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Decision 98-02-104 February 19, 1998

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN CALIFORNIA EDISON COMPANY U-338-E, for Authority to issue, sell, and deliver one or more series of Debt Securities and to guarantee the obligations of others in respect of the issuance of Debt Securities, the total aggregate principal amount of such indebtedness and guarantees not to exceed $800,000,000; to execute and deliver one or more indentures; to sell, lease, assign, mortgage, or otherwise dispose of or encumber utility property; and for an exemption from the Commission's Competitive Bidding Rule.	ORIGINAL Application No. 97-11-032 (Filed November 17, 1997)

OPINION

Summary of Decision

This Decision grants the authority requested by Southern California Edison Company (Edison) in Application 97-11-032 (Application).

Edison requests authority, pursuant to §§ 816, 817, 818, 821, 830 and 851 of the Public Utilities (PU) Code for the following:

1. to issue, sell, and deliver one or more series of first and refunding mortgage bonds, debentures, overseas indebtedness, foreign securities, notes, commercial paper, other floating rate debt, to enter into loans (collectively, Debt Securities), and/or to fully guarantee the Debt Securities and loans of subsidiary, the proceeds of which may be lent to Edison or to another subsidiary, and/or guarantee unconditionally or otherwise secure the obligations of one or more Authorities in respect of their issuance of debt for pollution control and sanitary and solid waste disposal, or other eligible facilities;

2. to renew and/or refund commercial paper and other floating rate debt issued pursuant to the Application, so that the combined term of the obligations may exceed twelve months without the need for further authorization from the Commission;

3. to arrange credit agreements or other credit facilities as may be necessary for the purpose of issuing the securities and to modify such credit facilities in the manner set forth in the Application without further authorization from the Commission;

4. to execute and deliver an indenture or supplemental indenture in connection with any issue of Debt Securities and to sell, lease, assign, mortgage, or otherwise dispose of or encumber utility property in connection with the issuance and sale of Debt Securities;

5. to issue, sell, and deliver Debt Securities by public offering or private placement;

6. to obtain an exemption from the Commission's Competitive Bidding Rule with respect to obtaining loans, issuing variable-rate debt securities, and issuing overseas indebtedness, foreign securities, notes, and tax-exempt securities;

7. to shorten the period of time between the issuance of an invitation for bids and the scheduled receipt of bids to a period which is the shortest time reasonably required in order to obtain a sufficient number of bids from underwriters or purchasers or groups; to accelerate, postpone, or cancel the scheduled date and time for receipt of bids; to reject all bids submitted; to request the resubmission of bids; to reschedule subsequent receipt of bids; and to vary the amount, terms, and conditions of the Debt Securities submitted for bids, all of the above to be without newspaper publication;

8. to provide that the total aggregate principal amount of issuances of Debt Securities and guarantees which may be made pursuant to the Application shall not exceed $800,000,000 and that the proceeds shall be applied for the purposes referred to in the Application.

Notice of the filing of the Application appeared on the Commission's Daily Calendar of November 26, 1997. No protests have been received.

Background

Edison, a California corporation, is a public utility under the jurisdiction of this Commission, and is primarily engaged in the business of generating, purchasing, transmitting, distributing, and selling electric energy for light, heat, and power in portions of central and southern California. Edison's properties, substantially all of which are located within the State of California, primarily consist of hydroelectric and thermal electric generating plants, together with transmission and distribution lines and other property necessary in connection with its business.

For the nine months ended September 30, 1997 (unaudited), Edison reported that it generated total operating revenues of $5,973,024,000 and net income of $483,363,000.

Shown as part of the Application is Edison's Balance Sheet as of September 30, 1997 (unaudited) which is summarized as follows:

(Thousands of Dollars)

Assets	Amount
Net utility plant	10,494,282
Construction work in progress	533,448
Nuclear fuel, at amortized cost	167,682
Other property and investments	1,799,750
Current assets	1,928,513
Deferred charges	2,635,481
Total Assets	17,559,156

Liabilities and Equity	Amount
Common shareholder's equity	5,098,295
Preferred stock without mandatory redemption requirements	183,755
Preferred stock with mandatory redemption requirements	275,000
Long-term debt	4,105,221
Accumulated provisions for pensions, insurance and other	504,734
Current liabilities	3,415,280
Deferred credits	3,976,871
Total Capitalization, Liabilities and Deferred Credits	17,559,156

Debt Securities

Edison seeks authorization to issue Debt Securities, the total aggregate principal amount not to exceed $800,000,000. The principal amount and the terms and conditions of each issue of Debt Securities will be determined by Edison's management or board of directors according to market conditions at the time of sale.

Edison or its subsidiary proposes to issue any of the following Debt Securities which are described in detail under Section III, pages 2 to 7 of the Application:

1. Secured debt securities (bonds)
2. Unsecured debt securities (debentures)
3. Overseas indebtedness

4. Foreign currency denominated securities (foreign securities)
5. Medium-term notes (notes)
6. Direct loans
7. Commercial paper
8. Other floating rate debt

With the exception of commercial paper, each issue of Debt Securities may contain a provision allowing it to be redeemed or repaid prior to maturity. An early redemption provision may allow the Debt Securities to be redeemed or repaid at any time, or it may allow the Debt Securities to be redeemed or repaid only after a certain restrictive period. In either case, the Debt Securities would be redeemable at a premium over par or at a stated price.

Edison states in the Application that Debt Securities may bear a fixed or floating rate of interest and may be issued at par or with an original issue discount or premium. Edison will notify the Commission by letter, promptly after the date of issuance of any Debt Securities, of the terms and conditions of those Debt Securities.

With the exception of notes, commercial paper, and other floating rate debt, each series of Debt Securities is expected to have a maturity of between one year and 40 years. Commercial paper may be issued with maturities of 270 days or less, but may be rolled over for periods exceeding 12 months. Notes are expected to have a maturity of between nine months and 40 years. The maturities of other floating rate debt will be determined at the time of issue.

With the exception of certain bonds, loans, commercial paper, and other floating rate debt, each issue of Debt Securities may be issued under an indenture or a supplement to an existing indenture to be delivered to the trustee for such issue. The indenture or supplemental indenture would set forth the terms and conditions of each issue of Debt Securities.

Features to Enhance Debt Securities

Edison requests authorization to include at its discretion one or a combination of the following additional features presented on pages 7 to 10 of the Application in Edison or subsidiary Debt Securities. Such features will be used as appropriate to improve the terms and conditions of Edison and subsidiary Debt Securities and to lower Edison's overall cost of money for the benefit of ratepayers:

1. Put option
2. Sinking fund
3. Tax-exempt feature
4. Warrants

Edison anticipates using the tax-exempt option whenever its facilities qualify for tax-exempt financing under federal or state law. In order to obtain the benefits of tax-exempt financing, Edison proposes to engage in one or more financings with an Authority. It is currently contemplated that such proposed financings would be structured as follows:

1. An Authority would issue and sell one or more series of its bonds, notes, debentures or other securities (Authority Bonds), to a group of underwriters who would ultimately market such Authority Bonds to investors.

2. Concurrent with the sale and delivery of such Authority Bonds and in consideration for the proceeds of the Authority Bonds, Edison would enter into a loan agreement or other security agreement with the Authority, or would enter into an Installment Sale Agreement with the Authority. Pollution control facilities may be conveyed to the Authority and the facilities would subsequently be reconveyed to Edison in consideration for Edison Debt Securities. The operation and control of the facilities would remain with Edison or the project operator at all times.

3. Concurrent with the sale and delivery of such Authority Bonds, Edison would issue and deliver to the Authority, in consideration of the Authority's obligations set forth in (1) above, Edison Debt Securities (the terms and conditions of such indebtedness to be substantially consistent with the terms and conditions of such Authority Bonds) or would unconditionally guarantee or otherwise secure such Authority's obligations in respect of the Authority Bonds. All rights and title of such Authority in Edison Debt Securities would be assigned to a trustee under an indenture pursuant to which the Authority Bonds would have been issued, as security for the purchasers of the Authority Bonds.

Interest Rate Caps, Collars, and Swaps

In normal market conditions, variable interest rate debt initially carries a lower interest rate than comparable fixed-rate debt. However, there is the possibility that the variable rate could increase so that the average variable rate is higher than the fixed rate.

In order to reduce customers' exposure to interest rate risk, Edison or subsidiary may negotiate a maximum rate, usually called a cap. In that case, even if variable rates increase above the cap or ceiling rate, Edison or subsidiary would pay only the ceiling rate. In addition to the ceiling rate, sometimes the counterparty to the contract desires to have a floor rate. In the event that the variable rate falls below the floor rate, Edison or subsidiary would pay the floor rate. Such floor and ceiling rates are called interest rate collars because the interest rate fluctuates within a band which is negotiated between Edison or subsidiary and the counterparty. Such protection for variable-rate obligations is not unlike protection negotiated by consumers for variable-rate home mortgages.

From time to time, Edison or subsidiary may be able to reduce its borrowing costs by issuing fixed- or floating-rate debt and entering into one or a series of interest rate swap (Swap) contracts to convert fixed interest payment into favorable floating-rate payments or vice versa, or to convert floating-rate payments tied to one index (e.g., The London Interbank Offer Rate or LIBOR) into floating-rate payments tied to another index (e.g., the Federal Reserve Composite Rate for commercial paper). There is a swap transaction when instead of issuing a fixed-rate debt, a debtor issues commercial paper and enters into a Swap with a financial institution such that the institution pays the debtor the Federal Reserve Composite Rate for commercial paper and the debtor pays the institution a fixed rate. The debtor's commercial paper financing combined with the Swap results in a fixed rate financing for the debtor. If this fixed rate is lower than the rate at which the utility could issue fixed-rate debt directly, then the result is a savings. Other examples of Swap transactions are shown on pages 11 and 12 of the Application.

Swaps may be denominated in U.S. dollars or in a foreign currency. If Edison or subsidiary enters into a Swap denominated in a foreign currency, any exchange risk will be hedged through one or more forward contracts or through a currency swap. Swaps would be negotiated with a major financial intermediary (like a commercial bank) or directly with a principal seeking the other side of the Swap transaction. The Swap contract may specify that the exchange of interest payments will commence either immediately or at a future date. For example, if an advantageous Swap transaction were available currently, but a debtor did not need funds until some future date, the debtor might enter into the Swap with the exchange of interest payments commencing on a future date.

In Decision (D.) 94-03-037, Edison received authorization to enter into Swaps on any of its long-term debt with the following restrictions:

1. Edison should separately report all interest income and expense arising from all Swap transactions in its report to the Commission.

2. Swap transactions should not exceed at any time 20% of Edison's total long-term debt outstanding.

3. If Edison elects to terminate a Swap transaction before the original maturity or the Swap partner terminates the agreement, all costs associated with the termination should be subject to review in Edison's next Performance-Based Ratemaking filing.

4. Swap transactions, and other derivative financial instruments carrying potential counterparty risk which Edison receives in connection with long-term debt, must have counterparties with credit ratings equal to or better than Edison's.

Having previously stated the parameter whereby Swap transactions and other derivative financial instruments may be used, we will in this decision require Edison to meet the same restrictions as listed above. In addition, we will require Edison to maintain and make available to the Energy Division, within thirty days of request, the following:

1. A report comparing the all-in cost of the Swap with the all-in cost of money without a swap.

2. A complete copy of the executed Swap agreement and all associated documentation.

The Commission may review the reasonableness of the effective interest rates for Swaps, interest rate cap, floor or collar agreements issued by Edison or subsidiary in conjunction with Edison's Performance-Based Ratemaking filings.

Short-Term Debt Securities

Edison requests Commission approval to continuously refund previously issued short-term debt securities without the need periodically to request authorization from the Commission.

Pursuant to PU Code § 823(d), no note payable at a period of not more than twelve months after the date of issuance of such note shall, in whole or in part, be refunded by any issue of stocks or stock certificates or other evidence of interest or ownership, or of bonds, notes or any term or character, or any other evidence of indebtedness, without the consent of the Commission.

In D.94-03-037 dated March 9, 1994, the Commission authorized Edison, for a period of two years, to refund previously issued short-term debt securities without the need for additional Commission authorization.

Pursuant to PU Code § 829, we will in this decision permit Edison, for a period of three years from the date of this order, to refund previously issued short-term debt securities such that the combined terms of the refunded issues and the new debt securities may exceed twelve months to comply with the requirements of PU Code § 823(d).

We note herein that D.91433 as modified by D.96-07-054 granted Edison authority until June 30, 1999 to issue short-term obligations beyond that authorized by PU Code § 823(c), in an aggregate principal amount not exceeding $441,288,502.

Subsidiary or Affiliate Transactions

PU Code § 701.5 prohibits utilities from issuing bonds or notes, guaranteeing financial transactions, or pledging utility assets for or on behalf of their subsidiaries, but allows exceptions in some instances. Edison states that the subsidiary referred to in the Application is SCE Capital Company (SCE Capital) or any other Edison affiliate or subsidiary which qualifies for exemption under PU Code § 701.5. SCE Capital is a wholly owned subsidiary of Edison, for which guarantees are allowable under PU Code 701.5(a) since the Commission considers its revenues and expenses when reviewing Edison's Performance-Based Ratemaking filings.

We will grant Edison the authority to issue Debt Securities, to guarantee, or to pledge its assets on behalf of SCE Capital or any other regulated affiliate or subsidiary who qualifies to transact financing arrangements pursuant to PU Code § 701.5.

Exemption From Competitive Bidding

Exhibit A to Commission Resolution (Res.) F-616, dated October 1, 1986, states, "Securities privately placed with specific lenders and bank term loans obviously must be negotiated. Competitive bidding is not presently available in European or Japanese markets. Certain tax-exempt pollution control bonds have terms which are specifically negotiated. Variable interest rate debt is normally completed on a negotiated basis. It is reasonable that these types of debt instruments should be exempt from the Competitive Bidding Rule."

Edison states in the Application that it is informed and believes that because notes are sold through a placement agent on a reasonable efforts basis in a manner analogous to that used for commercial paper, notes should be exempt from the Commission's Competitive Bidding Rule. Therefore Edison requests an exemption from the Competitive Bidding Rule with respect to obtaining loans, issuing variable rate debt securities, and issuing overseas indebtedness, foreign securities, and notes. However, fixed-rate bonds and debentures (other than tax-exempt securities) sold publicly in the domestic market will be offered through competitive bidding.

In addition, to provide added flexibility to take advantage of market opportunities, Edison requests for authority to deviate from the Commission's Competitive Bidding Rule by allowing it to use the following procedures:

1. To shorten the period of time between the issuance of an invitation for bids and the scheduled receipt of bids to a period which is the shortest time reasonably required in order to obtain a sufficient number of bids from underwriters or purchasers or groups thereof (which time period may be as short as a few hours); and

2. To do the following:

   a. To accelerate, postpone, or cancel the scheduled date and time for receipt of bids;
   b. To reject all bids submitted;
   c. To request the resubmission of bids;
   d. To reschedule subsequent receipt of bids; and
   e. To vary the amount, terms, and conditions of the Debt Securities submitted for bids.

3. To waive the requirement for newspaper publication of the above items.

Edison's request for exemption is within the purview of the modified and prevailing conditions of enforcement and exemptions defined in Res. F-616.

We will authorize for this Application an exemption from the Competitive Bidding Rule for debt issues such as those cited above and allow the requested deviation from the bidding procedures for publicly sold fixed-rate bonds and debentures (tax-exempt securities excluded).

Use of Proceeds

Edison proposes to use the proceeds from the issue and sale of its Debt Securities, or the proceeds lent to Edison from the issue and sale of Debt Securities by subsidiary, other than for payment of accrued interest, if any, and after payment or discharge of obligations incurred for expenses incident to their issue and sale, to reimburse Edison for money it has actually expended from income or from any other money 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 Edison's indebtedness, for the acquisition of property, or for the construction, completion, extension or improvement of Edison facilities exclusive of maintenance of service and replacements or for the retirement or the refunding of securities previously issued and upon which Edison paid the fees prescribed by PU Code §§ 1904 and 1904.1. The amounts so reimbursed will become a part of Edison's general treasury funds.

While desiring to retain the ability to do so, Edison states in the Application that it does not presently intend nor foreseeably plan to use the proceeds from the financing authorized by this decision for the acquisition of property or for the construction, completion, extension or improvement of Edison's facilities. The proceeds from this financing will be used to replace, retire, or refund securities.

Exhibits A3, A5, and A6 to the Application show Edison's outstanding securities, notes payables and other long-term debts which may be replaced or retired with the proceeds of the proposed $800,000,000 Debt Securities:

Bonds outstanding	$2,776,497,000
SCE Capital notes payable	200,000,000
Other long-term debt	1,405,299,000
Total	$4,381,796,000

Therefore, Edison claims credit for $800,000,000 under PU Code §§ 1904(b) and 1904.1 for the retirement of mortgage bonds, notes, or other evidence of indebtedness for which a fee has been previously paid to the Commission. Edison proposes to notify the Commission if it subsequently uses any of the proposed principal amount for the acquisition of property or for the construction, completion, extension or improvement of its facilities.

PU Code § 1904(b) states that no fee needs be paid on such portion of any such issue as may be used to guarantee, take over, refund, discharge, or retire any stock, bond, note or other evidence of indebtedness on which a fee has been paid to the Commission. In addition, PU Code § 817(d), (g), and (h) provide that a utility may issue bonds, notes, and other evidences of indebtedness payable at periods of more than 12 months for the discharge or lawful refunding of its obligations, for the retirement of or in exchange for one or more outstanding stocks or other evidence of interest or ownership of such public utility, or bonds, notes, or other evidence of indebtedness of such public utility, with or without the payment of cash, and for the reimbursement of moneys actually expended from income or from any other money in the treasury not secured by or obtained from the issue of stocks or other evidence of interest or ownership, or bonds, notes, or other evidences of indebtedness, respectively.

We will authorize Edison in this decision to use the proceeds from the $800,000,000 financing for the replacement, retirement, or refunding of stocks or stock certificates, mortgage bonds, notes, or other evidences of indebtedness. Because the intended use of proceeds as contemplated in the Application is subject to the fee exclusion under PU Code § 1904(b), we will require Edison to file a petition to modify this decision and pay the corresponding fee if it uses any of the authorized principal amount for other purposes than the guaranteeing, taking over, refunding, discharging, or retiring of any stock, bond, note, or other existing evidence of indebtedness wherein a fee has been paid to the Commission.

Edison is placed on notice by this decision that the proceeds from the financing transaction cannot be charged to operating expenses or income.

D.95-11-065 dated November 21, 1995 granted Edison permission to file the reports required by General Order (G.O.) 24 quarterly instead of monthly. Consistent with precedent, we will in this decision require Edison to file quarterly the reports required by G.O. 24. Quarterly reporting will provide Edison administrative consistency and lower administrative costs while continuing to keep the Commission informed of Edison's issuances of debt and the purposes for which the proceeds are expended.

Construction Budget

Edison's estimated expenditures to be made for the acquisition of property, construction, extension or improvement of facilities for the years 1997 through 2001 as shown in the Application are as follows:

	(in millions of dollars)					
Components	1997	1998	1999	2000	2001	Total
Electric Generation	139	152	145	137	125	698
Electric Transmission and Substations	62	180	56	60	61	419
Electric Distribution and Substations	417	470	455	415	340	2097
Other Plant	252	126	117	134	200	829
Total	870	928	773	746	726	4043

Capital Ratios

Edison's capital ratios as of September 30, 1997 are shown below as recorded and as adjusted to give pro forma effect to the transactions that follow:

(in thousands of dollars)

	Recorded		Regulatory Method		
Common Equity	$5,098,295	52.8%	$5,071,145	(1)	52.9%
Preferred Stock With and without mandatory redemption requirements	458,755	4.7	444,014	(2)	4.6%
Long-Term Debt	4,105,221	42.5%	4,075,856	(3)	42.5%
Total	$9,662,271	100.0%	$9,591,015		100.0%

(1) $14,741 unamortized balance of issuance cost for reacquired preferred stock; booked as charge to common equity. For ratemaking, reinstated to common equity.

$41,891 unrealized gain on equity investments - net of tax. Excluded for ratemaking purposes.

(2) $14,741 unamortized balance of loss on reacquired preferred stock.

(3) Includes $276,575 of long-term debt due within one year which is classified as current liability for financial reporting. For ratemaking, attributed to long-term debt.

$99,209 nuclear fuel financing, which is not considered permanent capital for ratemaking purposes.

$28,312 representing unamortized debt expense. For ratemaking purposes, long-term debt capitalization is net of any unamortized costs associated with past issuances/redemptions.

$178,419 representing unamortized loss on reacquired debt - net of tax. For ratemaking purposes, long-term debt capitalization is net of any unamortized costs associated with past issuances/redemptions.

Cash Requirements Forecast

Edison's estimated cash requirements forecasts for 1997 through 1999 (estimated as of October 22, 1997) are summarized as follows:

Components	1997	1998	1999
	(in thousands of dollars)		
Cash Required for Construction Expenditures	852,000	198,000	757,000
Maturities of Long-term Debt			
92D	300,000		
93B	200,000		
Notes, 5 7/8%		125,000	
Notes, 5.6%		170,000	
93E		150,000	
92B			150,000
Sinking Fund Requirements			
DDP Series, Due 7/1/99	1,500	1,600	4,430
High Coupon Refunding			
91B	207,620		
91C	207,360		
86K	127,401		
High Dividend Refunding			
Edison Preferred	100,000		
Rate Reduction Bonds Payments		448,000	431,000
General Purpose Short-term Debt Outstanding as of Beginning of Year	(226,000)	(405,119)	(141,008)
	1,769,881	687,481	1,201,422
Less: Estimated Net Cash Available from Internal Sources	(405,000)	828,489	1,040,619
Additional Funds Required from Outside Sources	2,174,881	(141,008)	160,803
Be Provided as Follows:			
(1) Bonds	2,580,000		150,000
General Purpose Short-term Debt Outstanding as of End of Year	(405,119)	(141,008)	10,803
Internal Generation of Funds (%)	-22.88%	120.51%	86.62%

Edison's forecasted cash requirements indicate that it would require additional funds from external financing sources amounting to $2,194,676,000 for 1997, 1998, and 1999.

Edison's ratesetting matters are reviewed during its Performance-Based Ratemaking filings. We make no finding in this decision of the reasonableness of Edison's construction budget, adjusted capital ratios, and cash requirements forecast.

Findings of Fact

1. Edison, a California corporation, is a public utility subject to the jurisdiction of this Commission.

2. Edison needs external funds for the purposes set forth in the Application.

3. The proposed Debt Securities and guarantees in respect of the issuance of Debt Securities are for proper purposes and not adverse to the public interest.

4. The use of credit enhancements, interest rate caps, collars and Swaps in appropriate circumstances is not adverse to the public interest.

5. A three-year authority to refund short-term debt so that the combined terms of such indebtedness may exceed twelve months is not adverse to the public interest.

6. Edison's Swaps and other interest rate transactions should not exceed 20% of its total long-term debt outstanding.

7. Limiting Edison's Swaps and other derivative financial instruments issued in connection with long-term debt to those involving counterparties having credit ratings equal to or better than Edison's will help keep counterparty risk within acceptable bounds.

8. Authorizing Edison to determine the precise amount and timing of each financing, the market in and method by which each financing is effected, and the price, interest rate, and other material provisions of the Debt Securities issued in each financing, within the constraints set forth in this decision, is not adverse to the public interest.

9. Granting Edison's request for exemption from the Competitive Bidding Rule with respect to obtaining loans, issuing variable rate debt securities, and issuing overseas indebtedness, foreign securities, and notes would not be adverse to the public interest.

10. Exempting Edison from portions of the competitive bidding requirements with respect to fixed-rate bonds and debentures (other than tax-exempt securities) is not adverse to the public interest.

11. The Commission does not by this decision determine that the construction budget, capital ratios, and cash requirements forecast presented herein are necessary or reasonable for ratemaking purposes.

12. Quarterly reporting in lieu of the monthly reporting requirement pursuant to G.O. 24 will provide Edison administrative consistency and lower administrative costs while continuing to keep the Commission informed of Edison's issuance of debt and the purposes for which the proceeds are expended.

13. PU Code § 1904(b) states that no fee need be paid on such portion of any such issue as may be used to guarantee, take over, refund, discharge, or retire any stock, bond, note or other evidence of indebtedness on which a fee has been paid to the Commission.

14. Notice of the filing of the Application appeared on the Commission's Daily Calendar of November 26, 1997, and no protests were filed. There is no known opposition to the Application and there is 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. The proposed issuance of Debt Securities, including features to enhance the terms and conditions of the offerings, is for lawful purposes and the money, property, or labor to be obtained is required for these purposes. The proceeds may not be charged to operating expenses or income.

4. Issuing bonds, notes, or guarantees or pledging assets on behalf of a subsidiary or affiliate is allowable under PU Code § 701.5.

5. This authorization is not a finding of the reasonableness of the proposed transaction, nor does it indicate the amount to be included in a ratemaking proceeding.

6. Pursuant to PU Code § 1904(b), there is no fee applicable to the proposed transaction because it is a refinancing of prior outstanding indebtedness for which a fee has previously been paid.

7. The following order should be effective on the date of signature.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company (Edison), on or after the effective date of this order, is authorized to do the following upon terms and conditions substantially consistent with those set forth or contemplated in Application 97-11-032 (Application):

a. to issue, sell, and deliver, in one or more series, first and refunding mortgage bonds, debentures, overseas indebtedness, foreign securities, notes, commercial paper, other floating rate debt, to enter into loans (collectively, Debt Securities), and/or to fully guarantee the Debt Securities and loans of subsidiary, the proceeds of which may be lent to Edison or to another subsidiary, and/or guarantee unconditionally or otherwise secure the obligations of one or more Authorities in respect of their issuance of debt for pollution control and sanitary and solid waste disposal, or other eligible facilities;

b. to issue, sell, and deliver Debt Securities by public offering or private placement;

c. to arrange credit agreements or other credit facilities as may be necessary for the purpose of issuing the securities and to modify such credit facilities in the manner set forth in the Application without further authorization from the Commission; and

d. to execute and deliver an indenture or supplemental indenture in connection with any issue of Debt Securities and to sell, lease, assign, mortgage, or otherwise dispose of or encumber utility property in connection with the issuance and sale of Debt Securities.

2. The aggregate principal amount of issuances of Debt Securities and guarantees which may be made under the Application shall not exceed $800,000,000.

3. Edison shall file a petition to modify this decision and pay the corresponding fee if it uses any of the authorized principal amount for other purposes than the guaranteeing, taking over, refunding, discharging, or retiring of any stock, bond, note, or other existing evidence of indebtedness wherein a fee has been paid to the Commission.

4. Edison may enter into interest rate caps and collars as described in the Application.

5. Edison is limited to entering into Swap transactions aggregating no more than 20% of its total long-term debt outstanding.

6. Edison shall limit its use of Swap transactions and other other derivative financial instruments issued in connection with long-term debt to those involving counterparties having credit ratings equal to or better than Edison's.

7. Edison shall separately report all interest income and expenses arising from interest rate risk management contracts in all monthly and annual financial reports to the Commission.

8. If Edison elects to terminate an interest rate agreement before the original maturity or the other party terminates the agreement, all costs associated with the termination shall be subject to review in a ratemaking proceedings.

9. Edison may issue Debt Securities, guarantee, or pledge its assets for or on behalf of SCE Capital Company or any other regulated affiliate or subsidiary who qualifies to transact financing arrangements pursuant to Public Utilities Code § 701.5.

10. Edison's request for exemption from the Competitive Bidding Rule with respect to obtaining loans, issuing variable-rate debt securities, and issuing overseas indebtedness, foreign securities, notes, and tax-exempt securities is granted.

11. With respect to fixed-rate bonds and debentures (other than tax-exempt securities) sold publicly in the domestic market, Edison may shorten the period of time between the issuance of an invitation for bids and the scheduled receipt of bids to a period which is the shortest time reasonably required in order to obtain a sufficient number of bids from underwriters, purchasers, or groups of underwriters or purchasers. Edison may accelerate, postpone, or cancel the scheduled date and time for receipt of bids, reject all bids submitted, request the resubmission of bids, reschedule subsequent receipt of bids, and vary the amount, terms and conditions of the Debt Securities submitted for bids. All of the above may be done without newspaper publication.

12. Edison may renew or refund commercial paper and other floating rate debt such that the combined terms of the refunded issues and the new debt securities may exceed twelve months, without the need for additional Commission authorization for a period of three years from the date of this order.

13. Edison shall maintain, and within thirty days from request, provide the Energy Division any or all of the following:

a. The price, interest rate and other terms pertaining to its issuance of Debt Securities.

b. Copies of the executed agreements and all associated documentation.

c. If Edison enters into contractual agreements to induce third parties to provide credit enhancements or interest rate protections/conversions in conjunction with the issue and sale of Debt Securities, a detailed listing of the costs of the credit enhancements and a report showing why Edison believes the enhancements were advantageous to Edison and its ratepayers.

d. A report analyzing Swaps or other interest rate transactions.

14. On or before the 25th day of the month following each quarter, Edison shall file the reports required by General Order 24.

15. The Application is granted as set forth above.

16. Application 97-11-032 is closed.

This order is effective today.

Dated February 19, 1998, at San Francisco, California.

RICHARD A. BILAS
President
P. GREGORY CONLON
JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
JOSIAH L. NEEPER
Commissioners