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Decision No. 89464 OCT 3 1978**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)	Application No. 58269
principal amount of its First and)	(Filed August 3, 1978)
Refunding Mortgage Bonds, Series JJ,)	
to execute and deliver the Forty-)	
First Supplemental Indenture.)	

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 Forty-First Supplemental Indenture, and to issue, sell and deliver, at competitive bidding, a new series of First and Refunding Mortgage Bonds, Series JJ, which would not exceed an aggregate principal amount of \$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.

The Series JJ Bonds would be dated October 15, 1978, would have a maturity not exceeding 25 years and redemption would be restricted for a period not exceeding five years. The exact terms of the restricted refunding features would be determined by Edison based on market conditions which exist at or immediately prior to publication of invitation for bids. Edison believes that the inclusion of such restricted refunding would broaden the market for the new series of bonds among large institutional investors and would tend to result in a lower annual cost of money.

The new bond 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.

The Forty-First Supplemental Indenture is required in order 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 July 1, 1977 of its Fortieth Supplemental Indenture in connection with its Series II Bonds.

As of June 30, 1978, Edison's uncapitalized construction expenditures totaled approximately \$941,434,000. 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 uncapitalized construction 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 are expected to aggregate approximately \$100,000,000, at the time of such repayment.

Edison's capital ratios, as of June 30, 1978, and as adjusted for the effect of (a) the proposed sale of \$200,000,000 aggregate principal amount of First and Refunding Mortgage Bonds, Series JJ, (b) the issuance of additional common shares in July 1978 as previously authorized in connection with the Employee Stock Purchase Plan^{1/}, and (c) the proposed sale of 6,000,000 shares of Common Stock^{2/}, at an assumed price of \$26.00 per share presently scheduled to be offered on October 17, 1978, are as follows:

^{1/} Authorized by Decision No. 85037, dated October 21, 1975, in Application No. 55963.

^{2/} Authorized by Decision No. 88872, dated May 31, 1978, in Application No. 57998.

	<u>June 30, 1978</u>	<u>Pro Forma</u>
Mortgage Bonds	46.2%	46.9%
Convertible Debentures	1.6	1.4
Other Long-Term Debt	0.4	0.4
Preferred Stock	12.3	11.4
Preference Stock	2.2	2.1
Common Equity	<u>37.3</u>	<u>37.8</u>
Total	<u>100.0%</u>	<u>100.0%</u>

Edison is engaged in an extensive construction program during 1978 and 1979 that will approximate \$1,220,524,000. Details of this construction program, estimated as of July 20, 1978 are as follows:

	<u>Thousands of Dollars</u>		
	<u>1978</u>	<u>1979</u>	<u>Total</u>
Electric Generating Plants	\$503,224	\$551,524	\$1,054,748
Electric Transmission Lines and Substations	36,519	38,370	74,889
Electric Distribution Lines and Substations	125,631	130,418	256,049
Other Expenditures	<u>11,088</u>	<u>14,799</u>	<u>25,887</u>
Total	676,462	735,111	1,411,573
Less: Allowances for Funds Used During Construction	<u>82,278</u>	<u>108,771</u>	<u>191,049</u>
Funds Used or Required for Construction Expenditures	<u>\$594,184</u>	<u>\$626,340</u>	<u>\$1,220,524</u>

The Operations Division of the Commission staff, in connection with the above program, attached to the application as Exhibit "C", has reviewed Edison's two year construction budget. The Operations Division has no objection to the proposed security issue and believes that the expenditures estimated for years 1978 and 1979 are not unreasonable.

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Edison's cash requirements for 1978 and 1979, estimated as of July 25, 1978 are as follows:

	<u>Thousands of Dollars</u>		
	<u>1978</u>	<u>1979</u>	<u>Total</u>
Funds Used or Required for Construction Expenditures	\$594,184	\$626,340	\$1,220,524
Bond Maturities:			
First and Refunding Mortgage Bonds, Series E, due 8-15-78 (3-5/8%)	30,000	-	30,000
Series F, due 8-15-79 (3%)	-	30,000	30,000
First Mortgage Bonds (Cal-Electric), Series of 3's, due 6-1-78	5,500	-	5,500
Promissory Notes (5-1/2%), due 1979	-	4,792	4,792
Short-Term Debt Outstanding as of 12-31-77	<u>135,365</u>	<u>-</u>	<u>135,365</u>
Total	\$765,049	661,132	1,426,181
Less: Estimated cash available from internal sources	<u>424,000</u>	<u>180,000</u>	<u>604,000</u>
Additional new money required from outside sources	<u>\$341,049</u>	<u>\$481,132</u>	<u>\$ 822,181</u>
To be provided as follows:			
(1) Estimated proceeds from sale of common stock under the Dividend Reinvestment and Stock Purchase Plan authorized by Decision No. 84882, dated September 10, 1975, in Application No. 55870.	13,000	13,000	26,000
(2) Estimated proceeds from sale of common stock under the Employee Stock Purchase Plan authorized by Decision No. 85037, dated October 21, 1975, in Application No. 55963.	16,000	16,000	32,000

(3) Estimated proceeds from sale of common stock under Tax Reduction Act Stock Ownership Plan authorized by Decision No. 87785, dated August 30, 1977, in Application No. 57478.	4,800	5,400	10,200
(4) Estimated proceeds from sale of 6,000,000 shares of common stock at \$26.00 per share, authorized by Decision No. 88872, dated May 31, 1978, in Application No. 57998.	156,000	-	156,000
(5) Estimated proceeds from sale of \$200,000,000 aggregate principal amount of First and Refunding Mortgage Bonds Series JJ.	200,000	-	200,000
(6) Additional cash requirements.	<u>(48,751)</u>	<u>446,732</u>	<u>397,981</u>
Total	<u>\$341,049</u>	<u>\$481,132</u>	<u>\$ 822,181</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 55 percent of the capital expenditures estimated for 1978 and 27 percent of those estimated for 1979. 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. Edison's execution and delivery of the proposed Forty-First Supplemental Indenture 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 JJ 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 Forty-First Supplemental Indenture in substantially the same form as attached to the application as Exhibit E.
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 JJ, at the price offered in the bid for said bonds which shall provide the lowest annual cost of money to

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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 Exhibit F.

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. Southern California Edison Company shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

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 3rd day of OCTOBER, 1978.

Robert J. ...
Robert J. ...

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
PAID
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106,000.
BY *[Signature]*

Robert B. ...
President
William ...
Vernon L. ...
Alvin T. ...
Commissioners