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Decision No. 92189 SEP 3 - 1980

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, one or more )  
series of its First and Refunding )  
Mortgage Bonds in an aggregate )  
principal amount of not to exceed )  
\$200 million, and to execute and )  
deliver one or more Supplemental )  
Indentures. )

ORIGINAL

Application No. 59836  
(Filed July 28, 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 one or more series of its First and Refunding Mortgage Bonds (New Bonds) in an aggregate principal amount not to exceed \$200,000,000 and (b) to execute and deliver one or more of its Supplemental Indentures. Notice of the filing of the application was published on the Commission's Daily Calendar of July 30, 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 calendar year ended December 31, 1979, Edison reported that it generate. operating revenues of \$2,563,974,000 and net income of \$346,219,000. For the three months ended March 31, 1980, the utility reported operating revenues of \$804,946,000 and net income of \$81,685,000 as shown in Exhibit A attached to the application.

Edison proposes to issue and sell, through competitive bidding, a series of New Bonds, each bearing such terms and conditions as shall be determined by Edison's Board of Directors at or immediately prior to the issuance of each series. Edison states in its application,

that due to varying 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.

Edison states that it believes that presently foreseeable market conditions will dictate the issuance of the New Bonds with maturities of between seven (7) and forty (40) years and that each series will be for a principal amount of between \$50 million and \$200 million.

Edison states in its application that each series of 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 each series of 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 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. 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 intends to include a restrictive refunding provision for a period not exceeding five years. Edison has sought in these proceedings the Commission's authorization to include in the terms of the New Bonds such a restrictive refunding provision for a period of not exceeding five (5) years.

Edison is presently planning to offer, issue and sell one or more series of the New Bonds through competitive bidding and has attached, as Exhibit F to the application, the forms of Public

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Invitation for Bids, Statement of Terms and Conditions Relating to Bids, and Bid and Bond Purchase Agreement. 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 of bids.
- b. Reject all bids submitted, request the submission of new bids and reschedule subsequent opening(s) of bids.
- c. Reject all bids.

Edison further requests authority to modify the terms of the New Bonds after it has published a public invitation for bids without being required to republish a new public invitation for bids. Edison states that by having such flexibility, a more favorable financing may be accomplished.

If Edison accepts one of the bids for the purchase of the the New Bonds tendered pursuant to the Bidding Papers for a particular series, 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 such a series of the New Bonds in the manner specified in the agreement.

The application indicates that each series of 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. Edison's proposed form of the Supplemental Indenture is set forth as Exhibit E attached to the application.

Edison's capital ratios as of March 31, 1980, and as adjusted to give effect to (a) proposed issuance of \$200,000,000 aggregate

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principal amount of New Bonds; (b) the proposed issuance of 1,250,000 shares of \$100 Cumulative Preferred/Preference Stock, \$100 par value, or 5,000,000 shares of Cumulative Preferred/Preference Stock, \$25 par value;<sup>1/</sup> (c) the sale of 465,283 shares of common stock issued on April 1, 1980 and July 1, 1980 under Edison's Employee Stock Purchase Plan;<sup>2/</sup> (d) the sale of 388,925 shares of common stock issued on May 1, 1980 under Edison's Dividend Reinvestment and Stock Purchase Plan;<sup>3/</sup> (e) the sale of 62,187 shares of common stock issued on May 1, 1980 and July 1, 1980 under Edison's Employee Stock Ownership Plan;<sup>4/</sup> (f) the issuance of 32,700 shares of Common Stock due to conversion of 42,590 shares of Preference Stock, 5.20% Convertible Series; (g) the retirement of \$6,000,000 principal amount of California Electric Power Company (Calectric) to which Edison is successor in interest; First Mortgage Bonds, 2-7/8% Series, Due 1980, which matured on June 1, 1980;<sup>5/</sup> (h) the sale of \$200,000,000 First and Refunding Mortgage Bonds, Series NN, Due 2005 on April 9, 1980;<sup>6/</sup> and (i) the retirement of \$75,000,000 principal amount of Convertible Debentures, 3-1/8%, due 1980,<sup>7/</sup> are as follows:

	<u>March 31, 1980</u>	<u>Pro Forma</u>
Long-Term Debt	46.6%	48.2%
Preferred and Preference Stock	13.4	14.3
Common Stock Equity	<u>40.0</u>	<u>37.5</u>
Total	<u>100.0%</u>	<u>100.0%</u>

- <sup>1/</sup> Decision No. 92026, dated July 13, 1980, in Application No. 59712.  
<sup>2/</sup> Decision No. 90059, dated March 13, 1979, in Application No. 58606.  
<sup>3/</sup> Decision No. 89463, dated October 3, 1978, in Application No. 58268.  
<sup>4/</sup> Decisions Nos. 87885 and 91198, dated August 30, 1977 and January 8, 1980, in Applications Nos. 57478 and 59295, respectively.  
<sup>5/</sup> Decisions Nos. 44171 and 44882, dated May 16, 1950 and October 10 1950, respectively, in Applications Nos. 31359 and 31788, respectively.  
<sup>6/</sup> Decision No. 91383, dated March 4, 1980 in Application No. 59386.  
<sup>7/</sup> Decision No. 69483, dated August 3, 1965 in Application No. 47739.

As of March 31, 1980, Edison's uncapitalized construction expenditures amounted to approximately \$841,565,000. 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 amounted to approximately \$451,000,000 on July 23, 1980.

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 \$1,555,866,000. Exhibit C, attached to the application, sets forth in detail the company's construction program, estimated as of April 17, 1980. Following is a summary of that exhibit:

	(Thousands of Dollars)		
	<u>1980</u>	<u>1981</u>	<u>Total</u>
Electric Generating Plant	\$600,596	\$ 773,613	\$1,374,209
Electric Transmission Lines and Substations	75,277	107,934	183,211
Electric Distribution Lines and Substations	185,247	173,029	358,276
Other Expenditures	<u>31,386</u>	<u>13,784</u>	<u>45,170</u>
Total	\$892,506	\$1,068,360	\$1,960,866
Less: Allowance for Funds Used During Construction	<u>169,000</u>	<u>236,000</u>	<u>405,000</u>
Funds Used or Required for Construction Expenditures	<u>\$723,506</u>	<u>\$ 832,360</u>	<u>\$1,555,866</u>

The staff of the Commission's Revenue Requirements Division has reviewed Edison's 1980 and 1981 construction programs and concludes that the estimated construction expenditures are reasonable. The staff 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 New Bonds, Edison proposes to use the proceeds to (a) reimburse Edison's treasury for monies expended to retire and discharge \$6,000,000 aggregate principal amount of California Electric Power Company's First Mortgage Bonds, 2-7/8% Series, Due 1980, which matured on June 1, 1980; (b) reimburse Edison for monies it has actually expended from income or other monies in its treasury, not secured by or obtained from the issue of stocks or stock certificates or other evidences of indebtedness, for the acquisition of property, or for the construction completion, extension or improvement of Edison facilities exclusive of maintenance of service and replacement. The amounts so reimbursed will become a part of Edison's general treasury funds. Edison proposes to use a portion of such general treasury funds to repay a portion of its short-term bank borrowings, commercial paper and banker's acceptances outstanding at the time of Edison's receipt of said proceeds.

Edison's cash requirements for 1980 and 1981, estimated as of July 1, 1980, and attached to the application as Exhibit D, are shown as follows:

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	(Thousands of Dollars)		
	1980	1981	Total
Funds Used or Required for Construction Expenditures	\$ 723,506	\$832,360	\$1,555,866
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 (CEP):			
Series of 2-7/8%, Due 6/1/80	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	204,180	-	204,180
	<u>\$1,012,230</u>	<u>\$975,908</u>	<u>\$1,988,138</u>
Less: Estimated Cash Available from Internal Sources	<u>126,000</u>	<u>119,000</u>	<u>245,000</u>
Additional New Funds Required from Outside Sources	<u>\$ 886,230</u>	<u>\$856,908</u>	<u>\$1,743,138</u>
To be Provided as Follows:			
(1) Estimated Proceeds from Sale of Common Stock:			
Dividend Reinvestment and Stock Purchase Plan 1/ Employee Stock Purchase Plan 2/ Employee Stock Ownership Plan 3/	\$ 40,000	\$ 40,000	\$ 80,000
	23,000	23,000	46,000
	10,000	-	10,000
(2) Proceeds from Sale of First and Refunding Mortgage Bonds, Series LL 4/	50,000	-	50,000
(3) Proceeds from Sale of 7,000,000 Shares of Common Stock 5/	156,975	-	156,975
(4) Proceeds from Sale of First and Refunding Mortgage Bonds, Series NN 6/	197,022	-	197,022
(5) Estimated Proceeds from Sale of First and Refunding Mortgage Bonds	200,000	-	200,000
(6) Estimated Proceeds from Sale of Preferred/Preference Stock 7/	125,000	-	125,000
(7) Additional Cash Requirements	<u>84,233</u>	<u>793,908</u>	<u>878,141</u>
Total	<u>\$ 886,230</u>	<u>\$856,908</u>	<u>\$1,743,138</u>

- 1/ Decision No. 89436, dated October 3, 1978, in Application No. 58268.  
2/ Decision No. 90059, dated March 31, 1979, in Application No. 58606.  
3/ Decisions Nos. 87755 and 91198, dated August 30, 1977 and January 8, 1980, in Applications Nos. 57478 and 59295, respectively.  
4/ Decision No. 9091, dated September 13, 1979, in Application No. 59009.  
5/ Decision No. 91119, dated January 8, 1980, in Application No. 59297.  
6/ Decision No. 91383, dated March 4, 1980, in Application No. 59386.  
7/ Decision No. 92026, Dated July 15, 1980, in Application No. 59792.

The Revenue Requirements Division of the Commission's staff has analyzed the cash requirement forecast, attached to the application as Exhibit D, and concludes that internally generated funds will provide only 12 percent of the capital expenditures estimated for 1980 and 12 percent of those estimated for 1981. The Revenue Requirements Division concludes that the proposed New 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 New 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 Supplemental Indenture(s) 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 purposes, 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.
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 issue, sell and deliver, at competitive bidding, in a manner consistent with this opinion, one or more series of its First and Refunding Mortgage Bonds in an aggregate principal amount of not exceeding \$200,000,000, the bonds of each series to mature between seven (7) and forty (40) years from their date of issuance, at the price offered in a bid for each series of the New Bonds which shall provide the lowest annual cost of money to Edison calculated in the manner provided in the Statement of Terms and Conditions Relating to Bids applicable to each series and such other provision as shall be authorized by Edison's Board of Directors.
2. Southern California Edison Company may execute and deliver one or more Supplemental Indentures in substantially the same form as that attached to the application as Exhibit E, such Supplemental Indenture(s) to incorporate terms consistent with this opinion.
3. Southern California Edison Company shall apply the proceeds from the sale of each series of the New Bonds for the purposes referred to in the application.
4. Promptly after awarding the contract for the sale of each series of the New 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.
5. As soon as available, Southern California Edison Company shall file with the Commission three copies of its final prospectus pertaining to each series of New 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.

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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 \$65,500 after taking credit for the retirement of \$6,000,000 principal amount of First Mortgage Bonds, Series 2-7/8%, Due 1980, and the retirement of \$75,000,000 principal amount of Convertible Debentures, 3-1/8%, Due 1980.

Dated SEP 3 - 1980, at San Francisco, California.

J. E. Byrne  
President

James L. Sturgeon

Richard D. Kwock

Clair T. Doolittle

Donald W. James  
Commissioners

PUBLIC UTILITIES COMMISSION  
STATE OF CALIFORNIA

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BY [Signature]