

Decision No. 87473 June 21, 1977**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN CALIFORNIA )  
 EDISON COMPANY, for authority to issue )  
 and sell, by competitive bidding, not )  
 exceeding \$200,000,000 aggregate )  
 principal amount of its First and Refunding )  
 Mortgage Bonds, Series HH and Series II, )  
 to execute and deliver the Fortieth )  
 Supplemental Indenture, and to execute and )  
 deliver an Instrument of Further )  
 Assurance. )

Application No. 57336  
 (Filed May 25, 1977)

O P I N I O N

Southern California Edison Company (Edison) requests an order from the Commission authorizing Edison to execute and deliver a Fortieth Supplemental Indenture and an Instrument of Further Assurance, and to issue, sell and deliver, at competitive bidding, two new series of First and Refunding Mortgage Bonds. Series HH would not exceed an aggregate principal amount of \$125,000,000 and Series II would not exceed \$75,000,000 for a total not to exceed \$200,000,000.

In addition Edison also requests that the Commission determine that to situate and to structure the issuance, sale and delivery of the new bonds under the laws of the State of New York would not be adverse to the public interest.

Both series would be dated July 1, 1977. The Series HH bonds would have a maturity not exceeding 25 years and redemption would be restricted for a period not exceeding five years. The Series II bonds would have a maturity not exceeding seven years and could not be redeemed for a period not exceeding two years. The exact terms of the restricted refunding features would be determined by Edison based on market conditions which exist at or just prior to publication of invitations for bids. Edison believes that the inclusion of such restricted refunding features

would broaden the market for the two new series of bonds among large institutional investors and would tend to result in lower annual costs of money.

The new bonds series would bear interest payable semi-annually and the successful bid would determine the interest rate per annum. The new bonds would be fully registered and Edison reserves the right to reject all bids submitted for either or both series.

As of March 31, 1977, Edison's uncapitalized construction expenditures totaled approximately \$818,611,000. The utility 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, in part, for these capital expenditures. Edison proposes to repay, from such general treasury funds, all or a portion of its short-term bank borrowings, commercial paper and banker's acceptances, which sums are expected to aggregate approximately \$185,000,000.

The Fortieth Supplemental Indenture is required so as to include a description of parcels of real property which constitute substitutions, replacements, additions, alterations, improvements, or enlargements to or upon properties acquired by Edison since execution on March 15, 1976, of its Thirty-Ninth Supplemental Indenture in connection with its Series GG Bonds. The Instrument of Further Assurance is required to include a description of parcels of real property which constitute substitutions, replacements, additions, alterations, improvements or enlargements to, of, or upon properties owned by the California Electric Power Company (Cal-Electric) on the effective date of its merger with Edison, December 31, 1963, and as to which the Cal-Electric First Mortgage Indenture is a prior lien or charge.

Edison's capital ratios, as of March 31, 1977, and as adjusted for the effect of the proposed bond issues, and for April, 1977 sales of common stock and conversion of preference stock, are as follows:

	<u>March 31, 1977</u>	<u>Pro Forma</u>
Mortgage Bonds	45.0%	47.3%
Convertible Debentures	1.6	1.6
Other Long-term Debt	0.5	0.4
Preferred Stock	11.8	11.3
Preference Stock	3.0	2.7
Common Equity	<u>38.1</u>	<u>36.7</u>
Total	<u>100.0%</u>	<u>100.0%</u>

Edison is engaged in an extensive construction program during 1977 and 1978 that will approximate \$1,074,762,000. Details of this construction program, estimated as of May 11, 1977 are as follows:

	(Thousands of Dollars)		
	<u>1977</u>	<u>1978</u>	<u>Total</u>
Electric Generating Plants	\$420,720	\$444,991	\$ 865,711
Electric Transmission Lines and Substations	35,415	41,450	76,865
Electric Distribution Lines and Substations	115,163	119,058	234,221
Other Expenditures	<u>18,552</u>	<u>17,970</u>	<u>36,522</u>
Total	\$589,850	\$623,469	\$1,213,319
Less: Allowance for Funds Used During Construction	<u>61,995</u>	<u>76,562</u>	<u>138,557</u>
Funds Used or Required for Construction Expenditures	<u>\$527,855</u>	<u>\$546,907</u>	<u>\$1,074,762</u>

The Operations Division of the Commission staff, in connection with the above program, which program was attached to the application as Exhibit "C", has reviewed Edison's five year construction budget and the California Energy Resources Conservation and Development Commission's electric forecast and planning report. According to the Operations Division the generation, transmission, and distribution facilities contemplated by Exhibit "C" are necessary for the maintenance of a safe reserve margin of capacity in Edison's system during the first half of the 1980's. The Operations Division believes that the expenditures forecasted for 1977 and 1978 are not unreasonable.

Edisons's cash requirements for 1977 and 1978, estimated as of May 11, 1977, are as follows:

(Thousands of Dollars)

	<u>1977</u>	<u>1978</u>	<u>Total</u>
Funds Used as Required for Construction Expenditures	\$527,855	\$546,907	\$1,074,762
Bond maturities:			
First and refunding mortgage bonds, Series E, due 8/15/78 (3-5/8%)	-	30,000	30,000
First mortgage bonds (Cal-Electric), Series of 3's, due 6/1/78	-	5,500	5,500
Short-term debt outstanding as of 12/31/76	<u>36,050</u>	-	<u>36,050</u>
	563,905	<u>582,407</u>	<u>1,146,312</u>
Less: Estimated cash available from internal sources	<u>130,039</u>	<u>232,891</u>	<u>362,930</u>
Additional new money required from outside sources	<u>\$433,866</u>	<u>\$349,516</u>	<u>\$ 783,382</u>
To be provided as follows:			
Proceeds from sale of 2,480,000 shares of preference stock, par value \$25 per share, 7.375% series	\$ 61,615	\$ -	\$ 61,615
Estimated proceeds from sale of common stock under the Dividend Reinvestment and Stock Purchase Plan	10,000	10,000	20,000
Estimated proceeds from sale of common stock under the Employee Stock Purchase Plan	13,200	13,200	26,400
Estimated proceeds from sale of First and Refunding Mortgage Bonds, Series HH, due 2002	125,000	-	125,000
Estimated proceeds from sale of First and Refunding Mortgage Bonds, Series II, due 1984	75,000	-	75,000
Additional cash requirements	<u>149,051</u>	<u>326,316</u>	<u>475,367</u>
	<u>\$433,866</u>	<u>\$349,516</u>	<u>\$ 783,382</u>

The Finance Division of the Commission's staff has analyzed the above cash requirement forecast, attached to the application as Exhibit "D", and determined that internally generated funds will provide only 23 percent of the capital expenditures estimated for 1977 and 40 percent of those estimated for 1978. The Finance Division has concluded that the proposed bond issue will therefore be necessary to help meet forecasted cash requirements.

After consideration the Commission finds that:

1. The proposed bonds would be for proper purposes.
2. Edison has need for external funds for the purposes set forth in the application.
3. The proposed Fortieth Supplemental Indenture and an Instrument of Further Assurance would not be adverse to the public interest.
4. The money, property or labor to be procured or paid for by such new bonds herein authorized is reasonably required for the purposes specified herein, which purposes, except as otherwise authorized for accrued interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income.
5. To situate and structure the issuance and sale of Edison's Series HH and Series II bonds under the laws of the State of New York would not be adverse to the public interest.
6. The authority granted herein should become effective when Edison has paid the fee prescribed by Section 1904(b) of the Public Utilities Code.

There is no known opposition to Edison's application and no reason not to grant the authority requested effective when Edison has paid the prescribed fee. The Commission therefore concludes that the application should be granted. A public hearing is not necessary. The action taken herein is for the purpose of this proceeding only, and is not to be construed as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company may execute and deliver a Fortieth Supplemental Indenture and an Instrument of Further Assurance, in substantially the same forms as those attached to the application as Exhibits E and H, respectively.

2. Southern California Edison Company may issue, sell and deliver, at competitive bidding, not exceeding \$200,000,000 aggregate principal amount of its First and Refunding Mortgage Bonds, Series HH in an aggregate principal amount not exceeding \$125,000,000 and Series II in an aggregate principal amount not exceeding \$75,000,000 or either of said series at the price or prices offered in the bid or bids for said bonds which shall provide the lowest annual cost of money to applicant calculated in the manner provided in the Statement of Terms and Conditions Relating to Bids, a copy of which is attached to the application as a part of Exhibits F and G.

3. Southern California Edison Company shall apply the proceeds from the sale of said bonds to the purposes referred to in the application.

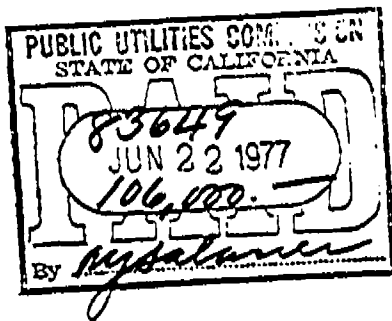
4. Promptly after awarding the contract for the sale of said bonds, Southern California Edison Company shall file a written report with the Commission, showing as to each bid received, the name of the bidder, the price, the interest rate and the cost of money to applicant based on such price and interest rate.

5. As soon as available, Southern California Edison Company shall file with the Commission three copies of its final prospectus pertaining to said bonds.

6. Within one month after such issue and sale, Southern California Edison Company shall file with Commission a statement, in lieu of a report under General Order No. 24-B, disclosing the purposes for which the bond proceeds were used.

7. This order shall become effective when Southern California Edison Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$106,000.

Dated at San Francisco, California, this 21<sup>st</sup> day of JUNE, 1977.



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President  
William J. Quinn Jr.  
Vernon L. Sturgen  
Richard W. Howell

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Commissioners

Commissioner Robert Batinovich, being necessarily absent, did not participate in the disposition of this proceeding.