CACD/RHG

Decision 92 10 055 OCT 2 1992

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN CALIFORNIA EDISON COMPANY U-338-E, for an Order authorizing the issuance and sale of one or more series of Debt Securities, the total aggregate principal amount of such indebtedness and guarantees not to exceed $700,000,000; to sell, lease, assign, mortgage, or otherwise dispose of or encumber utility property; and for an exemption from the Commission's Competitive Bidding Rule.	Application No. 92-08-026 (Filed August 19, 1992)

OPINION

Summary of Decision

This Decision grants Southern California Edison Company (Edison) the authority requested in Application (A.) 92-08-026.

Edison requests authority, pursuant to Sections 816 through 818 of the Public Utilities (PU) Code for the following:

1. To issue, sell, and deliver at any time or times within two years from the date of authorization one or more series of First and Refunding Mortgage Bonds (Bonds), Unsecured Debt Securities (Debentures), Overseas Indebtedness, Foreign Securities, Medium-Term Notes (Notes), Commercial Paper, and other Floating Rate debt, to enter into Loans (collectively, Debt Securities) and/or to fully guarantee the Debt Securities of a regulated direct or indirect subsidiary of Edison (Subsidiary), and/or to guarantee unconditionally or otherwise secure the obligations of one or more Authorities in respect of their issuance of debt for pollution control, sanitary and solid waste disposal, or other eligible facilities;

2. To renew and/or refund Debt Securities issued pursuant to this Application, so that the combined term of the obligations may exceed twelve (12) months without the need for further authorization from the Commission;

3. To arrange for credit agreements, credit facilities, or such other documents as may be necessary for the purpose of issuing the securities contemplated in the Application, and to modify such credit facilities in the manner set forth in this Application without further authorization from the Commission;

4. To execute and deliver an indenture or supplemental indenture in connection with any issue of Debt Securities, and to sell, lease, assign, mortgage, or otherwise dispose of or encumber utility property in connection with the issuance and sale of Debt Securities;

5. To issue, sell, and deliver Debt Securities by public offering or private placement;

6. To exempt Edison from the Commission's Competitive Bidding rule with respect to obtaining loans, issuing variable-rate Debt Securities, and issuing Overseas Indebtedness, Foreign Securities, and Notes;

7. To provide that the total aggregate principal amount of issuances of Debt Securities and guarantees which may be made pursuant to this Application shall not exceed $700,000,000, and that the proceeds herefrom shall be applied for the purposes referred to in this Application, and that the money, property, and labor to be procured or paid with the net proceeds therefrom is reasonably required for the purposes specified in this Decision and that such proceeds, are not, in whole or in part, chargeable to operating expenses or to income;

8. 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 or purchasers or groups thereof. To accelerate, postpone, or cancel the scheduled date and time for 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 of the above to be without newpaper publication;

9. To provide that Edison may utilize at its discretion certain credit enhancements and may enter into caps and collars;

There are no substantive differences between this Application and Edison's previous A.92-01-009, wherein the Commission issued Decision (D.) 92-05-066, dated May 20, 1992 granting Edison the authority to issue, sell, and guarantee Debt Securities not to exceed $800,000,000.

Notice of the filing of the Application appeared on the Commission's Daily Calendar of August 24, 1992. No protests have been received.

Background

Edison, a California corporation, is a public utility under the jurisdiction of this Commission, and is primarily engaged in the business of generating, purchasing, transmitting, distributing, and selling electric energy for light, heat, and power in portions of central and southern California.

In D.92-06-068, dated June 17, 1992, whereby Edison was authorized to issue and sell $200,000,000 of Cumulative Preferred Stock and Preference Stock, the Commission indicated that Edison generated total operating revenues of $7,297,759,000 and net income of $629,553,000 for the year ended December 31, 1991. For the six months ended June 30, 1992 (unaudited), Edison reported it generated total operating revenues of $3,395,180,000 and net income of $297,793,000 shown as part of Exhibit A, page A23 to the Application.

Edison's Balance Sheet is summarized below:

Assets	As of Dec. 31, 1991	As of June 30, 1992
Net Utility Plant	$11,183,970,000	$11,069,082,000
Other Property and Investments	588,722,000	664,698,000
Current Assets	1,744,975,000	1,444,770,000
Deferred Charges	1,153,168,000	1,107,556,000
Total	$14,670,835,000	$14,286,106,000
Liabilities and Equity		
Common Equity	$ 4,589,488,000	$ 4,737,457,000
Preferred Stock	557,510,000	626,080,000
Long-Term Debt	5,802,018,000	5,402,152,000
Current Liabilities	2,686,356,000	2,537,282,000
Deferred Credits	1,035,463,000	983,135,000
Total	$14,670,835,000	$14,286,106,000

Debt Securities

Edison seeks authorization to issue Debt Securities within a period of two years, the total aggregate principal amount not to exceed $700,000,000. 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.

Edison proposes to issue any of the following Debt Securities:

1. Bonds

Security for Bonds may be included in the form of a lien on property (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 costs or improve other credit terms and the cost of such credit enhancements would be included in the cost of the Bonds.

2. Debentures

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. Debentures may be registered with the Security and Exchange Commission (SEC) and may be listed on a stock exchange.

3. Overseas Indebtedness

Overseas Indebtedness will be issued and sold ultimately to foreign investors and will likely be denominated in U.S. dollars. Overseas Indebtedness may be sold to underwriters who in turn will offer the Overseas Indebtedness to investors or may be sold directly to investors either with or without the assistance of a placement agent. Overseas Indebtedness would be issued and sold only when such issuances result in an overall cost of money to Edison and/or Subsidiary that is lower than issuances of comparable domestic debt securities in the U.S. market.

4. 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. 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.

5. Notes

Notes may be offered on a continuous or periodic basis. Notes 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 service payments would be converted to U.S. dollars.

Notes may require registration under the federal securities laws. 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 may also sell Notes to underwriters who in turn offer Notes to investors or may sell Notes directly to investors. Notes may be listed on a stock exchange.

If Notes are sold through a placement agent, Edison and/or Subsidiary would determine the interest rates at which it would be willing to issue Notes of various maturities. The placement agent 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.

6. 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 such 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.

7. Commercial Paper

Edison anticipates it and/or Subsidiary may issue Commercial Paper with maturities of nine (9) months or less. Previously issued Commercial Paper may be refunded or rolled over. The Commercial Paper may be sold privately or publicly in the domestic or foreign capital markets through placement agents who market Commercial Paper on a reasonable efforts basis, or may be sold directly to investors.

Edison anticipates it or Subsidiary (acting at Edison's direction) will arrange a long-term credit agreement (Credit Agreement) with banks or other financial institutions to provide liquidity support for the Commercial Paper indebtedness. Edison or Subsidiary (acting at Edison's direction) may from time to time make modifications to the Credit Agreement to improve the terms and conditions. In addition, one or more new financial institutions may be added to or substituted for the institutions initially participating in the Credit Agreement, and one or more of these institutions may be removed or have their respective percentage participation adjusted. At the expiration of the Credit Agreement, Edison and/or Subsidiary may renew or replace it.

The Commmercial Paper interest rate will include the effective yield plus any expenses associated with issuing Commercial Paper. These expenses include, but are not limited to, dealer commissions, issuing and paying agent fees, and Credit Agreement fees.

8. Other Floating Rate Debt

Opportunities may arise from time to time for Edison and/or Subsidiary to use other Floating Rate Debt which may lower the overall cost of money. The types of such debt include, but are not limited to, debt instruments bearing interest based on the prime rate of banks, bankers' acceptances, and new short-term variable rate instruments which may become available in the capital markets at attractive rates.

PU Code Section 701.5 prohibits utilities from issuing any bond or note, guaranteeing financial transactions, or pledging utility assets for or on behalf of their subsidiaries, but allows exceptions in some instances. The subsidiary to which Edison refers in the foregoing discussion is SCE Capital Company, a wholly owned subsidiary of Edison, for which guarantees are allowable under PU Code Section 701.5(a) by virtue of its revenues and expenses being included by the Commission in establishing Edison's rates.

We will therefore grant Edison the authority to issue Debt Securities, guarantee, or pledge its assets on behalf of SCE Capital Company. The features of the proposed Debt Securities and the ability to attract capital at the lowest cost possible will benefit the interests of Edison and its ratepayers.

Terms and Conditions

With the exception of Commercial Paper, 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.

With the exception of Notes, Commercial Paper, and other Floating Rate Debt, each series of Debt Securities is expected to have a maturity of between one (1) year and forty (40) years. Commercial Paper may be issued with maturities of nine (9) months or less, but may be rolled over for periods exceeding twelve (12) months. Notes are expected to have a maturity of between nine (9) months and forty (40) years. The maturities of other Floating Rate Debt will be determined at the time of issue.

With the exception of Bonds, Loans, Commercial Paper, and other Floating Rate Debt, each issue of Debt Securities may be issued under an indenture or a supplement to an existing indenture to be delivered to the trustee for such issue. The indenture or supplemental indenture would set forth the terms and conditions of each issue of Debt Securities.

Features to Enhance Debt Securities

The following features will be used as appropriate to improve the terms and conditions of Edison's Debt Securities and to lower its overall cost of money for the benefit of ratepayers:

1. 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 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.

2. Sinking Fund

Edison anticipates that from time to time the cost of Debt Securities may be reduced by the use of a sinking fund. At times, 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 again.

3. Tax-Exempt Feature

Edison anticipates that from time to time the cost of Edison's Debt Securities may be reduced by placing such securities with one or more political subdivisions (Authority) and unconditionally guranteeing or otherwise securing such 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 and/or state law. In order to obtain the benefits of tax-exempt financing, Edison proposes to engage in one or more financings with an Authority. It is currently contemplated that such proposed financings would be structured substantially as follows:

a. An Authority would issue and sell one or more series of its bonds, notes, debentures or other securities (Authority Bonds) to a group of underwriters who would ultimately market such Authority Bonds to investors.

b. Concurrent with the sale and delivery of such Authority Bonds, and in consideration for the proceeds of the 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. Pollution control facilities may be conveyed to the Authority 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.

c. Concurrent with the sale and delivery of such Authority Bonds, Edison would issue and deliver to the Authority, in consideration of

> the Authority's obligations set forth in (b) above, Edison's Debt Securities (the terms and conditions of such indebtedness to be substantially consistent with the terms and conditions of such Authority Bonds) or would unconditionally guarantee or otherwise secure such Authority's obligations in respect of the Authority Bonds. All rights and title of such 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.

4. Warrants

Edison anticipates that from time to time the cost of Edison's and/or Subsidiary's Debt Securities may bC reduced by attaching warrants to such 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 price 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, ratepayers could still realize savings because of the premium received from the sale of the warrants.

Interest Rate Caps and Collars

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 a 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, at times 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. Such floor and ceiling rates are called interest rate collars because the interest fluctuates within a band which is negotiated between Edison and/or Subsidiary and the counterparty. Such protection for variable-rate obligations is similar to protection negotiated by consumers for variable-rate home mortgages.

Caps and collars entered into by Subsidiary may be guaranteed by Edison.

<u>Exemption from Competitive Bidding</u>

Exhibit A to Commission Resolution No. F-616, dated October 1, 1986, 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."

Edison believes that because Notes are sold through a placement agent on a reasonable efforts basis in a manner analogous to that used for Commercial Paper, Notes should likewise be exempt from the Commission's Competitive Bidding Rule.

Therefore, Edison request an exemption from the Commission's 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 (other than tax-exempt securities) sold publicly in the domestic market will be offered through competitive bidding.

In addition, to take advantage of market opportunities and to provide added flexibility, Edison requests exemption from the Competitive Bidding Rule by adopting the following procedures, without notice by newspaper publication:

a. 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 or purchasers or groups thereof (which time period may be as short as a few hours); and

b. To accelerate, postpone, or cancel the scheduled date and time for 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 sumitted for bids.

The Commission Advisory and Compliance Division (CACD) has reviewed Edison's reasons to deviate from the Competitive Bidding Rule and has determined that debt issues for which competitive bidding is not viable or available warrant exemption from the rule. In addition, based on current economic and financial conditions, certain deviations from the rule are allowable. We agree that the exemptions requested are warranted and will grant them.

We place Edison on notice that in its next cost of capital proceedings, the reasonableness of the interest rate and cost of money resulting from the issue of 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 thirty days (30) after issuance of Debt Securities.

Construction Budget

Edison's estimated construction program for calendar years 1992 and 1993, included as Supplemental Schedule I to the Application, is summarized as follows:

Components	1992	1993
Electric Generating Plant	$ 287,000,000	$ 319,000,000
Electric Transmission Lines and Substations	161,000,000	127,000,000
Electric Distribution Lines and Substations	442,000,000	445,000,000
Other Expenditures	137,000,000	127,000,000
Total	$1,027,000,000	$1,018,000,000
Less: Allowance for Funds Used during Construction	34,000,000	32,000,000
Cash Required for Construction Expenditures	$ 993,000,000	$ 986,000,000

The proposed Debt Securities are necessary for Edison's construction requirements. However, Edison is placed on notice, by this decision, that the Commission does not find that Edison's construction budget is necessary or reasonable for ratemaking purposes. These are issues which are normally tested in general rate cases or rate base offset proceedings.

Capital Ratios

Edison's capitalization ratios as of December 31, 1991, and as reported in its Supplemental Schedule VI, are shown below as recorded and adjusted to give *pro forma* effect to the transactions that follow:

	Recorded		Pro Forma	
	Amount	Percentage	Amount	Percentage
Long-Term Debt	$ 5,685,199,000	49.5%	$ 6,818,349,000	53.3%
Short-Term Debt	635,418,000	5.5%	635,418,000	5.0%
Total Debt	$ 6,320,617,000	55.0%	$ 7,453,767,000	58.3%
Preferred Stock	569,248,000	5.0%	744,443,000	5.8%
Common Equity	4,589,488,000	40.0%	4,589,488,000	35.9%
Total	$11,479,353,000	100.0%	$12,787,698,000	100.0%

Long-Term Debt

1. Debt securities related to fuel inventories - Authorized but unissued $288,200,000
2. Debt securities related to balancing accounts - Authorized but unissued $280,400,000
3. Debt Securities - Authorized but unissued $341,600,000
4. Debt Securities - Proposed issuance $700,000,000
5. Debt Securities - Series 92A issued in February 1992 $200,000,000
6. Debt Securities - Series 92B issued in April 1992 $150,000,000
7. Debt Securities - 4 7/8% Notes issued July 1992 $150,000,000
8. Debt Securities - Series 92D issued in July 1992 $300,000,000
9. Debt Securities - Pollution Control Bonds Series 92C issued in July 1992 - $30,000,000
10. The redemption of the following:

a.	Series JJ	- ($200,000,000)
b.	Series KK	- (63,000,000)
c.	Series Y	- (100,000,000)
d.	Series Z	- (100,000,000)
e.	Series FF	- (150,000,000)
f.	Series 90A	- (100,000,000)
g.	Series V	- (80,000,000)
h.	Series W	- (100,000,000)
i.	Series X	- (75,000,000)
j.	Series 86H	- (200,000,000)
k.	Series AA	- (100,000,000)
l.	14 3/8% Australian $ Notes	- (38,000,000)
m.	Sinking fund of Series DDP	- (1,050,000)

Preferred/Preference Stock

1. Preferred/Preference Stock - Authorized but unissued
   $100,000,000
2. Cumulative Preferred Stock, 7.36% Series
   $100,000,000
3. $100 Cumulative Preferred Stock, 7.23% Series
   $100,000,000
4. $100 Cumulative Preferred Stock, 6.45% Series
   $100,000,000
5. The redemption of the following:

a. 8.70% Series	($50,000,000)
b. 8.96% Series	(50,000,000)
c. 12.31% Series	(27,680,000)
d. 8.70% Series A	(39,375,000)
e. 8.54% Series	(54,750,000)
f. Sinking fund of 7.325% Series	(3,000,000)

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

Cash Requirements Forecast

Edison's cash requirements forecasts for 1992 and 1993 are summarized as follows:

Components	1992	1993
Cash Required for Construction Expenditures	$ 993,000,000	$ 986,000,000
Maturities of Long-Term Debt	180,000,000	100,000,000
Sinking Fund Requirements	1,050,000	1,120,000
High Coupon Refunding	1,156,663,000	110,364,000
Preferred and Preference Stock Sinking Fund Requirements	15,300,000	5,400,000
High Dividend Refunding	216,320,000	-
Maturities/Refundings--Fuels Financing	139,480,000	-
Maturities/Refundings--Balancing Account Financing	97,850,000	-
General Purpose Short-Term Debt Outstanding as of Beg. of Year	(222,000,000)	85,663,000
Subtotals	$2,577,663,000	$1,288,547,000
Less: Estimated Net Cash Available from Internal Sources	1,094,000,000	$ 859,000,000
Additional New Funds Required from External Sources	$1,483,663,000	$ 429,547,000

Edison's 1992 and 1993 cash requirements forecast, as shown in Edison's Supplemental Schedule III, points out that internally generated funds will provide only $1,094,000,000 or 42.4% of Edison's cash requirements for 1992 and $859,000,000 or 66.7% for 1993. The proposed Debt Securities are necessary to meet forecasted cash requirements which include capital expenditures.

CACD has reviewed the application and has concluded that the proposed Debt Securities are reasonable and that the authority should be granted. The Commission has considered CACD's recommendations and, finding them reasonable, will adopt them as stated above.

Use of Proceeds

Edison proposes to use the proceeds from the issue and sale of its Debt Securities, or the proceeds lent to Edison from the issue 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 issue and sale for any or all of the following purposes: (1) to reimburse Edison for monies previously expended from income or from any other money in its treasury 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 Edison's indebtedness, (2) 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 (3) for the retirement and/or the refunding of securities previously issued and upon which Edison paid the fees prescribed by PU Code Sections 1904 and 1904.1. The amounts so reimbursed will become part of Edison's general treasury funds.

<u>Findings of Fact</u>

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

2. Edison needs external funds for the purposes set forth in the Application.

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

4. The proposed agreement requiring Edison to provide security for the Authority Bonds is not adverse to public interest.

5. The money, property, or labor to be procured or paid for by the proposed Debt Securities are reasonably required for the purposes specified in the Application.

6. The use of interest rate caps and collars in appropriate circumstances is reasonable.

7. Transactions which relate to obtaining Loans, issuing variable-rate Debt Securities, and issuing Overseas Indebtedness, Foreign Securities and Notes will not be subject to the Commission's Competitive Bidding Rule. With respect to fixed-rate Bonds and Debentures (other than tax-exempt securities) 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 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 sumitted for bids. All of the above actions may be taken without notice by newspaper publication.

8. 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.

9. It is proper for ratemaking purposes that any losses resulting from currency value fluctuations on Debt Securities issued in a foreign-denominated currency not be passed on to ratepayers in future rate proceedings as an increase in the cost of money for all Debt Securities.

10. The Commission does not determine that Edison's construction budget is necessary or reasonable for ratemaking purposes; these issues are normally tested in general rate case or rate base offset proceedings.

11. This decision does not find that Edison's capital ratios or the inclusion of short-term debt in its capital structure is necessary or reasonable for ratemaking purposes; these are issues normally tested in general rate case or cost of capital proceedings.

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

<u>Conclusions of Law</u>

1. A public hearing is not necessary.

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

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

4. This authorization is not a finding of the value of Edison's stock or property, nor does it indicate the amounts to be included in ratemaking proceedings.

5. In accordance with the provisions of PU Code Sections 1904(b) and 1904.1, no fees are due or payable with respect to the proposed $700,000,000 Debt Securities due to credits from Edison's prior mortgage bond and preferred stock retirements, as shown in the supplemental Schedule VI submitted by Edison.

6. The following order should be effective on the date of signature to enable Edison to proceed expeditiously with its financings.

O R D E R

IT IS ORDERED that:

1. On or after the effective date of this order, for a period of two years, Southern California Edison Company (Edison) is authorized to issue, sell and deliver one or more series of First and Refunding Mortgage Bonds (Bonds), Unsecured Debt Securities (Debentures), Overseas Indebtedness, Foreign Securities, Medium-term Notes (Notes), Commercial Paper, and other Floating Rate Debt; enter into Loans (collectively, Debt Securities); and fully guarantee the Debentures, Overseas Indebtedness, Foreign Securities, Notes, Commercial Paper, Other Floating Rate Debt, and Loans of a regulated direct or indirect subsidiary of Edison (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 political subdivisions (Authority) in respect of their issuance of Authority Bonds for pollution control, sanitary and solid waste disposal or other eligible facilities.

2. All Debt Securities may include one or a combination of features to enhance Debt Securities as set forth in greater detail in Application No. 92-08-026 (Application) 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 Commission in connection with these proceedings. The total aggregate principal amount of the issuances of Debt Securities and guarantees which may be made under the Application shall not exceed $700,000,000.

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

4. Edison may renew and/or refund Commercial Paper and Other Floating Rate Debt issued pursuant to this Application, so that the combined term of the obligations may exceed twelve (12) months without further authorization from the Commission.

5. Edison may arrange for Credit Agreements or other credit facilities as may be necessary for the purpose of issuing the Debt Securities set forth in or contemplated by the Application or such other documents filed or to be filed with the Commission in connection with the Application, and to modify such credit facilities in the manner set forth in the Application without further authorization from the Commission.

6. Edison may issue, sell, and deliver Debt Securities by public offering or private placement.

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

8. 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 or purchasers or groups thereof; to accelerate, postpose, or cancel

the scheduled date and time for 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 of the above actions may be taken without notice by newspaper publication.

9. Edison shall apply the proceeds of the indebtedness authorized for the purposes specified in the Application.

10. Edison may enter into interest rate caps and collars as described in the Application.

11. Edison may issue Debt Securities, guarantee, or pledge its assets for or on behalf of SCE Capital Company.

12. Within thirty days after awarding the contract for the sale of Debt Securities by competitive bidding, Edison shall submit a written report to 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.

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

14. Within thirty 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 submit to CACD a report showing why the resulting interest rate and cost of money were the most advantageous to Edison and its ratepayers.

15. 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 thirty days after the issuance and sale of any series of Debt Securities, Edison shall submit to 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.

16. On or before the 25th day of each month, Edison shall file the reports required by General Order Series 24.

17. Edison shall submit an original and four copies of the reports required by Ordering Paragraphs 11, and 13 through 15 to CACD with a transmittal letter stating the Application and Decision numbers. Parties need not be served with copies of the reports unless they request such service in writing. When service is made on parties who request copies of the report, Edison shall attach to its report a certificate showing service by mail upon all those requesting copies. The Director of CACD shall send the original and one copy of each report to the Docket Office for filing.

18. The Application is granted as set forth above.

19. Pursuant to the provisions of Public Utilities Sections 1904(b) and 1904.1, no fees are due or payable with respect to the proposed $700,000,000 aggregate amount of Edison's Debt Securities due to credits from prior mortgage bond and preferred stock retirements.

This order is effective today.

Dated OCT 2 1 1992, at San Francisco, California.

DANIEL Wm. FESSLER
President
JOHN B. OHANIAN
PATRICIA M. ECKERT
NORMAN D. SHUMWAY
Commissioners

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

Neal J. Shulman

NEAL J. SHULMAN, Executive Director

PB