwriters, purchasers or other groups; to accelerate, postpone or cancel the scheduled date and time for the receipt of bids; to reject all bids submitted; to request the resubmission of bids, to reschedule subsequent receipt of bids and to vary the amount, terms and conditions of the Debt Securities submitted for bids, all without newspaper publication.

Notice of the filing of the application appeared on the Commission's Daily Calendar of July 11, 1988. No protests have been received.

Edison, a California corporation, operates as a public utility under the jurisdiction of this Commission. Edison generates, purchases, transmits, distributes and sells electric energy in portions of Central and Southern California.

For the three months ended March 31, 1988, Edison reports in its Statement of Income that it generated total operating revenues of $1,303,369,000 and net income of $129,324,000 shown as part of Exhibit A attached to the application. For the 12 months ended March 31, 1988, Edison reports that it generated total operating revenues of $5,512,340,000 and net income of $736,237,000.

Also shown as part of Exhibit A is Edison's Balance Sheet as of March 31, 1988, summarized as follows:

Assets	Amount
Net Utility Plant	$11,381,365,000
Other Property and Investments	436,442,000
Current Assets	1,450,767,000
Deferred Charges	721,156,000
Total	$13,989,730,000
Liabilities and Equity	
Common Equity	$ 4,817,102,000
Preferred/Preference Stock	626,230,000
Long-Term Debt	4,835,845,000
Long-Term Obligations	116,277,000
Current Liabilities	2,652,274,000
Deferred Credits	942,002,000
Total	$13,989,730,000

Debt Securities

Edison seeks authorization to issue Debt Securities directly and/or to fully guarantee the Debt Securities issued by its Subsidiary. If Debt Securities are issued by its Subsidiary, the proceeds may be lent to Edison or to another Subsidiary. The principal amount and the terms and conditions of each issue of Debt Securities will be determined by Edison's management and/or board of directors according to market conditions at the time of sale.

Each issue of Debt Securities may contain a provision allowing it to be redeemed or repaid prior to maturity. An early redemption provision may allow the Debt Securities to be redeemed, or repaid at any time, or it may allow the Debt Securities to be redeemed or repaid only after a certain restrictive period. In either case, the Debt Securities would be redeemable at a premium over par or at a stated price.

Debt Securities may bear a fixed or floating rate of interest and may be issued at par or with an original issue discount or premium. Edison will notify the Commission by letter, promptly after the date of issuance of any Debt Securities, of the terms and conditions of those Debt Securities.

With the exception of medium-term notes, each series of Debt Securities is expected to have a maturity of between one year and 40 years. Medium-term notes are expected to have a maturity of between nine months and 40 years.

With the exception of First and Refunding Mortgage Bonds (as defined below) and direct loans, each issue of Debt Securities may be issued under an indenture to be delivered to the trustee for that issue. The indenture may be a supplemental indenture to a previous indenture. The indenture would set forth the terms and conditions of each issue of Debt Securities.

The following describes in greater detail the types of Debt Securities that may be issued:

A. Secured Debt Securities (Bonds)

Security for Bonds may be included in the form of a lien on property in the form of First and Refunding Mortgage Bonds, a letter of credit, a standby bond purchase agreement, an insurance policy provided by a third party, or through other credit enhancement arrangements. Such credit enhancements may be included to reduce interest cost or improve other credit terms.

The First and Refunding Mortgage Bonds will be issued in accordance with that certain trust indenture dated as of October 1, 1923, which heretofore has been filed with the Commission. The supplemental indenture delivered in connection with each series of Bonds will be in a form consistent with supplemental indentures previously filed with the Commission.

Bonds may be sold to either domestic or foreign investors. Bonds may be sold to underwriters who in turn will offer the Bonds to investors, or may be sold directly to investors either with or without the assistance of a private placement agent. Bonds may be registered with the Securities and Exchange Commission (SEC) and, depending on the method of offering and sale, may be listed on a stock exchange.

In conjunction with the issuance of Bonds, Edison may enter into contractual agreements whereby a third party will provide appropriate credit facilities as security for the Bonds. The cost of the credit facilities will be included in determining the overall cost of the Bonds.

B. <u>Unsecured Debt Securities (Debentures)</u>

Debentures may be sold to either domestic or foreign investors. Debentures may be sold to underwriters who in turn will offer the Debentures to investors or may be sold directly to investors either with or without the assistance of a placement agent. The Debentures may be registered with the SEC and may be listed on a stock exchange.

C. Overseas Indebtedness

Overseas Indebtedness will be issued and sold ultimately to foreign investors and will likely be denominated in U.S. dollars. This type of financing can be advantageous when demand for dollar-denominated securities is high. Overseas Indebtedness would be issued and sold only when these issuances result in an overall cost of money to Edison or Subsidiary lower than issuances of comparable domestic debt securities in the U.S. market.

D. Foreign Currency Denominated Securities (Foreign Securities

Edison and/or Subsidiary may issue Foreign Securities with the payment of interest or principal, or both, denominated in a foreign currency. Foreign Securities may be sold to foreign or domestic investors and may be denominated in any major foreign currency, including, but not limited to Dutch guilders; Austrian schillings; British pounds; French francs; German marks; Australian, New Zealand, or Canadian dollars; Japanese yen; Swiss francs or European Currency Units. Foreign Securities will be issued only if the borrowing costs, including all transaction and foreign exchange contract costs, are lower than a comparable U.S. dollar financing.

Edison and/or Subsidiary will enter into one or a series of forward contracts by which a counterparty would be obligated to pay Edison and/or Subsidiary the foreign currency for debt servicing. In exchange, Edison and/or Subsidiary will pay a counterparty U.S. dollars based on a pre-determined formula. This contract would be with a major financial intermediary (like a commercial bank) or directly with a principal in need of U.S. dollars. The cost of the forward contract will be included for determining the overall cost of Foreign Securities.

E. Medium-Term Notes (Notes)

Notes may be offered on a continuous or periodic basis and may be sold privately or publicly in the domestic or foreign capital markets. If sold in foreign capital markets, Notes may be denominated in U.S. dollars or in a foreign currency. If Notes are denominated in a foreign currency, Edison and/or Subsidiary will enter into a separate contract whereby its debt servicing would be converted to U.S. dollars.

Notes may require registration under the federal securities laws by the filing of a registration statement which includes a prospectus, an indenture and other pertinent documents. Notes may be issued as part of a program on a continuous or periodic basis. Edison and/or Subsidiary may sell Notes through a placement agent who markets Notes on a reasonable efforts basis. Edison and/or Subsidiary also may sell Notes to underwriters who in turn offer Notes to investors or may sell Notes directly to investors. These Notes may be listed on a stock exchange.

If Notes are sold through a placement agent, at least two agents will be used to ensure competitive pricing. Based on market conditions and consultation with the placement agents, Edison and/or Subsidiary would determine the interest rates at which it would be willing to issue Notes of various maturities. The placement agents would be notified of those interest rates. The rates can be continuously updated to reflect changing market conditions and Edison's and/or Subsidiary's demand for funds.

F. Direct Loans (Loans)

Edison and/or Subsidiary anticipate that, from time to time, it may be advantageous to borrow directly from banks, insurance companies or other financial institutions. Edison and/or Subsidiary would enter into these Loans only when the Loans are designed to result in an overall cost of money lower than that available through the issuance of alternative debt securities.

G. Notice Regarding Foreign Securities and Notes Denominated in a Foreign Currency

Edison is placed on notice, by this decision, that the Commission will review the reasonableness of the effective interest rates for Foreign Securities and Notes issued by Edison and/or Subsidiary in a foreign denominated currency. Any reductions in the effective cost of money resulting from currency value fluctuation will be passed on to Edison's ratepayers in future ratemaking proceedings as a reduction of the cost of money for all Debt Securities in Edison's capital structure. Any losses incurred by Edison and/or Subsidiary as a result of currency value fluctuations on the redemption, refunding or conversion of any of its Debt Securities will not be passed on to the ratepayers in future rate proceedings as increases on the cost of money of all Debt Securities in Edison's capital structure.

Features to Enhance Debt Securities

Edison requests authorization to include at its discretion one or a combination of the following additional features in Edison's or Subsidiary's Debt Securities. These features will be used as appropriate to improve the terms and conditions of Edison's and/or Subsidiary's Debt Securities and to lower Edison's overall cost of money for the benefit of its ratepayers.

A. Put Option

Edison anticipates that, from time to time, the cost of Edison's and/or Subsidiary's Debt Securities may be reduced by the inclusion of a "put" option. This would allow the holders of Debt Securities to require Edison and/or Subsidiary to repurchase all or a portion of each holder's securities. This is the reverse of a "call" provision whereby Edison and/or Subsidiary would have the right to force the debtholders to sell the Debt Securities back to the company. Debtholders are willing to accept a lower interest rate in exchange for the protection that a put option offers them.

B. Sinking Fund

Edison anticipates that, from time to time, the cost of Edison's and/or Subsidiary's Debt Securities may be reduced by the use of a "sinking fund". Historically, for issuers of high credit standing, the financial marketplace has not valued the sinking fund option sufficiently for its use. However, Edison and Subsidiary wish to preserve the ability to use this option should a market preference develop.

A sinking fund may operate in either of two ways: (a) Edison and/or Subsidiary may not set aside a sum of money periodically so that, at the maturity date of the bond issue, there is a pool of cash available to redeem the issue, or (b) Edison and/or Subsidiary may periodically redeem a specified portion of the bond issue. In this way, at the maturity date of the bonds, less than the original face value of the bond issue will remain outstanding. Typically, Edison and/or Subsidiary would have the right to meet its sinking fund obligations by either calling a certain number of bonds or purchasing the bonds in the open market.

C. Tax-Exempt Feature

Edison anticipates that, from time to time, the cost of Edison's Debt Securities may be reduced by placing the securities with an Authority and unconditionally guaranteeing or otherwise securing the Authority's obligations in respect of its issuances of tax-exempt debt in connection with the financing of Edison's facilities. Edison anticipates using the tax-exempt option whenever its facilities qualify for tax-exempt financing under federal law. In order to obtain the benefits of tax-exempt financing for pollution control, sanitary and solid waste disposal or other eligible facilities, Edison proposes to engage in one or more financings with an Authority. Edison contemplates that the proposed financings would be structured substantially as follows:

(1) An Authority would issue and sell one or more series of its bonds, notes, debentures, or other securities (Authority Bonds) (plus accrued interest) to a group of underwriters who would ultimately market these Authority Bonds to investors;

(2) Concurrently with the sale and delivery of these Authority Bonds, Edison would enter into a loan agreement or other security agreement with the Authority, or would enter into an Installment Sale Agreement with the Authority under which pollution control facilities would be conveyed to the Authority in consideration for the proceeds of the Authority Bonds, and the facilities would subsequently be reconveyed to Edison in consideration for Edison's Debt Securities. The operation and control of the facilities would remain with Edison or the project operator at all times; and

(3) Concurrently with the sale and delivery of the Authority Bonds, Edison would issue and deliver to the Authority, in consideration of the Authority's obligations set forth in (2) above, Edison's Debt Securities (plus accrued interest) with the terms and conditions of the indebtedness to be substantially consistent with the terms and conditions of the Authority Bonds or would unconditionally guarantee or otherwise secure the Authority's obligations in respect of the Authority

> Bonds. All rights, title and interest of the Authority in Edison's Debt Securities would be assigned to a trustee under an indenture pursuant to which the Authority Bonds would have been issued, as security for the purchasers of the Authority Bonds.

D. <u>Warrants</u>

Edison anticipates that, from time to time, the cost of Edison's and/or Subsidiary's Debt Securities may be reduced by attaching warrants to the securities. Each warrant would entitle the holder to purchase an additional bond or debenture with pre-established terms and conditions (Debt Warrants) or to purchase a share of common stock (Stock Warrants). The Debt Security to be issued upon exercise of a Debt Warrant would bear interest at a pre-established rate and would mature at a pre-established time. No additional underwriting fees would be incurred upon exercise of the warrants. Debt Warrants would most likely be exercised if interest rates decline below the pre-established rate and would most likely expire unexercised if rates remain above the pre-established rate. Stock Warrants would most likely be exercised if the common stock rose above a pre-established price and would most likely expire unexercised if the common stock price remained below the pre-established price. Edison believes there are intervals when investors over-value warrants to the advantage of the issuer. The higher the value placed on the warrants, the greater the potential savings to ratepayers, even if the warrants are exercised, could still realize savings because of the premium received from the sale of the warrants.

Interest Rate Protection

In normal market conditions, variable interest rate debt initially carries a lower interest rate than comparable fixed rate debt. However, there is the possibility that the variable rate could increase so that the average variable rate is higher than the fixed rate. In order to reduce ratepayers' exposure to interest rate risk, Edison and/or Subsidiary may negotiate some type of maximum rate, usually called a "cap". In that case, even if variable rates increase above the cap or "ceiling" rate, Edison and/or Subsidiary would only pay the ceiling rate. In addition to the ceiling rate, sometimes the counterparty to the contract desires to have a "floor" rate. In the event that the variable rate falls below the floor rate, Edison and/or Subsidiary would pay the floor rate. The floor and ceiling rates are called "interest rate collars" because the interest rate fluctuates within a band which is negotiated between Edison and/or Subsidiary and the counterparty. Such protection for variable rate obligations is not unlike protection negotiated by consumers for variable rate home mortgages. Caps or collars entered into by Subsidiary may be guaranteed by Edison.

Exemption from Competitive Bidding

Exhibit A to Commission Resolution #F-616, dated October 1, 1966, states, "Securities privately placed with specific lenders and bank term loans obviously must be negotiated. Competitive bidding is not presently available in European or Japanese markets. Certain tax-exempt pollution control bonds have terms which are specifically negotiated. Variable interest rate debt is normally completed on a negotiated basis. It is reasonable that these types of debt instruments should be exempt from the Competitive Bidding Rule." Moreover, Notes are sold through a placement agent on a reasonable efforts basis in a manner analogous to that used for commercial paper. Therefore, Edison requests an exemption from the Competitive Bidding Rule with respect to obtaining Loans, issuing variable rate Debt Securities, and issuing Overseas Indebtedness, Foreign Securities and Notes. However, fixed-rate Bonds and Debentures sold publicly in the domestic market will be offered through competitive bidding.

In addition, to provide added flexibility to take advantage of market opportunities, Edison requests that the Commission modify its Competitive Bidding Rule to permit Edison to use the following procedures:

1. To shorten the period of time between the issuance of an invitation for bids and the scheduled receipt of bids to a period which is the shortest time reasonably

required in order to obtain a sufficient number of bids from underwriters, purchasers or groups thereof (which time period may be as short as a few hours) and

2. To further modify the Competitive Bidding Rule to permit Edison to do the following:

   a. To accelerate, postpone or cancel the scheduled date and time for receipt of bids;
   b. To reject all bids submitted;
   c. To request the resubmission of bids;
   d. To reschedule subsequent receipt of bids and
   e. To vary the amount, terms and conditions of the Debt Securities submitted for bids.

All of the above to be without newspaper publication.

The Commission Advisory and Compliance Division (CACD) has reviewed Edison's request and reasons for further modification of the Competitive Bidding Rule as modified by Resolution F-616. The CACD has determined that Edison has made a compelling showing that the exemptions requested are warranted and recommends that Edison's requests be granted. We will accept the CACD's recommendation.

We place Edison on notice that in its next general rate proceeding before the Commission, the reasonableness of the interest rate and cost of money resulting from the issue of Edison's and/or Subsidiary's Debt Securities will be closely scrutinized and may result in a disallowance of the interest expense, if it is determined that the cost of money incurred was not prudent. We will also require Edison to provide us with a showing of why

Edison believes that the resulting interest rate and cost of money were advantageous to Edison and its ratepayers. We will require this showing within a reasonable period of time after issuance of its Debt Securities.

Use of Proceeds

Edison proposes to use the proceeds from the issuance and sale of its Debt Securities, or the proceeds lent to Edison from the issuance and sale of Debt Securities by Subsidiary, other than for payment of accrued interest, (if any) and after payment or discharge of obligations incurred for expenses incident to their issuance and sale to reimburse Edison for money it has actually expended from income or from any other money in its treasury not secured by or obtained from the issuance of stocks, stock certificates or other evidences of interest or ownership, or bonds, notes, or other evidences of Edison's indebtedness, for the acquisition of property, or for the construction, completion, extension or improvement of Edison's facilities exclusive of maintenance of service and replacements and/or for the retirement or the refunding of securities previously issued and upon which Edison paid the fees prescribed by Code Section 1904(b). The amounts so reimbursed will become a part of Edison's general treasure funds.

Capital Ratios

Edison's capital ratios reported as of March 31, 1988 are shown below as recorded and adjusted to give pro forma effect to the transactions that follow:

Component	March 31, 1988	Pro Forma
Long-Term Debt	42.6%	49.0%
Short-Term Debt	9.4	7.9
Total Debt	52.0	56.9
Preferred/Preference Stock	5.6	5.4
Common Equity	42.4	37.7
Total	100.0%	100.0%

1. The proposed sale of up to $300,000,000 aggregate principal amount of Edison's Debt Securities;

2. The authorized but unissued $900,000,000 aggregate principal amount of Edison's Debt Securities (Decision (D.)88-07-069 dated July 22, 1988 in Application (A.)88-03-024);

3. The authorized but unissued $244,700,000 aggregate principal amount of Edison's Debt Securities (D.86-06-056 dated June 25, 1966 extended by D.88-05-008 in A.86-05-004);

4. The authorized but unissued $50,000,000 aggregate principal amount of Edison's Debt Securities (D.88-03-030 dated March 9, 1988 in A.88-01-001);

5. The authorized but unissued $100,000,000 aggregate principal amount of Preferred/Preference Stock (D.92933 dated April 21, 1981 extended by D.87-05-001 dated May 13, 1987 in A.60331);

6. The authorized but unissued $194,250,000 aggregate amount of 6,000,000 shares of Edison's Common Stock (D.93677 dated November 3, 1981 extended by D.86-12-012 dated December 3, 1986 in A.60926);

7. The potential sale of up to $48,562,000 aggregate amount of 1,500,000 shares of Edison's Common Stock

under a Long-Term Incentive Plan (Authorized by (D.87-07-010 dated July 8, 1987 in A.87-05-005);

8. The issue and sale of $150,000,000 First and Refunding Mortgage Bonds, Series 88B in April 1988 (D.88-03-030 dated March 9, 1988 in A.88-01-001);

9. The negotiated $50,000,000 loan in April to finance a part of balancing account obligations (D.87-09-050 dated September 23, 1987 in A.87-07-027);

10. The issuance and sale of $100,000,000 First and Refunding Mortgage Bonds, Series 88C in July 1988 (D.88-03-030 dated March 9, 1988 in A.88-01-001);

11. The retirement of $60,000,000 First and Refunding Mortgage Bonds, Series Q in April 1988 (D.65320 dated May 7, 1963 in A.45347);

12. The sinking fund redemption of $2,250,000 of Preferred Stock, 8.54% Series in June 1988 (D.90710 dated August 28, 1979 in A.58994);

13. The sinking fund redemption of $2,625,000 of Preferred Stock, 8.70% Series A in June 1988 (D.90103 dated March 27, 1979 in A.58668);

14. The sinking fund redemption of $7,000,000 of Preferred Stock, 12.31% Series in April 1988 (D.92933 dated April 21, 1981 in A.60331); and

15. The redemption of $850,000 of Preferred Stock 7.80% Series in July 1988 (D.88031 dated October 15, 1977 in A. 57572).

Edison is placed on notice, by this decision, that the Commission does not find that its capital ratios or the inclusion of short-term debt in its capital structure are necessary or reasonable for ratemaking purposes. These are issues which are normally tested in general rate or rate base offset proceedings.

Construction Budgets

Edison's estimated construction budgets for calendar years 1988, 1989 and 1990 amount to about $2,210,000,000. Major classification of the total budgeted construction are summarized as follows:

Components	1988	1989	1990
	(Millions of Dollars)		
Electric Generating Plant	$171	$154	$129
Electric Transmission Lines and Substations	177	106	110
Electric Distribution Lines and Substations	464	399	382
Other Expenditures	71	66	63
Total	$883	$725	$684
Less: Allowance for Funds Used During Construction	34	22	25
Funds Used and/or Required for Construction Expenditure	$849	$703	$659

Edison is placed on notice, by this decision, that the Commission does not find Edison's construction budgets are necessary or reasonable for ratemaking purposes. These are issues normally tested in general rate or rate base offset proceedings.

Cash Requirements Forecasts

Components	1988	1989	1990
	(Thousands of Dollars)		
Funds needed for Construction Expenditures	$ 849,000	$ 703,000	$ 659,000
Bond Maturities and Redemptions	253,781	134,016	248,261
Bond Sinking Fund Requirements	5,250	5,250	5,250
First Mortgage Bonds (Calectric)	12,000	0	12,000
Preferred/Preference Stock Requirements:			
$100 Cumulative Preferred Stock	18,726	11,863	11,738
$25 Cumulative Preference Stock	28,864	0	0
Short-Term Debt Outstanding at the beginning of year	21,000	197,000	312,000
Subtotals	$1,188,621	$1,051,129	$1,248,249
Less: Estimated Internal Cash Generation	409,000	829,000	875,000
Additional Funds Required from External Sources	$ 779,621	$ 222,129	$ 373,249

The CACD has analyzed Edison's cash requirements forecast for 1988, 1989 and 1990 provided the CACD in Edison's Supplemental Data as shown in Schedule III. The CACD has concluded that internally generated funds will provide about 34% or $409,621,000 of the capital requirements in 1988, 79% or $829,000,000 in 1989 and 70% or $875,000,000 in 1990. The CACD concludes that the proposed sale of Edison's Debt Securities is necessary to help meet forecasted cash requirements which includes capital expenditures.

The CACD has reviewed the application and has concluded that the proposed sale of Edison's Debt Securities is reasonable and that the authority should be granted.

Findings of Fact

1. Edison, a California corporation, operates as a public utility subject to the jurisdiction of this Commission.

2. The proposed Debt Securities would be for proper purposes.

3. The money, property or labor to be procured, or paid for, by the proposed Debt Securities is reasonably required for the purposes specified in the application.

4. Transactions which relate to obtaining Loans, issuing variable rate Debt Securities and issuing Overseas Indebtedness, Foreign Securities and Notes should not be required to be made through the Commission's Competitive Bidding Rule. With respect to fixed-rate Bonds and Debentures sold publicly in the domestic market, it is in the public interest to modify the Commission's competitive bidding requirements to permit Edison to shorten the period of time between the issuance of an invitation for bids and the scheduled receipt of bids to a period which is the shortest time reasonably required in order to obtain a sufficient number of bids from underwriters, purchasers or groups thereof. Edison may accelerate, postpone or cancel the scheduled date and time for receipt of bids, request the resubmission of bids, reschedule

subsequent receipt of bids and vary the amount, terms and conditions of the Debt Securities submitted for bids, all of the above to be without newspaper publication.

7. It is proper for ratemaking purposes that any reduction in the effective cost of money resulting from currency value fluctuations on Debt Securities issued in a foreign-denominated currency be passed on to ratepayers in future rate proceedings as a reduction in the cost of money for all Debt Securities.

8. There is no known opposition and there is no reason to delay granting the authority requested.

Conclusions of Law

1. A public hearing is not necessary.

2. The application should be granted to the extent set forth in the order which follows.

The proposed Debt Securities are for lawful purposes and the money, property or labor to be obtained, or paid for, by the Debt Securities is required for these purposes. Proceeds from the Debt Securities may not be charged to operating expenses or income.

The following order should be effective on the date of signature and payment of the fee set by Code Section 1904(b) to enable Edison to issue its Debt Securities expeditiously.

O R D E R

IT IS ORDERED that:

1. At any time or times after the effective date of this order and on or prior to December 31, 1990, Southern California

Edison Company (Edison) may issue, sell and deliver one or more series of First and Refunding Mortgage Bonds (Bonds), Debentures, Overseas Indebtedness, Foreign Securities and Notes; enter into Loans; fully guarantee the Debentures, Overseas Indebtedness, Foreign Securities, Notes and Loans of Subsidiary, the proceeds of which may be lent to Edison or to another Subsidiary, and/or guarantee unconditionally or otherwise secure the obligations of one or more Authorities in respect of their issuance of Authority Bonds for pollution control, sanitary and solid waste disposal or other eligible facilities. Those Debt Securities may include one or a combination of the features to enhance Debt Securities as set forth in greater detail in the application and related proceedings, and will be issued upon terms and conditions substantially consistent with those set forth in, or contemplated by, the application and any letters, documents, exhibits or information submitted to the CACD in connection with these proceedings. The total aggregate principal amount of issuances of Debt Securities and guarantees which may be made under the application shall not exceed $300,000,000.

2. Edison may execute and deliver an indenture, or one of more supplemental indentures and sell, lease, assign, mortgage or otherwise dispose of, or encumber, utility property in connection with the issuance and sale of any Debt Securities hereunder.

3. Edison may issue, sell and deliver Debt Securities by public offerings or private placements.

4. Edison's proposed issuance and sale of variable rate Debt Securities, Overseas Indebtedness, Foreign Securities, Notes and obtaining of Loans are exempted from the requirements of the Commission's Competitive Bidding Rule.

5. Edison may shorten the period of time between the issuance of an invitation for bids and the scheduled receipt of bids to a period which is the shortest time reasonably required in order to obtain a sufficient number of bids from underwriters, purchasers or groups thereof. Edison may accelerate, postpone or cancel the scheduled date and time for receipt of bids, request the resubmission of bids, reschedule subsequent receipt of bids and vary the amount, terms and conditions of the Debt Securities submitted for bids, all of the above to be without newspaper publication.

6. Edison shall apply the proceeds of the indebtedness authorized for the purpose specified in the application.

7. Within 30 days after awarding the contract for the sale of Debt Securities by competitive bidding, Edison shall file a written report with the Commission Advisory and Compliance Division (CACD) showing for each bid received, the name of the bidder, the price, the interest rate and the cost of money to Edison based on the price and interest rate.

8. If the Debt Securities are sold by means of a public offerings, Edison shall file with the CACD three copies of its final prospectus pertaining to the Debt Securities, as soon as practicable, after the prospectus is available.

9. Within 30 days after the issuance and sale of any series of Debt Securities by means of negotiated underwritten public offerings or negotiated private placements, including commercial bank borrowings, in either the domestic or foreign markets, Edison shall file with CACD a report showing why the resulting interest rate and cost of money were the most advantageous to Edison and its ratepayers.

10. If Edison enters into contractual agreements to induce third parties to provide credit enhancements in conjunction with the issue and sale of Debt Securities, within 30 days after the issuance and sale of any series of Debt Securities, Edison shall file with the CACD a detailed listing of the costs of the credit enhancements and a report showing why Edison believes the cost of money and cost of the credit enhancements were advantageous to Edison and its ratepayers.

11. Edison shall file the reports required by General Order Series 24.

12. The application is granted as set forth above.

The authority granted by this order to issue Debt Securities will become effective when Edison pays $126,000, the fee set by Public Utilities Code Section 1904(b) after taking credit for the redemption of $60,000,000 of First and Refunding Mortgage Bonds, Series Q, retired in May 1988.

This order is effective today.

Dated AUG 24 1988, at San Francisco, California.

STANLEY W. HULETT
President
DONALD VIAL
FREDERICK R. DUDA
G. MITCHELL WILK
JOHN B. OHANIAN
Commissioners

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
PAID
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$126,000
By

I CERTIFY THAT THIS DECISION WAS APPROVED BY THE ABOVE COMMISSIONERS TODAY.

Victor Weisser

Victor Weisser, Executive Director