

Decision 82 03 018

MAR 2 - 1982

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN CALIFORNIA )  
EDISON COMPANY for Authorization to )  
issue, sell and deliver through )  
competitive bidding, one or more )  
series of its First and Refunding )  
Mortgage Bonds in an aggregate )  
principal amount of not to exceed )  
\$200,000,000 and to execute and )  
deliver one or more Supplemental )  
Indentures. )

Application 82-01-40  
(Filed January 21, 1982)

O P I N I O N

Southern California Edison Company (Edison) requests authority, under Public Utilities (PU) Code Sections 816 through 818 and 851, for the following:

1. To issue, sell, and deliver, through competitive bidding, up to \$200,000,000 aggregate principal amount of its First and Refunding Mortgage Bonds (New Bonds) in one or more series;
2. To shorten to less than five days the period of time between the opening of bids for Edison's New Bonds effected through competitive bidding;
3. To modify the terms of the New Bonds without being required to republish new Public Invitation for Bids; and
4. To execute and deliver a Supplemental Indenture or Indentures.

Summary of Decision

This decision grants Edison the authorities requested in its application.

Notice of the filing of the application appeared on the Commission's Daily Calendar of January 22, 1982. No protests have been received.

Edison, a California corporation, engages primarily in the business of generating, purchasing, transmitting, distributing, and selling electric energy in portions of central and southern California as a public utility subject to the jurisdiction of this Commission.

For the 12 months ended September 30, 1981, Edison reported total operating revenues of \$3,962,794,000 and net income of \$435,545,000 shown as part of Exhibit A attached to the application.

Edison's Balance Sheet as of September 30, 1981, attached to the application as part of Exhibit A, is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$7,234,294,000
Other Property and Investment - Net	110,260,000
Current Assets	1,207,105,000
Deferred Debits	<u>33,896,000</u>
Total	\$8,585,555,000
<u>Liabilities and Equity</u>	
Common Equity	\$2,891,497,000
Preferred/Preference Stock	876,919,000
Long-Term Debt	3,153,687,000
Current Liabilities	1,324,256,000
Reserves and Deferred Credits	<u>339,196,000</u>
Total	\$8,585,555,000

Edison proposes that each series of New Bonds will bear terms and conditions as shall be determined by its Board of Directors at or immediately prior to the date of their issue. Edison states in its application that due to varying market conditions, the utility considers that it is not in Edison's best interest or in the best interest of its ratepayers to specify the exact maturity date and aggregate principal amount of the New Bonds at the time of filing this application. Edison believes that presently foreseeable market conditions will dictate the

issuance of the New Bonds with maturities of between five and forty years and that each series will be for a principal amount of between \$50,000,000 and \$200,000,000.

Edison states in its application that each series of the New Bonds will be subject to redemption as a whole, or in part by lot, at Edison's option as follows:

1. At any time prior to maturity;
2. Upon at least 30 days' notice as provided in Edison's Trust Indentures; and
3. Upon payment of the principal amount, plus premium (if any) plus accrued interest to and including the date of redemption.

Edison anticipates that each series of New Bonds will have a restrictive refunding feature providing that they shall not be redeemed for a certain period from the date of issuance, if this redemption is for the purpose or in anticipation of refunding the New Bonds through the use, directly or indirectly, of funds borrowed by Edison at an effective interest cost to Edison of less than the effective interest cost of the New Bonds. If market conditions, on or about the offering date, dictate the need for a restrictive refunding provision and Edison determines that it is advantageous to adopt the provision, the company intends to include a restrictive refunding provision for a period

up to five years. Edison seeks the Commission's authorization to include in the terms of the New Bonds a restrictive refunding provision for a period up to five years.

Edison proposes to offer, issue, and sell one or more series of the New Bonds through competitive bidding. Edison has attached, as Exhibit F to the application, the following forms: (1) Public Invitation for Bids, (2) Statement of Terms and Conditions Relating to Bids, and (3) Bid and Bond Purchase Agreement. These documents (collectively referred to as the "Bidding Papers") are presented in substantially the same form contemplated to be used by Edison. The Bidding Papers provide Edison the flexibility to do the following under a single publication of a Public Invitation for Bids:

1. Accelerate, postpone, or cancel the date initially established for the opening bids;
2. Reject all bids submitted, request the submission of new bids, and reschedule subsequent opening(s) of bids;
3. Reject all bids.

Edison requests authority to modify the terms of the New Bonds after it has published a Public Invitation for Bids without being required to republish a new Public Invitation for Bids.

Edison requests authorization to fix the date of opening of bids at

less than five days after publishing the Public Invitation for Bids, if in Edison's opinion market conditions require the bids be opened within a shorter time than five days after publication of a public invitation. Edison states that by having this flexibility a more favorable financing may be accomplished.

If Edison accepts one of the bids for the purchase of the New Bonds tendered under the Bidding Papers for a particular series, Edison will enter into a Bid and Bond Purchase Agreement substantially in the same form as that shown in Exhibit F, attached to the application, and will issue, sell, and deliver a series of the New Bonds in the manner specified in the agreement.

In a prior proceeding (D.92875, dated April 7, 1981 in A.60300), this Commission concluded that Edison's request and proposed procedure with regard to the single publication of a Public Invitation for Bids, which will allow Edison flexibility to modify certain terms of the New Bonds and to open bids within less than five days after publication, was consistent with this Commission's competitive bidding rule.

The application indicates that each series of the New Bonds will be issued in accordance with and under the provisions of Edison's Trust Indenture dated as of October 1, 1923 and amendatory and supplemental indentures. Edison's proposed form of the

Supplemental Indenture is set forth as Exhibit F attached to the application.

After giving pro forma effect to:

1. The proposed issuance of up to \$200,000,000 aggregate principal amount of New Bonds;
2. The issuance in November 1981 of \$75,000,000 principal amount of a 16-3/4 Promissory Note (Decision (D.) 93486 dated September 1, 1981 in Application (A.) 60773);
3. The issuance of \$200,000,000 principal amount of First and Refunding Mortgage Bonds, Series RR, due December 1, 2011 (D.92875 dated April 7, 1981 in A.60300);
4. The proposed sale of 8,000,000 shares of Common Stock, \$8-1/3 par value, at an assumed price of \$26 per share estimated to produce net proceeds of \$208,000,000 (D.93677 dated November 3, 1981 in A.60926);
5. The issuance and sale of 965,234 shares of common stock under Edison's Dividend Reinvestment and Stock Purchase Plan producing net proceeds of \$26,422,000 (D.91434 dated March 18, 1980 in A.59441);
6. The issuance and sale of 435,639 shares of common stock under Edison's Employee Stock Ownership Plan producing net proceeds of \$11,936,000 (D.91198 dated January 8, 1980 in A.59295);

7. The issuance and sale of 509,883 shares of common stock under Edison's Employee Stock Purchase Plan producing net proceeds of \$14,140,000 (D.90059 dated March 13, 1979 in A.58606);
8. The issuance of 35,109 shares of common stock due to conversion of 44,434 shares of 5.20% Convertible Preference stock to common (no dollar increase or decrease on the exchange);
9. The retirement of \$100,000,000 principal amount of 9% First and Refunding Mortgage Bonds, Series EE, due November 1, 1981 (D.83600 dated October 16, 1974 in A.55175);
10. Additional Pollution Control Bonds funds drawn from Construction Fund, QQP, due August 21, 2021 in the amount of \$2,403,000 and \$64,446,000 drawn from 8-1/8% Construction Fund due March 1, 1984 (D.92412 dated November 18, 1980 in A.59966);
11. The issuance and sale of First and Refunding Mortgage Bond, Series SSP, due January 15, 1985 in the aggregate principal amount of \$176,000,000 leaving \$24,000,000 remaining unissued from the \$200,000,000 authorized (D.93319 dated July 22, 1981 in A.60652);
12. The retirement of \$37,500,000 principal amount of 4-1/4% First and Refunding Mortgage Bonds, Series H, due February 15, 1982 (D.54469 dated February 5, 1957 in A.38750);
13. The retirement of \$40,000,000 principal amount of 4-3/4% First and Refunding Mortgage Bonds, Series I, due July 1, 1982 (D.55159 dated June 25, 1957 in A.39134); and
14. The retirement of \$40,000,000 principal amount of 4-7/8% First and Refunding Mortgage Bonds, Series J, due September 1, 1982 (D.55449 dated August 20, 1957 in A.39300);



Edison's capital ratios reported as of September 30, 1981 are as follows:

	<u>September 30, 1981</u>	<u>Pro Forma</u>
Long-Term Debt	47.2%	49.0%
Preferred/Preference Stock	12.3	11.1
Common Equity	<u>40.5</u>	<u>39.9</u>
Total	100.0%	100.0%

As of September 30, 1981, Edison's uncapitalized construction expenditures amounted to approximately \$1,090,965,000. Edison would use the proceeds from the sale of the New Bonds, other than accrued interest which would be used for general corporate purposes, to reimburse its treasury for a portion of these uncapitalized construction expenditures.

Edison is engaged in an extensive construction program and estimates that the gross expenditure required for this proposed construction program during the calendar years 1982 and 1983 will approximate \$2,027,000,000. Exhibit C, attached to the application, sets forth in detail Edison's construction program, estimated as of December 17, 1981. Following is a summary of that exhibit:

<u>Purpose</u>	<u>1982</u>	<u>1983</u>	<u>Total</u>
	<u>(Dollars in Thousands)</u>		
Electric Generating Plant	\$ 740,000	\$477,000	\$1,217,000
Electric Transmission Lines and Substation	67,000	144,000	211,000
Electric Distribution Lines and Substation	241,000	267,000	508,000
Other Expenditures	<u>45,000</u>	<u>46,000</u>	<u>91,000</u>
Total	\$1,093,000	\$934,000	\$2,027,000

The Commission's Revenue Requirements Division has reviewed Edison's 1982 and 1983 construction programs and has concluded the estimated construction expenditures are necessary. The Division has no objections to the proposed security issue(s) specified in the application. The Division reserves the right to reconsider the reasonableness of any specific construction expenditures in future rate proceedings.

After payment and discharge of obligations incurred for expenses incidental to the issuance and sale of the proposed bonds, Edison proposes to use the net proceeds for the following:

1. To reimburse its treasury for moneys expended to retire and discharge:
  - a. \$37,500,000 aggregate principal amount of 4-1/4 % First and Refunding Mortgage Bond, Series H, maturing February 15, 1982;
  - b. \$40,000,000 aggregate principal amount of 4-3/4% First and Refunding Mortgage Bonds, Series I, maturing July 1, 1982;
  - c. \$40,000,000 aggregate principal amount of 4-7/8% First and Refunding Mortgage Bonds, Series J, maturing September 1, 1982;
2. To reimburse Edison for money it has actually expended from income or other moneys in its treasury not secured by or obtained from the issue of stocks or stock certificates or other

evidences of indebtedness, for the acquisition of property or for the construction, completion, extension, or improvement of Edison's facilities exclusive of maintenance of service and replacement. The amounts reimbursed will become a part of Edison's general treasury funds; and

3. To use a portion of the general treasury funds to repay a portion of Edison's short-term bank borrowings, commercial paper, and banker's acceptances outstanding at the time of Edison's receipt of the New Bond proceeds.

Edison's outstanding short-term borrowings and commercial paper aggregated approximately \$266,000,000 as of January 18, 1982.

The Commission's Revenue Requirements Division has analyzed Edison's cash requirement forecast for 1982 and 1983, attached to the application as part of Exhibit D, and has concluded that internally generated funds will provide only 20.1% of the capital expenditures for 1982 and 13.9% of those estimated for 1983. The Division concludes that the proposed issuance of New Bonds will be necessary to help meet forecasted cash requirements.

#### Findings of Fact

1. Edison, a California corporation, operates under jurisdiction of this Commission.
2. The proposed bonds would be for proper purposes.
3. Edison has need for external funds for the purposes set forth in the application.

4. The proposed restricted redemption provision of up to five years is reasonable.

5. Edison's execution and delivery of the proposed Supplemental Indenture(s) would not be adverse to the public interest.

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

7. Edison's proposed procedure, with regard to the single publication of a Public Invitation for Bids which will allow Edison flexibility to modify certain terms of the New Bonds and to open bids within less than five days after publication, is consistent with the Commission's Competitive Bidding Rule.

8. There is no known opposition and 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 security issue is for lawful purposes and the money, property, or labor to be obtained by it is required for these purposes. Proceeds from the security issue may not be charged to operating expenses or income.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company (Edison) may issue, sell, and deliver, at competitive bidding, at any time or times within one year from the effective date of this order, one or more series of its First and Refunding Mortgage Bonds in an aggregate principal amount of up to \$200,000,000; the bonds of each series to mature between five and 40 years from their date of issuance, at the price or prices offered in a bid for each series of the New Bonds which shall provide the lowest annual cost of money to Edison calculated in the manner provided in the Statement of Terms and Conditions Related to Bids applicable to each series and other provisions as shall be authorized by Edison's Board of Directors.

2. The period of time between the publication of an invitation for bids and the opening of bids for the issuance and sale(s) of Edison's debt securities need not be more than one day.

3 The terms of the New Bonds may be modified so as not to require the republication of a new public invitation for bids.

4. Edison may execute and deliver one or more Supplemental Indenture in substantially the same form as that attached to the application as Exhibit E and may incorporate terms consistent with this opinion.

5. Edison shall apply the proceeds from the sale of each series of the New Bonds for the purpose specified in the application.

6. Promptly after awarding the contract for the sale of each series of the New Bonds, Edison shall file a written report, with the Commission, showing each bid received, the name of the bidder, the price, interest rate, and the cost of money to Edison based on the price and interest rate.

7. As soon as available, Edison shall file, with the Commission, three copies of its final prospectus pertaining to each series of New Bonds.

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

9. The authority granted by this order to issue debt securities will become effective when Edison pays \$47,250, the fee set by PU Code Section 1904(b) after taking credit for the retirements of \$37,500,000 principal amount of First and Refunding Mortgage Bonds, Series H, due February 15, 1982; \$40,000,000

principal amount of First and Refunding Mortgage Bonds, Series I, due July 1, 1982; and \$40,000,000 principal amount of First and Refunding Mortgage Bonds, Series J, due September 1, 1982.

Dated MAR 2 1982, at San Francisco, California.

JOHN E. BRYSON  
President  
RICHARD D. GRAVELLE  
LEONARD M. GRIMES, JR.  
VICTOR CALVO  
PRISCILLA C. GREW  
Commissioners

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

*Joseph E. Bodovitz*  
Joseph E. Bodovitz, Executive Director

