

Decision No. 91383 MAR 4 1980

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN CALIFORNIA  
EDISON COMPANY for Authorization to  
issue, sell and deliver through  
competitive bidding, not to exceed  
\$200 million aggregate principal  
amount of First and Refunding  
Mortgage Bonds, Series NN, to  
execute and deliver a Forty-Fifth  
Supplemental Indenture and to  
execute and deliver an Instrument  
of Further Assurance.

Application No. 59386  
(Filed January 16, 1980)

O P I N I O N

Southern California Edison Company (Edison) requests authority, pursuant to Sections 816 through 818 and 851 of the Public Utilities Code, (a) to issue, sell and deliver through competitive bidding its First and Refunding Mortgage Bonds, Series NN, (New Bonds), in an aggregate principal amount not exceeding \$200,000,000; (b) to execute and deliver a Forty-Fifth Supplemental Indenture; and (c) to execute and deliver an Instrument of Further Assurance. Notice of the filing of the Application was published on the Commission's Daily Calendar of January 18, 1980.

Edison is a California corporation primarily engaged in the business of generating, purchasing, transmitting, distributing and selling electric energy in portions of central and southern California as a public utility subject to the jurisdiction of the Commission. For the twelve months ending September 30, 1979, the utility reported total operating revenues of \$2,455,624,000 and net income of \$339,137,000.

Edison proposes that the New Bonds will bear such terms and conditions as shall be determined by its Board of Directors at or immediately prior to the date of their issue. Edison states in its Application that due to unstable bond market conditions, the utility considers that it is not in the company's best interest or in the best interest of its ratepayers to specify the exact maturity date and aggregate principal amount of the New Bonds at the time of filing its Application. Therefore, Edison has requested that the Commission issue its order, authorizing the issuance and sale of the New Bonds, to provide that the New Bonds shall bear such terms as are set forth or contemplated by Edison's Application and the exhibits or documents filed in connection with these proceedings. Edison indicates in its Application that: (a) the aggregate principal amount of the New Bonds will be from \$50 million up to but not exceeding \$200 million and (b) the maturity date of the New Bonds will be between seven (7) years and twenty-five (25) years from their date of issuance.

Edison states in its Application that the New Bonds will be subject to redemption at the company's option, as a whole, or in part by lot, at any time prior to maturity, upon at least thirty days' notice as provided in Edison's Trust Indenture, upon payment of the principal amount thereof, plus premium, if any, plus accrued interest thereon to and including the date of redemption.

Edison also anticipates that the New Bonds will have a restrictive refunding feature providing that they shall not be redeemed (whether through operation of the Special Trust Fund provided in Edison's Trust Indenture, or otherwise), for a certain period from the date of issuance of the New Bonds if such redemption

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is for the purpose or in anticipation of refunding the New Bonds through the use, directly or indirectly, of funds borrowed by Edison at an effective interest cost to Edison of less than the effective interest cost of the New Bonds. Edison intends to include, as it has in the past, a restrictive refunding provision for a period not exceeding five years. If market conditions on or about the offering date dictate the need for a restrictive refunding provision and Edison determines that it is advantageous to adopt such a provision, Edison has sought, in these proceedings the Commission's authorization to include in the terms of the New Bonds a restrictive refunding provision for a period of not exceeding five years.

Edison is presently planning to offer, issue and sell the New Bonds through competitive bidding and has attached, as Exhibit F to the Application, the forms of Public Invitation for Bids, Statement of Terms and Conditions Relating to Bids, and Bid and Bond Purchase Agreement. A revision of Exhibit F, marked as Exhibit 1 in this proceeding, was submitted by Edison's counsel to the staff of the Revenue Requirements Division by letter dated February 21, 1980. These documents are presented in substantially the same form contemplated to be used by Edison and hereinafter collectively referred to as the "Bidding Papers". The Bidding Papers provide Edison the flexibility to do the following pursuant to a single publication of a Public Invitation for Bids: (a) accelerate, postpone or cancel the date initially established for the opening bids; (b) reject all bids submitted, request the submission of new bids and reschedule subsequent opening(s) of bids; and (c) reject all bids. The Bidding Papers also provide that if Edison, after it has published its public invitation for bids, modifies the terms of the New Bonds in a manner consistent with this decision, no new publication of a public invitation for bids will be required.

If Edison accepts a bid for the purchase of the New Bonds tendered pursuant to the Bidding Papers, Edison will enter into a Bid and Bond Purchase Agreement substantially in the same form as that shown in Exhibit F attached to the Application and will issue, sell, and deliver the New Bonds in the manner specified in the agreement.

The Application indicates that the New Bonds will be issued in accordance with and under the provisions of Edison's Trust Indenture dated as of October 1, 1923, and amendatory and supplemental indentures and the proposed Forty-Fifth Supplemental Indenture presently scheduled to be dated as of April 1, 1980. Edison's proposed form of the Forty-Fifth Supplemental Indenture is set forth as Exhibit E attached to the Application.

The Forty-Fifth 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 October 15, 1979 of its Forty-Fourth Supplemental Indenture in connection with its Series MM Bonds. The Instrument of Further Assurance is required to include a description of the items of real property which were owned by California Electric Power Company (Cal-Electric) on the effective date of its merger with Edison on December 31, 1963, and to which the Cal-Electric's First Mortgage Indenture is a prior lien or charge. In this connection, Edison proposes to execute and deliver a form of the Instrument of Further Assurance in substantially the same form set forth as Exhibit G attached to the Application.

Edison's capital ratios as of September 30, 1979, and as adjusted for the effect of (a) issuance of the New Bonds not to exceed the principal amount of \$200,000,000; (b) the proposed issuance of 7,000,000 shares of common stock at an assumed price of \$25 per share<sup>1/</sup>; (c) the proposed issuance of 2,000,000 shares of additional common stock through the Employee Stock Ownership Plan<sup>2/</sup>; (d) the sale of \$200,000,000 principal amount of First and Refunding Mortgage Bonds, Series MM<sup>3/</sup>; (e) the sale of 190,015 and 212,351 shares of common stock under Edison's Employee Stock Purchase Plan<sup>4/</sup>; (f) the sale of 361,371 and 8,081 shares of common stock under Edison's Dividend Reinvestment and Stock Purchase Plan<sup>5/</sup> and the Employee Stock Ownership Plan<sup>6/</sup>; and (g) the conversion of 39,016 shares of 5.20% Preference Stock to 28,673 shares of common stock, are as follows:

	<u>September 30, 1979</u>	<u>Pro Forma</u>
Mortgage Bonds	44.3%	46.2%
Convertible Debentures	1.3	1.2
Other Long-Term Debt	<u>1.2</u>	<u>1.0</u>
Total Long-Term Debt	46.8	48.4
Preferred Stock	12.9	11.5
Preference Stock	1.6	1.5
Common Stock Equity	<u>38.7</u>	<u>38.6</u>
Total	<u>100.0%</u>	<u>100.0%</u>

<sup>1/</sup> Decision No. 91199, dated January 8, 1980, in Application No. 59297.

<sup>2/</sup> Decision No. 91198, dated January 8, 1980, in Application No. 59295.

<sup>3/</sup> Decision No. 90793, dated September 12, 1979, in Application No. 59048.

<sup>4/</sup> Decision No. 90059, dated March 13, 1979, in Application No. 58606.

<sup>5/</sup> Decision No. 89463, dated October 3, 1978, in Application No. 58268.

<sup>6/</sup> Decision No. 87785, dated August 30, 1977 in Application No. 57478.

As of September 30, 1979, Edison's uncapitalized construction expenditures amounted to approximately \$1,097,050,000. Edison 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 for a portion of 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 \$300,000,000 at the time of such repayment.

Edison is engaged in an extensive construction program and estimates that the gross expenditure required for this proposed construction program during the calendar years 1980 and 1981 will approximate \$1,521,639,000. Schedule C, attached to the Application, sets forth in detail the company's construction program, estimated as of December 20, 1979. Following is a summary of that exhibit:

	(Thousands of Dollars)		
	<u>1980</u>	<u>1981</u>	<u>Total</u>
Electric Generating Plants	\$ 663,052	\$ 634,568	\$1,297,620
Electric Transmission Lines and Substations	67,115	95,502	162,617
Electric Distribution Lines and Substations	179,631	168,850	348,481
Other Expenditures	<u>27,033</u>	<u>14,898</u>	<u>41,921</u>
Total	<u>\$ 936,831</u>	<u>\$ 913,808</u>	<u>\$1,850,639</u>
Less: Allowance for Funds Used During Construction	<u>169,000</u>	<u>160,000</u>	<u>329,000</u>
Funds Used or Required for Construction Expenditures	<u><u>\$ 767,831</u></u>	<u><u>\$ 753,808</u></u>	<u><u>\$1,521,639</u></u>

The staff of the Commission's Revenue Requirements Division has reviewed Edison's 1980 and 1981 construction program and concludes that the estimated construction expenditures are reasonable and has no objection to the proposed security issue specified in the Application. The Division reserves the right, however, to reconsider the reasonableness of any construction expenditures in future rate proceedings.

After payment and discharge of obligations incurred for expenses incidental to the issuance and sale of the proposed bonds, Edison proposes to use the proceeds to reimburse its treasury for monies expended from income or from other monies in its treasury not secured by or obtained from the issue of stocks or stock certificates or other evidences of interest or ownership, or bonds, notes or other evidences of indebtedness, for the acquisition of property, or for the construction, completion, extension or improvements, exclusive of maintenance of service and replacements. The amounts so reimbursed will become a part of Edison's general treasury funds. The applicant proposes to use a portion of its general treasury funds to repay a portion of its short-term bank borrowings, commercial paper and banker's acceptances that are expected to aggregate approximately \$300,000,000 at the time of such repayment.

Edison's cash requirements for 1980 and 1981, estimated as of January 7, 1980 and attached to the Application as Exhibit D, are shown as follows:

	(Thousands of Dollars)		
	1980	1981	Total
Funds Used or Required for Construction Expenditures	\$767,831	\$753,808	\$1,521,639
Maturities of Long-Term Debt:			
First and Refunding Mortgage Bonds:			
Series G, Due 4/15/81	-	40,000	40,000
Series EE, Due 11/1/81	-	100,000	100,000
First Mortgage Bonds:			
Series of 2-7/8, Due 5/1/80	6,000	-	6,000
Convertible Debentures, Due 8/15/80	74,902	-	74,902
5-1/2% Promissory Notes	3,642	3,548	7,190
Short Term Debt Outstanding as of Beginning of year	204,000	-	204,000
Total Construction Funds Needed	<u>\$1,056,375</u>	<u>\$897,356</u>	<u>\$1,953,731</u>
Estimated Cash Available or (Deficit) from Internal Sources	<u>(433,000)</u>	<u>85,000</u>	<u>(348,000)</u>
Additional New Funds Required From Outside Sources	<u>\$1,489,375</u>	<u>\$812,356</u>	<u>\$2,301,731</u>

To Be Provided as Follows:

(1) Estimated Proceeds from Sale of Common Stock:			
Dividend Reinvestment and Stock Purchase Plan <sup>1/</sup>	40,000	40,000	80,000
Employee Stock Purchase Plan <sup>2/</sup>	23,000	23,000	46,000
Tax Reduction Act Stock Ownership Plan <sup>3/</sup>	864	-	864
(2) Proceeds from Sale of First and Refunding Mortgage Bonds, Series LL <sup>4/</sup>	50,000	-	50,000
(3) Estimated Proceeds from Sale of 7,000,000 Shares of Common Stock <sup>5/</sup>	175,000	-	175,000
(4) Estimated Proceeds from Sale of First and Refunding Mortgage Bonds, Series NN (New Bonds)	200,000	-	200,000
(5) Additional Cash Requirements	<u>1,000,511</u>	<u>749,356</u>	<u>1,749,867</u>
	<u>\$1,489,375</u>	<u>\$812,356</u>	<u>\$2,301,731</u>

- 1/ Decision No. 89463, dated October 3, 1978 in Application No. 58268.  
 2/ Decision No. 90059, dated March 31, 1979, in Application No. 58606.  
 3/ Decision No. 87785, dated August 30, 1977, in Application No. 57478.  
 4/ Decision No. 90791, dated September 13, 1979, in Application No. 59009.  
 5/ Decision No. 91119, dated January 8, 1980, in Application No. 59297.



The Revenue Requirements Division of the Commission's staff has analyzed the above cash requirement forecast, attached to the Application as Exhibit D, and concludes that internally generated funds will provide none of the capital expenditures estimated for 1980 and only 9.5% of those estimated for 1981. 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. Edison 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. Edison's execution and delivery of the proposed Forty-Fifth Supplemental Indenture and Instrument of Further Assurance would not be adverse to the public interest.
5. There is no known opposition and no reason to delay granting the authority requested.
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 proposes, except as otherwise authorized for accrued interest, are not in whole or in part reasonably chargeable to operating expenses or to income.

Conclusions of Law

1. A public hearing is not necessary.
2. 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, is consistent with the Commission's Competitive Bidding Rule.

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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-Fifth Supplemental Indenture in substantially the same form as that attached to the Application as Exhibit E, such Supplemental Indenture to incorporate terms consistent with this opinion.

2. Southern California Edison Company may execute and deliver an Instrument of Further Assurance in substantially the same form as that attached to the Application as Exhibit G.

3. Southern California Edison Company may issue, sell and deliver, at competitive bidding, in a manner consistent with this opinion, its First and Refunding Mortgage Bonds, Series NN, in an aggregate principal amount of between \$50,000,000 and \$200,000,000, with a maturity date of between seven (7) and twenty-five (25) years from their date of issuance, at the price offered in a bid for the New 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 filed as part of Exhibit F and further identified as Exhibit 1 in this proceeding.

4. Southern California Edison Company shall apply the proceeds from the sale of Series NN Bonds for the purposes referred to in the Application.

5. Promptly after awarding the contract for the sale of Series NN 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 Edison 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 Series NN 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 \$106,000.

Dated MAR 4 1980, at San Francisco, California.

John E. Bygon President  
Richard J. [unclear]  
Michael D. [unclear]  
Robert T. [unclear]  
James M. [unclear] Commissioners

