

Decision No. 92875 APR 7 1981

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, one or more)
 series of its First and Refunding)
 Mortgage Bonds in an aggregate)
 principal amount of not to exceed)
 \$400,000,000 and to execute and)
 deliver one or more Supplemental)
 Indentures.)

Application No. 60300
(Filed February 22, 1981)

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, for the following:

1. To issue, sell and deliver through competitive bidding an aggregate principal amount of not to exceed \$400,000,000 of its First and Refunding Mortgage Bonds (New Bonds) in one or more series and
2. To execute and deliver a Supplemental Indenture or Indentures.

Notice of the filing of the application appeared on the Commission's Daily Calendar of March 4, 1981. No protests have been received.

Edison, a California corporation, engages primarily 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 this Commission.

For the calendar year 1980, Edison reported total operating revenues of \$3,661,117,000 and net income of \$317,536,000 shown as part of Exhibit A attached to the application.

Edison's Balance Sheet as of December 31, 1980, attached to the application as part of Exhibit A, is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$6,566,076,000
Other Property and Investment - Net	106,511,000
Current Assets	1,021,954,000
Deferred Debits	<u>39,357,000</u>
Total	<u>\$7,733,898,000</u>
 <u>Liabilities and Equity</u>	
Common Equity	\$2,529,577,000
Preferred/Preference Stock	882,152,000
Long-Term Debt	2,945,824,000
Current Liabilities	1,074,280,000
Reserves and Deferred Credits	<u>302,065,000</u>
Total	<u>\$7,733,898,000</u>

Edison proposes that each series of 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 varying market conditions, the utility considers that it is not in Edison'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 this application. Edison states it believes that presently foreseeable market conditions will dictate the issuance of the New Bonds with maturities of between seven and forty 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 the New Bonds will be subject to redemption as a whole, or in part by lot, at Edison's option as follows:

1. At any time prior to maturity;
2. Upon at least 30 days' notice as provided in Edison's Trust Indentures;
3. 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, as it has in the past, a restrictive refunding provision for a period not exceeding five years. Edison 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 not to exceed five years.

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

1. Accelerate, postpone or cancel the date initially established for the opening bids;
2. Reject all bids submitted, request the submission of new bids and reschedule subsequent opening(s) of bids;
3. 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 also requests authorization to fix the date of opening of bids at less than five days after publishing the Public Invitation for Bids, if in Edison's opinion market conditions require that bids be opened within a shorter time than five days after publication of a public invitation. 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 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 F, attached to the application.

Edison's capital ratios reported as of December 31, 1980, and after giving effect to the following:

1. The proposed issuance of \$400,000,000 aggregate principal amount of New Bonds;
2. the proposed issuance of \$100,000,000 of Eurobond financing;^{1/}
3. the proposed issuance of \$129,625,000 of Pollution Control financing;^{2/}
4. the sale of 8,000,000 shares of Common Stock, \$8-1/3 par value, on January 29, 1981, at \$24.375 per share;^{3/}
5. the issuance of 503,364 shares of common stock under Edison's Dividend Reinvestment and Stock Purchase Plan;^{4/}
6. the issuance of 36,689 shares of common stock under Edison's Employee Stock Ownership Plan;^{5/}
7. the issuance of 4,074 shares of common stock due to conversion of 5,300 shares of Preference Stock, 5.20% Convertible Series;
8. the retirement of \$40,000,000 principal amount of First and Refunding Mortgage Bonds, Series G, due April 15, 1981;^{6/}
9. the retirement of \$100,000,000 principal amount of First and Refunding Mortgage Bonds, Series EE, due November 1981; and
10. the retirement of 5-1/2% Promissory Notes, principal amount of \$3,548,000, due 1981

are summarized as follows:

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- 1/ Decision No. 92376, dated November 3, 1980, in Application No. 59939.
 - 2/ Decision No. 92412, dated November 18, 1980, in Application No. 59966.
 - 3/ Decision No. 92581, dated January 6, 1981, in Application No. 60117.
 - 4/ Decision No. 89463, dated October 3, 1978, in Application No. 58268.
 - 5/ Decisions Nos. 87885 and 91198, dated August 30, 1977 and January 8, 1980, in Applications Nos. 57478 and 59295, respectively.
 - 6/ Decision No. 52836, dated April 3, 1956, in Application No. 37846.
 - 7/ Decision No. 83600, dated October 16, 1974, in Application No. 55175.

	<u>December 31, 1980</u>	<u>Pro Forma</u>
Long-Term Debt	47.5%	49.7%
Preferred/Preference Stock	13.6	12.3
Common Stock Equity	<u>38.9</u>	<u>38.0</u>
Total	<u>100.0%</u>	<u>100.0%</u>

As of December 31, 1980, Edison's uncapitalized construction expenditures amounted to approximately \$1,065,799,000. 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 is engaged in an extensive construction program and estimates that the gross expenditure required for this proposed construction program during the calendar years 1981 and 1982 will approximate \$1,721,000,000. Exhibit C, attached to the application, sets forth in detail Edison's construction program, estimated as of December 31, 1980. Following is a summary of that exhibit:

<u>Purpose</u>	<u>1981</u>	<u>1982</u>	<u>Total</u>
Electric Generating Plant	\$ 831,000,000	\$629,000,000	\$1,460,000,000
Electric Transmission Lines and Substations	103,000,000	60,000,000	163,000,000
Electric Distribution Lines and Substations	213,000,000	239,000,000	452,000,000
Other Expenditures	<u>42,000,000</u>	<u>20,000,000</u>	<u>62,000,000</u>
Total	\$1,189,000,000	\$948,000,000	\$2,137,000,000
<u>Less: Allowance for Funds Used During Construction</u>	<u>236,000,000</u>	<u>180,000,000</u>	<u>416,000,000</u>
Funds Used or Required for Construction Expenditures	<u>\$ 953,000,000</u>	<u>\$768,000,000</u>	<u>\$1,721,000,000</u>

The staff of the Commission's Revenue Requirements Division has reviewed Edison's 1981 and 1982 construction programs and concludes 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 proposed bonds, Edison proposes to use the proceeds to (a) reimburse Edison's treasury for monies expended to retire and discharge \$40,000,000 aggregate principal amount of First and Refunding Mortgage Bonds, Series G, Due 1981, which mature on April 15, 1981 and \$100,000,000 aggregate principal amount of First and Refunding Mortgage Bonds, Series EE, Due 1981, which mature on November 1, 1981; and (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's 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 outstanding short-term borrowings and commercial paper aggregated approximately \$44,000,000 on February 20, 1981.

The staff of the Revenue Requirements Division has analyzed Edison's cash requirement forecast for 1981 and 1982, attached to the application as Exhibit D, and concludes that internally generated funds will provide only six percent of

capital expenditures estimated for 1981 and 1982. The Division concludes that the proposed New Bond issue will be necessary to help meet forecasted cash requirements.

Findings of Fact

1. Edison, a California corporation, operates 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. The proposed restricted redemption provision is reasonable.
5. Edison's execution and delivery of the proposed Supplemental Indenture(s) 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 are not, in whole or in part, reasonably chargeable to operating expenses or to income.
7. There is no known opposition and no reason to delay granting the authority 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.
3. 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 and to open bids within less than five days after publication, is consistent with the Commission's Competitive Bidding Rule.

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. At any time or times within one year from the effective date of this order, Southern California Edison Company may issue, sell and deliver at competitive bidding, one or more series of its First and Refunding Mortgage Bonds in an aggregate principal amount of up to \$400,000,000, the bonds of each series to mature between seven and forty years from their date of issuance, at the price or prices 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 provisions 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.

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 \$136,000 after taking credit for the retirements of \$40,000,000 principal amount of First and Refunding Mortgage Bonds, Series G, due 1981 and \$100,000,000 principal amount of First and Refunding Mortgage Bonds, Series EE, also due in 1981.

Dated APR 7 1981, at San Francisco, California.

John E. Bryan
President
Robert W. [unclear]
Leonard M. [unclear]
Victor [unclear]
Priscilla C. Yers
Commissioners

