

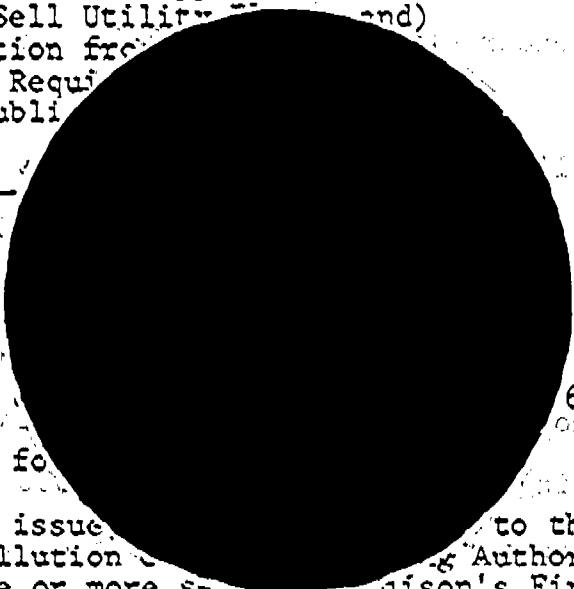
Decision 83 11 066 NOV 22 1983

**ORIGINAL**

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 )  
\$225,000,000 Aggregate Principal )  
Amount of its First and Refunding )  
Mortgage Bonds, Debentures, Notes )  
and/or other Evidences of Indebted- )  
ness or, in the alternative, )  
Guarantee Obligations of Another in )  
respect of the Issuance of Securi- )  
ties, pursuant to an Agreement to )  
be Executed and Delivered in )  
connection therewith; Execute and )  
Deliver one or more Supplemental )  
Indentures; Sell Utility )  
for an Exemption from )  
Competitive Bidding Requi- )  
California Public )  
Commission.

Application 83-10-48  
(Filed October 26, 1983)



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requests authority,  
6 through 818, 830, and

1. To issue to the California Pollution Control Authority (Authority), one or more series of Edison's First and Refunding Mortgage Bonds, debentures, notes, and/or other evidences of indebtedness (collectively referred to as Debt Securities) in an aggregate principal amount up to \$225,000,000 or, in the alternative, to guarantee unconditionally or otherwise secure the Authority's obligations in respect to its issuances of debt under the terms of an agreement to be executed by Edison and the Authority;

Also shown as part of Exhibit A is Edison's Balance Sheet as of June 30, 1983 summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$ 8,953,725,000
Other Property and Investments	122,486,000
Current Assets	1,477,833,000
Deferred Debits	112,529,000
<b>Total</b>	<b>\$10,666,573,000</b>

Liabilities and Equity

Common Equity	\$ 3,583,013,000
Preferred Stock	914,959,000
Long-Term Debt	3,988,668,000
Current Liabilities	1,618,618,000
Reserves and	561,315,000
<b>Total</b>	<b>\$10,666,573,000</b>

Edison's California pollution control financing by a financing agreement, loan agreement, financing agreement, with the Authority, would sell up to \$225,000,000 aggregate of its bonds, notes, debentures or other securities (collectively referred to as Authority Debt) to a group of underwriters who would ultimately market the Authority Debt to the general public. If an installment sale agreement is entered into, concurrently with the sale and delivery of the Authority Debt, Edison would sell to the Authority the pollution control facilities and the Authority would purchase the same at a price equal to Edison's cost of acquisition or construction of the facilities.

*CORRECTION*

# CORRECTION

THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY

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tive Bidding Requirements of the )  
California Public Utilities )  
Commission. )

Application 83-10-48  
(Filed October 26, 1983)

O P I N I O N

Southern California Edison (Edison) requests authority, under Public Utilities (PU) Code Sections 816 through 818, 830, and 851, for the following:

1. To issue, sell, and deliver, to the California Pollution Control Financing Authority (Authority), one or more series of Edison's First and Refunding Mortgage Bonds, debentures, notes, and/or other evidences of indebtedness (collectively referred to as Debt Securities) in an aggregate principal amount up to \$225,000,000 or, in the alternative, to guarantee unconditionally or otherwise secure the Authority's obligations in respect to its issuances of debt under the terms of an agreement to be executed by Edison and the Authority;

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- 2. To sell to the Authority certain pollution control facilities located at the San Onofre Generating Station;
- 3. To execute and deliver one or more supplemental indentures; and
- 4. To have the sale of the pollution control Debt Securities exempted from the Commission's competitive bidding requirements.

Summary of Decision

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 October 28, 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 12 months ended June 30, 1983, Edison reports it generated total operating revenues of \$4,211,961,000 and net income of \$645,802,000 shown as part of Exhibit A attached to the application.

Also shown as part of Exhibit A is Edison's Balance Sheet as of June 30, 1983 summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$ 8,953,725,000
Other Property and Investments	122,486,000
Current Assets	1,477,833,000
Deferred Debits	<u>112,529,000</u>
Total	\$10,666,573,000
<u>Liabilities and Equity</u>	
Common Equity	\$ 3,583,013,000
Preferred Stock	914,959,000
Long-term Debt	3,988,668,000
Current Liabilities	1,618,618,000
Reserves and Deferred Credits	<u>561,315,000</u>
Total	\$10,666,573,000

Edison proposes to engage in California pollution control financing by executing an installment sale agreement, loan agreement, financing agreement, or other security agreement, with the Authority, under which the Authority would sell up to \$225,000,000 aggregate principal amount of its bonds, notes, debentures or other securities (collectively referred to as Authority Debt) to a group of underwriters who would ultimately market the Authority Debt to the general public. If an installment sale agreement is entered into, concurrently with the sale and delivery of the Authority Debt, Edison would sell to the Authority the pollution control facilities and the Authority would purchase the same at a price equal to Edison's cost of acquisition or construction of the facilities.

The pollution control project consists of pollution control facilities acquired and constructed at Edison's San Onofre Generating Plant. A description of the facilities is attached to the application as Exhibit F.

In consideration for the conveyance back to Edison of title to the constructed facilities, Edison would issue, sell, and deliver to the Authority up to \$225,000,000 aggregate principal amount of Edison's Debt Securities or, in the alternative, would guarantee or otherwise secure the Authority's obligations in respect of the Authority Debt. The terms and conditions of this indebtedness, including aggregate principal amount, interest rate, sinking fund provisions, maturity date, redemption provisions (if any), and prepayment provisions, would be consistent with the terms and conditions of the Authority Debt. Edison's First and Refunding Mortgage Bonds would be issued in conformity with the provisions of, and secured by, Edison's existing Trust Indenture, as amended and supplemented by supplemental indentures.

The Authority Debt may be issued in the form of floating rate short-term demand bonds, or notes, or some other variable interest rate debt instrument. Edison contemplates that the structure of this variable rate financing would be substantially as follows, with any changes as circumstances may dictate. The holders of these instruments would have the right to require their redemption on certain periodic dates, generally at 100% of their





This lower embedded cost of debt will be reflected in a lower overall cost of capital and a reduced revenue requirement which will be passed on to Edison's ratepayers in future rate-making proceedings.

Requests for Exemptions from Competitive Bidding

Edison seeks an order from this Commission granting an exemption for the proposed issues and sales of Edison's Debt Securities for pollution control facilities from the Commission's competitive bidding rule established by its D.38614 dated January 15, 1946 in Case 4751 as amended by D.49941, and D.75556. These decisions contemplate that under appropriate circumstances the Commission will not require competitive bidding. Edison believes that the reasons set forth below are compelling and justify the issuance by the Commission of an order granting this exemption.

Edison is informed and believes that substantially all of the proceeds from the issuance of the Authority Bonds will be used to acquire, or construct, pollution control facilities for Edison. It is expected that the interest payable on the Authority Bonds will be exempt from all present federal income taxes and state and taxes under existing statutes, regulations, court decisions, and rulings.

Given the nature and structure of the California statutory pollution control financing mechanism and the benefits to be gained from participating in this financing activity, we are of the opinion that Edison must issue and sell its Debt Securities to the Authority. Therefore, the application of the Commission's competitive bidding requirements would not, in this proceeding, be in the best interest of Edison, or its ratepayers, as it would not operate in a manner so as to allow Edison's sale of the debt at the most favorable available cost of money.

Edison's capital ratios reported as of June 30, 1983 are shown below as recorded and adjusted to give pro forma effect to the transactions that follow:

	<u>June 30, 1983</u>	<u>Pro Forma</u>
Long-Term Debt	47.0%	48.1%
Preferred/Preference Stock	10.8	10.7
Common Equity	42.2	41.5
Total	<u>100.0%</u>	<u>100.0%</u>

1. The proposed issuance and sale of Edison's Debt Securities up to \$225,000,000 for pollution control facilities;
2. The issuance and sale of up to 457,305 shares of Common Stock, \$8-1/3 par value, under Edison's Employee Stock Purchase Plan on July 1 and October 3, 1983 producing net proceeds of \$18,680,479 (D.82-06-058 dated June 15, 1982 in A.82-04-023);
3. The issuance and sale of up to 498,968 shares of Common Stock, \$8-1/3 par value, under Edison's Employee Stock Ownership Plan on July 1, August 1, October 3, and October 14, 1983 producing net proceeds of \$16,888,140

(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

- 4. The issuance and sale of 552,668 shares of Common Stock, \$8-1/3 par value, under Edison's Dividend Reinvestment and Stock Purchase Plan on August 1, 1983 producing net proceeds of \$18,960,381 (D.82-11-055 dated November 17, 1982 in A.82-09-38).

The Commission's Revenue Requirements Division has reviewed the application and concludes that the proposed pollution control financing is reasonable and should be exempted from the Commission's competitive bidding requirements.

Findings of Fact

- 1. Edison, a California corporation, operates as a public utility under the jurisdiction of this Commission.
- 2. The proposed agreement requiring Edison to provide security for the purchasers of the Authority Debt would not be adverse to the public interest.
- 3. The proposed Debt Securities would be for proper purposes.
- 4. The proposed sale and delivery of the pollution control facilities would not be adverse to the public interest.
- 5. 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.

6. The sale of the proposed indebtedness should not be required to be through competitive bidding.

7. 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 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.

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 Debt Securities expeditiously.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company (Edison) may issue, sell, and deliver up to \$225,000,000 aggregate principal amount of one or more series of its First and Refunding Mortgage Bonds, debentures, notes, and/or other evidences of indebtedness (Debt Securities), at the price and upon the terms and conditions as set forth in, or contemplated by, the application or, in the alternative, unconditionally guarantee or otherwise secure the

Authority's obligations in respect to the issuance of its debt securities under the provisions of an agreement to be executed by Edison and the California Pollution Control Financing Authority (Authority) in connection with construction of pollution control facilities.

2. Edison may sell and deliver to the Authority the pollution control facilities under the terms and conditions set forth in, or contemplated by, the application.

3. Edison shall issue the Debt Securities authorized by this order for the purpose of acquiring property and for the purpose of construction, completion, extension, or improvement of its facilities, and/or to reimburse its treasury for moneys actually expended for these purposes.

4. The lower cost of capital and reduced revenue requirements resulting to Edison from the issuance of tax-exempt pollution control indebtedness shall be passed on to Edison's ratepayers in future rate proceedings.

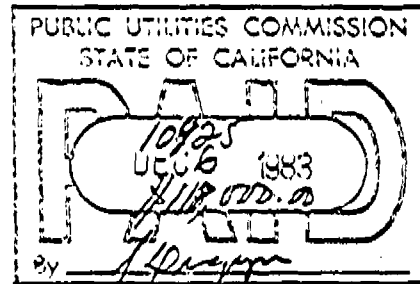
5. Edison shall file the reports required by General Order Series 24.

6. The authority granted by this order to issue Debt Securities will become effective when Edison pay \$118,500, the fee set by PU Code Section 1904(b). In all other respects, this order is effective today.

Dated NOV 22 1983 at San Francisco, California.

LEONARD M. GRIMES, JR.  
President  
VICTOR CALVO  
FRISCILLA C. CREW  
WILLIAM T. BAGLEY  
Commissioners

Commissioner Donald Vial, being necessarily absent, did not participate.



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

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

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