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ORIGINAL

Decision 83 08 058 AUG 17 1983

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN CALIFORNIA EDISON COMPANY for authorization to issue, sell and deliver one or more series of not to exceed $400,000,000 aggregate principal amount of its First and Refunding Mortgage Bonds; to execute and deliver one or more Supplemental Indentures; and for an exemption from the Competitive Bidding Rule of the California Public Utilities Commission	Application 83-07-14 (Filed July 8, 1983)

OPINION

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, at any time or times, up to $400,000,000 aggregate principal amount of its First and Refunding Mortgage Bonds (New Bonds), in one or more series, by means of competitive bidding or through negotiated public offering(s), within one year of the date of this order; bearing maturities between five and 40 years; and carrying restrictive redemption provisions;

2. To be exempted from the Commission's competitive bidding requirements those financings effected through negotiated public offering;

3. To use the net proceeds from the issue or issues of the New Bonds to refund all or a portion of one or more outstanding series of its First and Refunding Mortgage Bonds and/or to reimburse its treasury for monies previously expended for capital improvements;

4. To shorten to less than five days the period of time between the public invitation for bids and the opening of bids for the New Bonds effected through competitive bidding;

5. To further modify the Commission's competitive bidding requirements to permit Edison to accelerate, postpone, or cancel its scheduled offering date; to reject all bids submitted; to request the submission of new bids; to reschedule subsequent opening(s) of bids;

6. To account for any premiums paid in connection with the refunding of the various long-term securities (specified in the application) and the unamortized costs of the refunded long-term securities by amortizing the amounts over the life of the New Bonds to be issued; and

7. To execute and deliver a supplemental indenture or indentures in connection with each proposed series of New Bonds.

<u>Summary of Decision</u>

This decision grants Edison the authority requested in its application.

Notice of the filing of the application appeared on the Commission's Daily Calendar of July 12, 1983. 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 year ended March 31, 1983, Edison reported total operating revenues of $4,214,139,000 and net income of $600,011,000 shown as part of Exhibit A attached to the application.

Edison's Balance Sheet as of March 31, 1983, attached to the application as part of Exhibit A, is summarized as follows:

Assets	Amount
Net Utility Plant	$ 8,728,154,000
Other Property and Investment - Net	124,092,000
Current Assets	1,410,147,000
Deferred Debits	102,266,000
Total	$10,364,659,000
Liabilities and Equity	
Common Equity	$ 3,480,978,000
Preferred/Preference Stock	915,620,000
Long-Term Debt	3,909,513,000
Current Liabilities	1,526,259,000
Reserves and Deferred Credits	532,289,000
Total	$10,364,659,000

Edison proposes to issue, sell, and deliver, at any time or times, in one or more series, up to $400,000,000 aggregate principal amount of its New Bonds by means of competitive bidding or negotiated public offering. These securities are proposed to be exempted from the Commission's competitive bidding requirements, would bear maturities of between five and 40 years, may carry restrictive redemption provisions, and would be issued within one year of the date of this order.

Edison proposes that each series of its New Bonds will bear the terms and conditions as shall be determined by its board of directors at, or immediately prior to, the date of their issue. The New Bonds would be issued under Edison's Trust Indenture dated October 1, 1923, as amended and supplemented by supplemental indentures, including one or more supplemental indentures delivered in connection with the New Bonds setting forth the principal amount, maturity date, and other provisions.

Edison states in its application that due to continuing market volatility the utility considers that it is not in Edison's best interest or in the best interest of its ratepayers to specify the exact terms of the New Bonds at the time of filing this application. Edison states it believes that foreseeable market conditions will dictate the issuance of the New Bonds with maturities of between five and 40 years.

Edison also states in its application that the New Bonds may be redeemable in whole or in part at Edison's option at any time prior to maturity upon 30 days' notice and upon payment of the principal, plus premium (if any), and accrued interest. All of these are prescribed in Edison's Trust Indenture and any supplemental indentures. Edison believes that it may be necessary, or desirable, in response to market conditions, to include restrictive refunding provisions providing that the New Bonds will not be redeemed for a certain period from the date of issuance. This is based on the assumption that the redemption is for the purpose of refunding the securities through the use (directly or indirectly) of funds borrowed by Edison at an effective interest cost to Edison of less than that of the New Bonds. It will also provide for other reasonable restrictions upon the redemption of the New Bonds.

Requested Exemption from Competitive Bidding

Edison seeks an order from this Commission granting an exemption for the proposed New Bonds from the Commission's Competitive Bidding Rule established by Decision (D.)38614 dated January 15, 1946 in Case 4761, as amended by D.49941, D.75556, and D.81908. These decisions contemplate that under appropriate circumstances the Commission will not require competitive bidding. Edison believes the reasons set forth below are compelling and justify the issuance by the Commission of an order granting this exemption.

Edison states that it favors the competitive bid process for most issues of New Bonds. However, should the New Bonds be issued for the purpose of refunding outstanding high-coupon bonds, Edison believes there are additional considerations which may warrant the use of a negotiated public offering rather than competitive bidding.

Edison believes that if it is successful in repurchasing substantial amounts of its outstanding high-coupon bonds, the size of the refunding issue may be significantly greater than that which the market can accommodate through the competitive bidding process. Under these circumstances, Edison's ability to obtain favorable interest rates through competitive bidding may be hindered because of the segregation of the bidding groups and their inability to place the refunding issue at favorable rates. Relative to a competitive bidding, a negotiated offering provides for the combined efforts of an expanded group of underwriters to more effectively place a refunding issue of significant size. Additionally, negotiated transactions allow underwriters the opportunity to engage in pre-marketing efforts to assist in determining the marketability of the offering.

Edison further believes that the continuing volatility of long-term interest rates places heavier emphasis on market timing and often necessitates bringing an offering to market on relatively short notice. Compared with a competitive bid offering, a negotiated transaction can be placed in the market more quickly. This provides more flexibility with regard to matching the repurchase of high-coupon bonds to the issuance of refunding bonds.

Edison's decision to proceed by negotiated public offering would be based on market factors as they exist on, and immediately prior to, the date on which commitments for each series of New Bonds are made; in-house investigation of all information available to Edison on those dates; and the recommendation of Edison's agent, or agents, that each transaction is the best available at the time. Edison believes that application of the Commission's Competitive Bidding Rule would prevent it from taking advantage of the benefits provided by these types of financings and would not be in the best interests of Edison or its ratepayers.

If Edison offers, issues, and sells one or more series of the New Bonds through competitive bidding, it would use forms of the Public Invitation for Bids, Statement of Terms and Conditions Relating to Bids, and Bid and Bond Purchase Agreement (collectively referred to as Bidding Papers) substantially consistent with the forms previously filed with the Commission. The Bidding Papers provide Edison the flexibility under the single publication of a Public Invitation for Bids to do the following:

1. Accelerate, postpone, or cancel the date initially established for opening bids;

2. Reject all bids submitted, request the submission of new bids, and reschedule subsequent opening(s) of bids; or

3. Reject all bids.

Edison further 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 also 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 that 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 previously entered into by Edison and will issue, sell, and deliver a series of the New Bonds in the manner specified in the agreement.

For the purpose of providing Edison sufficient flexibility to obtain favorable rates for its New Bonds, Edison seeks authority to offer, issue, and sell the New Bonds by the method Edison deems most appropriate after consideration of the various types of financing available.

After extensive study, the Commission, by D.38614 dated January 15, 1946 in Case 4761, instituted a rule which requires competitive bidding for the issuance and sale of debt securities. The Commission may grant an exemption from the rule if the utility makes a clear and convincing showing that the sale of debt securities by compeitive bidding would be adverse to the utility and its customers.

In D.91984 dated July 2, 1980 (San Diego Gas & Electric Company), we discussed the granting of exemptions from the competitive bidding rule, and we clarified the nature of the compelling showing that must be made to warrant an exemption from the rule. We served notice that assertions regarding the volatility of the market, the flexibility provided by a negotiated sale, and the importance of maximizing the effectiveness of the underwriting group will not serve as compelling reasons, individually or collectively, for granting an exemption from the competitive bidding rule. We are frankly uncertain whether under current volatile conditions, unfavorable to the issuer of corporate debt, strict adherence to the competitive bidding rule would prove beneficial. Consequently, for this application only, we will authorize Edison to proceed on either a competitive bid, or a negotiated public offering, according to Edison's estimation of where the most favorable opportunity lies.

If Edison chooses to issue and sell the proposed New Bonds by means of a negotiated public offering, we place Edison on notice that, in its next general rate proceeding before the Commission, the reasonableness of the resulting interest rate and cost of money to Edison 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 the most prudent.

Edison's capital ratios reported as of March 31, 1983 are shown below as recorded and adjusted to give pro forma effect to the transactions that follow:

	March 31, 1983	Pro Forma
Long-Term Debt	47.0%	49.7%
Preferred/Preference Stock	11.1	10.4
Common Equity	41.9	39.9
Total	100.0%	100.0%

1. The proposed issuance and sale of up to $400,000,000 aggregate principal amount of New Bonds;

2. The issuance and sale on April 1 and July 1, 1983 of 447,839 shares of Common Stock, $8-1/3 par value, under Edison's Employee Stock Purchase Plan producing net proceeds of $16,441,000 (D.82-06-058 dated June 15, 1982 in A.82-04-023);

3. The issuance and sale on May 3, 1983 of 630,675 shares of Common Stock, $8-1/3 par value, under Edison's Dividend Reinvestment and Stock Purchase Plan producing net proceeds of $22,640,000 (D.82-11-055 dated November 17, 1982 in A.82-09-38);

4. The issuance of 118,051 shares of Common Stock, $8-1/3 par value, issued under Edison's Employee Stock Ownership Plan on April 1, May 2, and July 1, 1983 producing net proceeds of $4,309,000 (D.87785, D.91198, and D.83-03-066 dated August 30, 1977, January 8, 1980, and March 2, 1983 in A.57478, A.59295, and A.83-01-43, respectively); and

   The sale of an 11% Promissory Note, due 1987, in the aggregate principal amount of $75,000,000 on April 15, 1983 (D.82-07-094 dated July 21, 1982 in A.82-06-48).

Edison is engaged in an extensive construction program and estimates that the gross expenditures required for this proposed construction during calendar years 1983 and 1984 will approximate $2,366,000,000. Exhibit C, attached to the application, sets forth in detail Edison's construction program estimated as of April 21, 1983 and summarized below:

Purpose	1983	1984 (In Thousands)	Total
Electric Generating Plant	$ 906,000	$416,000	$1,322,000
Electric Transmission Lines and Substations	124,000	177,000	301,000
Electric Distribution Lines and Substations	268,000	318,000	586,000
Other Expenditures	87,000	70,000	157,000
Total	$1,385,000	$981,000	$2,366,000

The Commission's Revenue Requirements Division has reviewed Edison's construction budget for 1983 and 1984 and find that the sale of the New Bonds are necessary to fund the planned construction expenditures. The Commission is not finding that the construction is necessary and reasonable or that the expenditures are reasonable in amount. These are issues normally tested in general rate or rate base offset proceedings.

As of March 31, 1983, Edison's uncapitalized construction expenditures amounted to about $1,942,589,000.

Use of Proceeds

After payment and discharge of obligations incurred for expenses incidental to the issuance and sale of the proposed New Bonds, Edison proposes to use the net proceeds as follows:

1. To refund all, or a portion of, one or more outstanding series of its First and Refunding Mortgage Bonds with high-coupons, with or without the payment of cash, by offering principal, premium, and accrued interest, for them.

2. To reimburse Edison for moneys it has actually expended from income or other moneys in its treasury, not secured by, or obtained from, the issue of stocks, 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 so reimbursed will become a part of Edison's general treasury funds.

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

Edison's outstanding short-term borrowing and commercial paper aggregated approximately $6,000,000 on June 30, 1983. The accrued interest on the New Bonds will be used for general corporate purposes.

Edison contemplates that the proceeds from the issue and sale of its proposed New Bonds may be used to refund one or more of the following series of its First and Refunding Mortgage Bonds:

Series	Amount	Rate of Intered	Date of Maturity
NN	$200,000,000	15-1/8%	April 1, 2005
PP	200,000,000	15-1/4%	May 15, 1991
RR	200,000,000	15-3/4%	December 1, 2011
TT	125,000,000	16 %	April 14, 2012

The Commission's Revenue Requirements Division has analyzed Edison's cash requirement forecast for 1983 and 1984, attached to the application as Exhibit D, and has concluded that internally generated funds will provide about 21% of the capital requirements for 1983 and 19% for 1984. The Division concludes that the proposed New Bonds will be necessary to help meet forecasted cash requirements.

Findings of Fact

1. Edison, a California corporation, operates under the jurisdiction of this Commission.

2. The proposed New Bonds would be for proper purposes.

3. Edison has need for external funds for the purposes set forth in the application.

4. It is reasonable to allow Edison to choose whether to issue and sell the proposed New Bonds at any time or times, in one or more series, by means of competitive bidding or negotiated public offering, and bearing maturities between five and 40 years. These options would allow Edison to take advantage of the best terms and interest rates available under current economic conditions.

5. The proposed restricted redemption provision is reasonable.

6. Edison's execution and delivery of the proposed supplemental indenture or indentures would not be adverse to the public interest.

7. The money, property, labor, or securities to be procured, or paid for, by the proposed New Bonds is reasonably required for the purposes specified in the application.

8. The sale of the proposed New Bonds should be exempted from the Commission's competitive bidding requirements as set forth in D.38614 dated January 15, 1946 in Case 4761, as amended.

9. 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.

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

Conclusions of Law

1. A public hearing in 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, labor, or securities to be obtained by it is required for these purposes. Proceeds from the security issue 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 PU Code Section 1904(b) to enable Edison to issue its New Bonds expeditiously.

O R D E R

IT IS ORDERED that:

1. At any time, or times, within one year from the effective date of this order, Southern California Edison Company (Edison) may issue, sell, and deliver one or more series of its First and Refunding Mortgage Bonds (New Bonds), in an aggregate principal amount up to $400,000,000; the securities of each series to mature

between five and 40 years from their date of issuance; and with all issuances and sales of the indebtedness being upon terms and conditions substantially consistent with those set forth in, or contemplated by, the application.

2. Edison may execute and deliver one or more supplemental indentures in substantially the same form as that filed previously by Edison and may incorporated all terms consistent with this opinion.

3. Edison's proposed issue or issues of its New Bonds are exempted from the Commission's competitive bidding requirements.

4. Edison shall apply the proceeds from the sale of each series of the New Bonds for the purposes referred to in the application.

5. Edison may account for the premiums paid in connection with the refunding of the various long-term securities specified in the application and the unamortized costs of refunding the securities by amortizing the amounts over the life of the New Bonds to be issued.

6. If the New Bonds are sold by negotiated public offering, within 30 days after their issuance and sale, Edison shall file, with the Commission, a report setting forth the reason the company believes the resulting interest rate and cost of money were the most advantageous to the company and its ratepayers.

7. If the New Bonds are sold by competitive bidding, Edison shall file a written report with the Commission, showing for each bid received, the name of the bidder, the price, interest rate, and cost of money to the company based on the price and interest rate.

8. As soon as available, Edison shall file, with the Commission staff, three copies of its final prospectus (if any) pertaining to each series of the New Bonds sold by public offering.

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

10. The authority granted by this order to issue New Bonds will become effective when Edison pays $206,000, the fee set by PU Code Section 1904(b). In all other respects, this order is effective today.

Dated AUG 17 1983, at San Francisco, California.

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
PAID
C9760
AUG 3 1 1983
$206,000
By [signature]

VICTOR CALVO
PRISCILLA C. GREW
DONALD VIAL
WILLIAM T. BAGLEY
Commissioners

Commissioner Leonard M. Grimes, Jr., being necessarily absent, did not participate.

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

[signature]
Joseph E. Bodovitz, Executive Director

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For the year ended March 31, 1983, Edison reported total operating revenues of $4,214,139,000 and net income of $600,011,000 shown as part of Exhibit A attached to the application.

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Current Assets	1,410,147,000
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Common Equity	$ 3,480,978,000
Preferred/Preference Stock	915,620,000
Long-Term Debt	3,909,513,000
Current Liabilities	1,526,259,000
Reserves and Deferred Credits	532,289,000
Total	$10,364,659,000

Edison proposes to issue, sell, and deliver, at any time or times, in one or more series, up to $400,000,000 aggregate principal amount of its New Bonds by means of competitive bidding

If Edison offers, issues, and sells one or more series of the New Bonds through competitive bidding, it would use forms of the Public Invitation for Bids, Statement of Terms and Conditions Relating to Bids, and Bid and Bond Purchase Agreement (collectively referred to as Bidding Papers) substantially consistent with the forms previously filed with the Commission. The Bidding Papers provide Edison the flexibility under the single publication of a Public Invitation for Bids to do the following:

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