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ORIGINAL

Decision No. 92412 NOV 18 1980

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN CALIFORNIA EDISON COMPANY, for Authorization to (1) Issue, Sell and Deliver one or more series of Not to Exceed \$14,625,000 Aggregate Principal Amount of its First and Refunding Mortgage Bonds, Debentures, Notes and/or other Evidences of Indebtedness or, in the alternative, Guarantee Obligations of Another in respect of the Issuance of Securities, pursuant to an Installment Sale Agreement to be Executed and Delivered in connection therewith; Execute and Deliver one or more Supplemental Indentures; Sell Utility Plant; and for an Exemption from the Competitive Bidding Requirements of the California Public Utilities Commission; and (2) Issue, Sell and Deliver one or more series of Not to Exceed \$115,000,000 Aggregate Principal Amount of its First and Refunding Mortgage Bonds, Debentures, Notes and/or other Evidences of Indebtedness or, in the alternative, Guarantee Obligations of Another in respect of the Issuance of Securities, pursuant to an Installment Sale Agreement to be Executed and Delivered in connection therewith; Execute and Deliver one or more Supplemental Indentures; Sell Utility Plant; and for an Exemption from the Competitive Bidding Requirements of the California Public Utilities Commission.

Application No. 59966
(Filed September 24, 1980)

O P I N I O N

Southern California Edison Company (Edison) requests authority:

A. California Pollution Control Financing

1. To issue, sell and deliver to the California Pollution Control Financing Authority (Authority) one or more series of Edison's First and Refunding Mortgage Bonds, debentures, notes and/or other evidences of indebtedness (California Indebtedness) in an aggregate

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principal amount not to exceed \$14,625,000 or, in the alternative, to unconditionally guarantee the Authority's obligations in respect of its issuances of debt pursuant to the terms of an installment sale agreement to be executed by Edison and the Authority;

2. To sell to the Authority certain acquired or constructed facilities located at its Huntington Beach Generating Station;

3. To execute and deliver one or more supplemental indentures; and

4. To exempt the issue and sale of the California Indebtedness from the competitive bidding requirements of the Commission.

B. New Mexico Pollution Control Financing

1. To issue, sell and deliver to the City of Farmington, New Mexico (City) one or more series of Edison's First and Refunding Mortgage Bonds, debentures, notes and/or other evidences of indebtedness (New Mexico Indebtedness) in an aggregate principal amount not to exceed \$115,000,000 or, in the alternative, to unconditionally guarantee the City's obligations in respect of its issuances of debt pursuant to the terms of an installment sale agreement to be executed by Edison and the City;

2. To sell to the City its share of certain acquired or constructed facilities located at the Four Corners Generating Station in New Mexico;

3. To execute and deliver one or more supplemental indentures; and

4. To exempt the issue and sale of the New Mexico Indebtedness from the competitive bidding requirements of the Commission.

Edison requests this authority pursuant to Sections 816 through 818, 830 and 851 of the Public Utilities Code. Notice of filing of the application was published on the Commission's Daily Calendar of September 29, 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 ended June 30, 1980, the company reported total operating revenues of \$3,026,559,000 and net income of \$349,973,000 as shown in Exhibit A attached to the application.

A. California Pollution Control Project and Financing

Edison proposes to engage in a California pollution control financing by executing an installment sale agreement with the Authority pursuant to which the Authority would sell not to exceed \$14,625,000 aggregate principal amount of Edison's Pollution Control Revenue Bonds or Anticipation Notes (such Notes to be combined with subsequent bond issues) (Authority Debt) to a group of underwriters who would ultimately market the bonds to the general public. Concurrently with the sale and delivery of the Authority Debt, Edison will sell to the Authority pollution control facilities previously acquired or constructed by Edison and the Authority shall purchase the same free and clear of all liens, charges and encumbrances, except the lien of Edison's Trust Indenture, at a price equal to the utility's cost of acquisition or construction for the facilities. In addition, the Authority would cause certain pollution control facilities to be acquired, constructed, and installed according to plans and specifications provided by Edison. Upon completion of construction of the pollution control facility, the Authority would convey title of the facility to Edison.

The pollution control project consists of air pollution control facilities to be acquired and constructed at Edison's Huntington Beach Generating Plant. A description of the facilities to be constructed by Edison is attached to the application as Exhibit H.

In consideration of the conveyance back to Edison of title to the constructed facilities, and the agreement of the Authority to

construct additional facilities, Edison would issue, sell and deliver to the Authority not to exceed \$14,625,000 aggregate principal amount of its California Indebtedness or, in the alternative, would guarantee the Authority's obligations in respect of the Authority Debt. The terms and conditions of this indebtedness, including aggregate principal amount, interest rate, sinking fund provisions, maturity date, redemption provisions, if any, and prepayment provisions would be consistent with the terms and conditions of the Authority Debt. Edison's First and Refunding Mortgage Bonds would be issued in conformity with the provisions of, and secured by, Edison's existing Trust Indenture, as amended and supplemented by supplemental indentures.

B. New Mexico Pollution Control Facilities and Financing

Edison also proposes to engage in a New Mexico pollution control financing by executing an installment sale agreement with the City pursuant to which the City would sell, not to exceed \$115,000,000 aggregate principal amount of its Pollution Control Revenue Bonds or Anticipation Notes (such Notes to be combined with subsequent bond issues) (City Debt), to a group of underwriters who would ultimately market the bonds to the general public. Concurrently with the sale and delivery of the City Debt, Edison will sell to the City pollution control facilities previously acquired or constructed by Edison and the City shall purchase the same free and clear of all liens, charges and encumbrances, except the lien of Edison's Trust Indenture, at a price equal to the utility's cost of acquisition or construction for the facilities. In addition, the City would cause certain pollution control facilities to be acquired, constructed and installed according to plans and specifications provided by Edison. Upon completion of construction of the pollution control facility, the City would convey title of the facility to Edison.

The pollution control project consists of air pollution control facilities to be acquired and constructed at the Four Corners Generating Station in New Mexico in which Edison is a 48% participant. A description of the facilities to be acquired and constructed by Edison is attached to the application as Exhibit I.

In consideration of the conveyance back to Edison of title to the constructed facilities, and the agreement of the City to construct additional facilities, Edison would issue, sell and deliver to the City not to exceed \$115,000,000 aggregate principal amount of its New Mexico Indebtedness or, in the alternative, would guarantee the City's obligations in respect of the City Debt. The terms and conditions of such indebtedness, including aggregate principal amount, interest rate, sinking fund provisions, maturity date, redemption provisions, if any, and prepayment provisions would be consistent with the terms and conditions of the City Debt. Edison's First and Refunding Mortgage Bonds would be issued in conformity with the provisions of, and secured by, Edison's existing Trust Indenture, as amended and supplemented by supplemental indentures.

Since the interest payable on the Authority and City Bonds is anticipated to be exempt from present federal income taxes, the Bonds will be sold at an annual interest rate substantially less than would be realized if Edison were to issue and sell taxable debt obligations. In order for Edison to take advantage of the favorable interest rates applicable to the Authority and City Bonds, Edison must issue its California and New Mexico Indebtedness to the Authority and the City, respectively. The interest rates payable by Edison will be the same as that required by the Authority's and City's tax exempt Bonds. The full amount of the interest rate savings will be passed on to Edison and its ratepayers.

In Decision No. 91984, dated July 2, 1980 for the San Diego Gas & Electric Company, Application No. 59633, we discussed the granting of exemptions from the competitive bidding rule, and we clarified the nature of the compelling showing that must be made to warrant an exemption from the rule. We served notice that assertions regarding (a) the volatility of the market, (b) the flexibility provided by a negotiated sale, and (c) the importance of maximizing the effectiveness of the underwriting group will not serve as compelling reasons, individually or collectively, for granting an exemption from the competitive bidding rule.

Given the nature and structure of the California and New Mexico's statutory pollution control financing mechanisms and the benefits to be gained from participating in such financing activity, we are of the opinion that Edison must issue and sell the indebtedness to the Authority and to the City, applicable to each circumstance. Therefore, the application of the Commission's competitive bidding requirements and conditions promulgated by Decision No. 91984, would not, in this proceeding, be in the best interests of Edison or its ratepayers as it would not operate in a manner so as to allow Edison's sale of the debt at the most favorable available cost of money. Our position is consistent with Decision No. 92118, dated August 19, 1980, for Pacific Gas and Electric Company, Application No. 59803 relating to pollution control financing by California utilities.

Edison's capital ratios as of June 30, 1980, and as adjusted to give effect to: (a) the proposed issuance of First and Refunding Mortgage Bonds in the aggregate principal amount of \$129,625,000; (b) the sale of 222,513 shares of Common Stock issued under Edison's Employee Stock Purchase Plan on July 1, 1980;^{1/} (c) the sale of 408,897 shares of Common Stock issued under Edison's Dividend Reinvestment and Stock Purchase Plan on August 1, 1980;^{2/} (d) the sale of 61,638 shares of Common Stock issued under Edison's Employee Stock Ownership Plan on July 1, 1980 and August 1, 1980;^{3/} (e) the issuance of 25,386 shares of Common Stock due to conversion of 33,045 shares of Preference Stock, 5.20% Convertible Series between June 30, 1980 and August 31, 1980; (f) the proposed issuance of not to exceed \$125,000,000 Preference and/or Preferred Stock;^{4/} (g) the proposed issuance of not to exceed \$200,000,000 of bonds;^{5/} (h) the proposed issuance of not to exceed \$100,000,000 of debt securities;^{6/} and

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- ^{1/} Decision No. 90059, dated March 13, 1979, in Application No. 58606.
 - ^{2/} Decision No. 91434, dated March 18, 1980, in Application No. 59441.
 - ^{3/} Decisions Nos. 87785 and 91198, dated August 30, 1977 and January 8, 1980, in Applications Nos. 57478 and 59295, respectively.
 - ^{4/} Decision No. 92026, dated July 15, 1980, in Application No. 59712.
 - ^{5/} Decision No. 92189, dated September 3, 1980, in Application No. 59836.
 - ^{6/} Decision No. 92376, dated November 4, 1980, in Application No. 59939.

(i) the retirement of \$75,000,000 principal amount of Convertible Debentures, Due 1980, which matured on August 15, 1980;^{2/} are as follows:

	<u>June 30, 1980</u>	<u>Pro Forma</u>
Long-Term Debt	48.0%	49.8%
Preferred and Preference Stock	12.9	13.8
Common Stock Equity	<u>39.1</u>	<u>36.4</u>
Total	<u>100.0%</u>	<u>100.0%</u>

The Revenue Requirements Division has reviewed the application and concludes that the proposed pollution control financing is reasonable.

Findings of Fact

1. Edison is a California corporation operating under the jurisdiction of this Commission.
2. The proposed installment sale agreements requiring Edison to provide security for the purchasers of the Authority Debt and the City Debt would not be adverse to the public interest.
3. The proposed indebtedness would be for proper purposes.
4. The proposed sale and delivery of the acquired or constructed facilities would not be adverse to the public interest.
5. The money, property or labor to be procured or paid for by the indebtedness herein authorized is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.
6. The sale of the proposed indebtedness should not be required to be through competitive bidding.
7. There is no known opposition and there is no reason to delay granting the relief requested.

Conclusions of Law

1. A public hearing is not necessary.
2. The application should be granted to the extent set forth in the order which follows.

^{2/} Decision No. 69483, dated August 3, 1965, in Application No. 47739.

The authorization herein granted is for the purpose of this proceeding only and is not to be construed as indicative of the 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 not to exceed \$14,625,000 aggregate principal amount of one or more series of its First and Refunding Mortgage Bonds, debentures, notes, and/or other evidences of indebtedness, at the price and upon the terms and conditions as set forth in or contemplated by the application or, in the alternative, unconditionally guarantee the Authority's obligations in respect of the issuance of debt securities pursuant to provisions of an installment sale agreement to be executed by Edison and the Authority in connection therewith.
2. Southern California Edison Company may issue, sell and deliver not to exceed \$115,000,000 aggregate principal amount of one or more series of its First and Refunding Mortgage Bonds, debentures, notes, and/or other evidences of indebtedness, at the price and upon the terms and conditions as set forth in or contemplated by the application or, in the alternative, unconditionally guarantee the City of Farmington's obligations in respect of the issuance of Edison's Debt pursuant to provisions of installment sales agreements to be executed by Edison and the City in connection therewith.
3. Southern California Edison Company may sell and deliver to the California Pollution Control Financing Authority the acquired or constructed facilities pursuant to the terms and conditions set forth in or contemplated by the application.
4. Southern California Edison Company may sell and deliver to the City of Farmington, New Mexico, the acquired or constructed facilities pursuant to the terms and conditions set forth in or contemplated by the application.

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5. Southern California Edison Company shall issue the indebtedness herein authorized for the purpose of acquiring property and for the purpose of construction, completion, extension or improvement of its facilities.

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 \$70,812.50.

Dated NOV 18 1980, at San Francisco, California.

J. E. Coyne
President
Vernon L. Sturgeon
Richard M. Howell
Clair T. Dwyer
James M. Smith
Commissioners

