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SEP 12 1979

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Decision No. \_\_\_\_\_

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN CALIFORNIA EDISON COMPANY, for authority to issue, sell and deliver by competitive bidding, not exceeding \$200,000,000 aggregate principal amount of its First and Refunding Mortgage Bonds, Series MM, and to execute and deliver a Forty-Fourth Supplemental Indenture.

Application No. 59048  
(Filed August 7, 1979)

O P I N I O N

Southern California Edison Company (Edison) requests authority (a) to issue, sell and deliver through competitive bidding not to exceed \$200,000,000 aggregate principal amount of its First and Refunding Mortgage Bonds, Series MM, due 2004, and (b) to execute and deliver a Forty-Fourth Supplemental Indenture.

Edison requests this authority pursuant to Sections 816, 817, 818 and 851 of the California Public Utilities Code. Notice of the filing of the application was published in the Commission's Daily Calendar of August 9, 1979.

Edison is a California corporation primarily engaged in the business of generating, transmitting, distributing and selling electric energy in portions of Central and Southern California as a public utility subject to the jurisdiction of the Commission.

The Series MM Bonds would be dated October 15, 1979, 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 the

publication of the 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 application indicates that the bonds will be issued in accordance with and under the provisions of its Trust Indenture dated as of October 1, 1923, and amendatory and supplemental indentures (all of which having been previously filed with this Commission) and a Forty-Fourth Supplemental Indenture to be dated as of October 15, 1979. Edison's proposed form of the Forty-Fourth Supplemental Indenture is set forth as Exhibit "E" to the application. The proposed form of Supplemental Indenture sets forth certain provisions which Edison proposes to be applicable to the bonds.

Edison's current estimates of market conditions indicate that the issue, sale and delivery of the proposed bonds could entail the payment of interest at a rate which may exceed 10% per annum. Under certain circumstances, the "California Usury Law" contained in Article XV, Section 1, of the Constitution of the State of California and in Section 1916-1, et seq, of West's California Civil Code (1970) prohibits, in this State, the charging of interest on any loan at an annual rate of interest in excess of 10%. Therefore, Edison requests the Commission, in the exercise of its powers conferred by the California Legislature, to exercise its authority:

1. To permit Edison to issue, sell and deliver the bonds at an annual cost of money exceeding 10% and to determine that such issue, sale and delivery will not violate the California Usury Law; and
2. To determine that the situation and structuring of the issue in and pursuant to the laws of the State of New York is not inconsistent with the public policy of the State of California nor violative of any fundamental policy of the State of California, and to authorize such financing activity as so structured; and

3. To place such restrictions upon Edison's ability to avail itself of claims or otherwise available defenses under the California Usury Law as the Commission may deem appropriate.

As of June 30, 1979, Edison's uncapitalized construction expenditures amounted to approximately \$1,081,504,000. 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 \$200,000,000 at the time of such repayment.

Edison's capital ratios as of June 30, 1979, 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 MM, (b) the sale of 183,717 shares of Common Stock under Edison's Employee Stock Purchase Plan on June 2, 1979, (c) the conversion of 15,101 shares of 5.20% Preference Stock to 11,099 shares of Common Stock, and (d) the proposed sale of 750,000 shares of \$100 Cumulative Preferred Stock presently scheduled to be offered on September 6, 1979,<sup>1/</sup> are as follows:

	<u>June 30, 1979</u>	<u>Pro Forma</u>
Mortgage Bonds	46.0%	47.3%
Convertible Debentures	1.4	1.2
Other Long-Term Debt	<u>0.3</u>	<u>0.3</u>
Total Long-Term Debt	47.7	48.8
Preferred Stock	11.8	12.6
Preference Stock	1.7	1.6
Common Stock Equity	<u>38.8</u>	<u>37.0</u>
Total	<u>100.0%</u>	<u>100.0%</u>

<sup>1/</sup> Authorized by Decision No. 90710, dated August 28, 1979, in Application No. 58994.

Edison's construction expenditure for the years 1979 and 1980 will approximate \$1,365,416,000. Details of this construction program, estimated as of July 19, 1979, are as follows:

	(Thousands of Dollars)		
	<u>1979</u>	<u>1980</u>	<u>Total</u>
Electric Generating Plants	\$597,132	\$581,578	\$1,178,710
Electric Transmission Lines and Substations	48,230	82,954	131,184
Electric Distribution Lines and Substations	150,558	146,652	297,210
Other Expenditures	<u>22,299</u>	<u>19,013</u>	<u>41,312</u>
Total	<u>\$818,219</u>	<u>\$830,197</u>	<u>\$1,648,416</u>
Less: Allowance for Funds Used During Construction	<u>123,000</u>	<u>160,000</u>	<u>283,000</u>
Funds Used/Required for Construction Expenditures	<u><u>\$695,219</u></u>	<u><u>\$670,197</u></u>	<u><u>\$1,365,416</u></u>

The staff of the Commission's Revenue Requirements Division has reviewed Edison's 1979 and 1980 construction program, which is attached as Exhibit "C" to the application, and believes that the estimated construction expenditures are reasonable and has no objection to the proposed security issue and believes that the expenditures estimated for the years 1979 and 1980 are not unreasonable.

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Edison's cash requirements for 1979 and 1980, estimated as of June 8, 1979, are as follows:

	(Thousands of Dollars)		
	<u>1979</u>	<u>1980</u>	<u>Total</u>
Funds Used/Required for Construction Expenditures	\$652,668	\$629,302	\$1,281,970
Maturities:			
First and Refunding Mortgage Bonds: Series F, Due 8/15/79 (3%)	30,000	-	30,000
First Mortgage Bonds (CEP): Series of 2-7/8, Due 6/1/80	-	6,000	6,000
Convertible Debentures Due 8/15/80 (3-1/8%)	-	74,902	74,902
5-1/2% Promissory Notes	3,737	3,642	7,379
Short-Term Debt/(Temporary Investments) Outstanding As of Beginning of Year	<u>(61,000)</u>	<u>-</u>	<u>61,000</u>
	\$625,405	\$713,846	\$1,339,251
Less: Estimated Cash Available from Internal Sources	<u>80,600</u>	<u>43,000</u>	<u>123,600</u>
Additional New Money Required from Outside Sources	<u>\$544,805</u>	<u>\$670,846</u>	<u>\$1,215,651</u>

	1979	1980	Total
(Thousands of Dollars)			
To be provided as follows:			
(1) Estimated proceeds from sale of common stock under:			
Dividend Reinvestment and Stock Purchase Plan Authorized by Decision No. 89463, dated October 3, 1978, in Application No. 58268	\$ 23,700	\$ 26,070	\$ 49,770
Employee Stock Purchase Plan Authorized by Decision No. 90059, dated March 31, 1979, in Application No. 58606	22,600	24,860	47,460
Tax Reduction Act Stock Ownership Plan Authorized by Decision No. 87785, dated August 30, 1977, in Application No. 57478	184	5,000	5,184
(2) Proceeds from sale of 525,000 shares of \$100 Cumulative Preferred Stock, 8.70% Series A Authorized by Decision No. 90103 dated March 27, 1979, in Application No. 58668			
	52,300	-	52,300
(3) Proceeds from sale of First and Refunding Mortgage Bonds, Series KK Authorized by Decision No. 90438 dated June 19, 1979, in Application No. 58832			
	105,000	-	105,000
(4) Estimated proceeds from sale of Cumulative Preferred Stock, 9.00% Series			
	75,000	-	75,000
(5) Estimated proceeds from sale of First and Refunding Mortgage Bonds, Series LL			
	50,000	-	50,000
(6) Additional Cash Requirements			
	<u>216,021</u>	<u>614,916</u>	<u>830,937</u>
	<u>\$544,805</u>	<u>\$670,846</u>	<u>\$1,215,651</u>

The Revenue Requirements 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 13 percent of the capital expenditures estimated for 1979 and 6 percent of those estimated for 1980. The Revenue Requirements Division has concluded that the proposed bond issue will therefore be necessary to help meet forecasted cash requirements.

Findings of Fact

1. Southern California Edison Company is a California corporation operating under the 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. There is no known opposition and no reason to delay granting the authority requested.
5. Southern California Edison's execution and delivery of the proposed Forty-Fourth Supplemental Indenture would not be adverse to the public interest.
6. The money, property, or labor to be procured or paid for by the proposed bonds herein authorized is reasonably required for the purposes specified in the application, which purposes, except as otherwise authorized for accrued interest, are not in whole or in part reasonably chargeable to operating expenses or to income.

This Commission does not object to Southern California Edison Company's situating and structuring the issue, sale and delivery of the proposed First and Refunding Mortgage Bonds, Series MM in the State of New York.

Conclusions of Law

1. A public hearing is not necessary.
2. The California Usury Law, as contained in Article XV, Section 1, of the California Constitution, Section 1916-1, et seq, of West's California Civil Code (1970) has no application to the issue, sale and delivery of the proposed bonds by Southern California Edison Company. This conclusion is consistent with the Commission's Decision No. 83411.
3. The application should be granted to the extent set forth in the order which follows.

The action taken herein is for the purposes 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-Fourth 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 to exceed \$200,000,000 aggregate principal amount of its First and Refunding Mortgage Bonds, Series MM, at the price offered in the bid 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 form 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 for the purposes referred to in the application.



4. Neither Southern California Edison Company, nor anyone purporting to act on its behalf, shall at any time, assert in any manner, or attempt to raise as a claim or defense in any proceeding, that the cost of money payable pursuant to the said bonds exceeds the maximum permitted to be charged under the California Usury Law, or any similar law establishing the maximum rate of interest that can be charged to or received from a borrower.

5. 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.

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

7. 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.

8. 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 \$91,000.

Dated SEP 12 1979 at San Francisco, California.

*John E. Brown*  
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President  
*Devin L. Stegman*  
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*Robert D. Hock*  
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Commissioners

