

Decision 07-08-012 August 23, 2007

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of SOUTHERN CALIFORNIA EDISON COMPANY (U-338-E) to issue, sell, and deliver one or more series of Debt Securities and 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 \$3.0 billion; to execute and deliver one or more indentures; to sell, lease, assign, mortgage, or otherwise dispose of or encumber utility property; to issue, sell and deliver in one or more series, an aggregate amount not to exceed \$500 million par or stated value of Cumulative Preferred Stock -- \$25 Par Value, Cumulative Preferred Stock -- \$100 Par Value, Preference Stock or any combination thereof, and guarantee the obligations of others in respect of the issuance of that Stock; and for an exemption from the Commission's Competitive Bidding Rule.

Application 07-05-018  
(Filed May 16, 2007)

**OPINION AUTHORIZING THE ISSUANCE  
OF DEBT AND PREFERRED STOCK**

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## **OPINION AUTHORIZING THE ISSUANCE OF DEBT AND PREFERRED STOCK**

### **1. Summary**

This opinion grants Southern California Edison Company (SCE) authority to issue up to \$3 billion of long-term Debt Securities and up to \$500 million par or stated value of cumulative preferred stock, as requested in Application (A.) 07-05-018. This opinion also authorizes SCE to: encumber utility property, including its accounts receivable, to secure Debt Securities; guarantee the securities or other obligations of regulated direct or indirect subsidiaries or affiliates of SCE or of governmental entities that issue securities on behalf of SCE; to enter into interest-rate caps, collars, swaps, hedges, and other financial instruments (collectively hedges) subject to the conditions enumerated in the body of this opinion; exempt certain Debt Securities from the Commission's Competitive Bidding Rule as enumerated in the body of this order; exempt SCE from being required to reduce its short-term financing to a level not to exceed 5% of other capital then outstanding; and, report all Debt Securities information required by General Order (GO) 24-B to the Commission on a quarterly basis.

### **2. Request**

SCE seeks authorization to issues \$3.0 billion of Debt Securities and \$500 million of preferred stock until the aggregate principal amount authorized has been fully utilized. SCE intends to utilize debt enhancement features to improve the terms and conditions of its Debt Securities and to lower its overall cost of money for the benefit of its ratepayers. As detailed in its application, the enhancement features include credit enhancements, redemption provisions, put options, sinking funds, tax-exempt financing, and warrants. SCE also seeks authorization to utilize its accounts receivable to secure Debt Securities and to

use hedges to manage interest rate risk. Finally, SCE seeks an exemption from a short-term financing restriction and the Commission's Competitive Bid Rule.

### **3. Discussion**

The principal amount, form and terms and conditions of each series of Debt Securities will be determined by SCE's board of directors or management according to market conditions at the time of sale or issuance. The Debt Securities may bear a fixed, floating or variable rate of interest and may be issued at par or with an original issue discount or premium. The Debt Securities will be issued with maximum maturities of 40 years for first and refunding mortgage bonds and 49 years for debentures, notes, preferred securities, and credit or loan agreements and 80 years for enhanced capital advantaged preferred securities, similar hybrid debt instruments, and subordinated debt instruments.

Commercial paper and other forms of short-term debt may be issued with maturities of 364 days or less, but may be rolled over for periods exceeding 12 months. SCE may issue Debt Securities directly or may issue them through an affiliate that will in turn lend or otherwise transfer the proceeds to or for the benefit of SCE. SCE will notify the Commission by letter, quarterly after the date of issuance of any Debt Securities, of the terms and conditions of those Debt Securities.

The types of Debt Securities that SCE may issue are similar to those authorized in Decision (D.) 05-08-008, with modifications approved by D.06-04-014. These Debt Securities detailed in SCE's application consist of:

1. Secured Debt Securities in the form of First and Refunding Mortgage Bonds.
2. Accounts Receivable Financing.
3. Unsecured Senior Debt Securities.
4. Unsecured Subordinated Debt Securities.

5. Hybrid Securities.
6. Overseas Indebtedness sold to foreign investors that would likely be denominated in U.S. dollars.
7. Foreign Currency Denominated Securities.
8. Medium-Term Notes.
9. Direct Loans from financial institutions such as banks and insurance companies.
10. Commercial Paper and Extendible Commercial Notes.
11. Other Floating Rate Debt.

SCE has existing authorization to issue approximately \$1.6 billion of Debt Securities and \$450 million of preferred securities. However SCE is only authorized to use approximately \$612 million of that authority for the acquisition of property or for construction, completion, extension or improvement of facilities, as detailed in Exhibit A to the application. The remaining authorization can be used for refinancing existing debt and equity securities.

SCE used a long-term forecast covering the five year period 2007 through 2011 to determine its future financing needs. The forecast includes uses of funds such as capital expenditures and maturing debt obligations, as well as sources of funds such as cash flow from operations. The result of this forecast is set forth in Exhibits B and C to the application.

SCE plans to issue debt and preferred securities totaling approximately \$900 million in 2007 and \$1.3 billion in 2008 to finance infrastructure investments approved by the Commission in SCE's 2006 General Rate Case. In addition, SCE anticipates capital expenditures for 2009 to 2011 of approximately \$12.1 billion, which remain subject to Commission authorization. SCE's planned infrastructure replacement projects, such as advanced metering and other

transmission and distribution improvements, constitute the bulk of its planned capital expenditures.

The financing authorization currently remaining will provide SCE flexibility to take advantage of refinancing opportunities as they arise. The proceeds from the issuance and sale of the Debt Securities and preferred stock being authorized in this proceeding will be used for construction expenditures and acquisition of property, or to reimburse SCE for money it has expended for those purposes.

### **1.1. Approval**

SCE's request to issue Debt Securities, including preferred stock, is subject to §§ 816, *et seq.* of the Public Utilities Code.<sup>1</sup> The Commission has broad discretion under §§ 816, *et seq.* to determine if a utility should be authorized to issue debt and preferred stock. Where necessary and appropriate, the Commission may attach conditions to the issuance of debt and preferred stock to protect and promote the public interest.

#### **1.1.1. Issuance of Debt Securities**

SCE has substantiated that its \$3.0 billion Debt Securities and \$500 million par or stated value preferred stock request is necessary to satisfy its 2007 -2011 needs for financing capital expenditures, acquiring property, and retiring or refunding securities. These purposes are authorized by § 817 and, as required by § 818, are not reasonably chargeable to operating expenses or income. Therefore, we will grant SCE authority under § 816, *et seq.* to issue up to

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<sup>1</sup> All statutory references are to the Public Utilities Code unless otherwise stated.

\$3.0 billion of long-term debt and \$500 million par or stated value preferred stock for the aforementioned purposes, as detailed in the application.

Consistent with § 824, SCE shall maintain records to identify the specific long-term debt and preferred stock issued pursuant to this Opinion, and demonstrate that proceeds from such debt and preferred stock have been used only for the purposes authorized by today's Opinion. We will grant SCE authority to guarantee, or to pledge its assets on behalf of a regulated affiliate or subsidiary of SCE, who qualifies to transact financing arrangements pursuant to Section 701.5. SCE's subsidiary should be created solely for the purpose of issuing securities to the public or privately to support SCE's operations or service and SCE should have 100% ownership and control of the subsidiary.

#### **1.1.2. Encumbrance of Utility Property**

SCE seeks authority to mortgage and encumber its utility property and accounts receivables as part of issuing secured Debt Securities.

This request to encumber utility property is subject to § 851 which states, in relevant part, that no utility shall encumber any part its plant, system, or other property necessary or useful in the performance of its duties to the public, or any franchise or permit or right there-under without first having secured from the commission an order authorizing it to do so.

Consistent with previous Commission decisions, we will authorize SCE to mortgage and encumber its utility property, including its accounts receivables, to improve the terms and conditions of the Debt Securities and to lower SCE's overall cost of money for the benefit of ratepayers.<sup>2</sup>

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<sup>2</sup> See, for example, D.06-07-012 (2006), *mimeo.*, p. 14, Ordering Paragraph 2.

### **1.1.3. Swap and Hedging Requirements**

SCE seeks authority to use swaps and hedges to manage interest rate risk, as detailed in its Application. SCE will enter into these swap and hedging contracts only in connection with actual, pending or planned issues of authorized Debt Securities or preferred stock.

Consistent with the authorization SCE received in D.05-08-008, SCE proposes to comply with the following restrictions regarding swap and hedging transactions entered into pursuant to this Application:

1. Separately report all interest income and expense arising from all swaps and hedging transactions in its regular report to the Commission.
2. Swap and hedging transactions will not exceed at any time 20 % of SCE's total long-term debt outstanding.
3. All costs associated with hedging transactions shall be subject to review in SCE's cost of capital proceedings.
4. Hedging transactions carrying potential counterparty risk must have counterparties with investment grade credit ratings.
5. SCE will provide the following to Commission staff within 30 days of a request: (i) all terms, conditions, and other details of swap and hedge transactions; (ii) rationale for the swap and hedge transactions; (iii) estimated costs for the "alternative" or unhedged transactions; and (iv) copy of the swap and hedge agreements and associated documentation.

Consistent with previous Commission decisions,<sup>3</sup> we will authorize SCE to use swaps and hedges subject to the above agreed upon conditions.

#### **1.1.4. Competitive Bidding Rule Exemption**

Resolution No. F-616, issued on October 1, 1986, requires utilities to issue debt using competitive bids. The purpose of this requirement, known as the Competitive Bidding Rule, is to reduce the cost of debt issued by utilities. The Resolution also provides for utilities to seek an exemption from the Competitive Bidding Rule for debt issues in excess of \$200 million. An exemption request will only be granted upon a compelling showing by a utility that because of the size of the issues, an exemption is warranted.

SCE seeks an exemption from the Competitive Bidding Rule on the basis that:

1. Competitively bidding of larger issues may result in higher costs due to the fragmenting of the investment banking community into competitive bidding syndicates and the increased risk thereby assumed by each of them.
2. There has been considerable consolidation in the financial services sector resulting in the existence of fewer investment and commercial banks remaining both domestically and globally.
3. It has become common for underwriters to forego the competitive bidding syndicates and instead bid individually. That practice may result in higher costs of funds to SCE and its ratepayers due to the lack of any other syndicate members to share the risk of the transaction.

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<sup>3</sup> See, for example, D.95-09-023, D.96-05-066, and D.03-12-004.

4. In a competitive bid, the underwriter will add a risk premium over the secondary market level to determine the price. The size of that risk premium depends on factors such as general market conditions, size of issue, other expected financing needs of the issuer, and other factors which affect the underwriter's confidence in its ability to sell the securities quickly.
5. In a negotiated transaction, underwriters communicate with potential investors to develop an order book for the securities. Based on this pre-market information, the underwriters adjust the price in order to sell the entire offering.
6. Since 2004, SCE's negotiated mortgage bond issues have priced from five basis points lower to one basis point higher than the secondary trading level of SCE's other comparable maturity mortgage bonds.
7. Negotiated transactions provide greater flexibility to adjust the timing and terms of a proposed debt offering to meet changing market conditions.
8. Competitive bidding may leave SCE limited and undesirable options for obtaining needed financing.

SCE also explains that certain of the Debt Securities requested in its Application do not lend themselves to competitive bidding, regardless of the size of the issue. For example, competitive bidding is not presently available in European or Japanese markets. Also, tax exempt pollution control bonds generally require considerable work in advance of the actual financing to determine the financing structure and terms, and on new issues, to identify what facilities qualify under the tax laws for tax-exempt financing requiring such financing to be done through negotiated transactions. Similarly, trust preferred and hybrid securities are structured financings which require the advice and expertise of the underwriters to complete.

It is because of those Debt Securities that do not lend themselves to competitive bidding that SCE seeks an exemption from the Competitive Bidding Rule to provide it with added flexibility to take advantage of market opportunities. Specifically, SCE seeks authority to enter into negotiated transactions with respect to obtaining loans and issuing variable or floating rate Debt Securities, subordinated Debt Securities such as hybrid securities, trust preferred securities transactions, debts secured by a pledge of accounts receivables, overseas indebtedness, and notes and tax-exempt securities.

Consistent with the Competitive Bidding Rule, SCE proposes to offer through competitive bidding fixed rate Debt Securities in the form of first and refunding mortgage, intermediate and long-term notes and debentures (fixed rate bonds and debentures) of \$200 million or less in principal amount that are sold publicly in the domestic market.

To provide added flexibility to take advantage of market opportunities, SCE requests that the Commission modify the Competitive Bidding Rule to permit SCE to use the following procedures for those situations where the Rule remains applicable:

1. To shorten the 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 to obtaining a sufficient number of bids from underwriters or purchasers or groups thereof (which time period may be as short as a few hours).
2. To accelerate, postpone, or cancel the scheduled date and time for receipt of bids.
3. To reject all bids submitted.
4. To request the resubmission of bids.
5. To reschedule subsequent receipt of bids.

6. To vary the amount, terms, and conditions of the Debt Securities submitted for bids.
7. To waive the requirement for newspaper publication of the above items.

SCE's request for the previously described exemptions from, and modifications to, the Competitive Bidding Rule is granted on the basis that the Commission has routinely granted SCE and other utilities similar exemptions and modifications<sup>4</sup> with no discernable adverse impacts on the utilities, their customers, or the public at large; and on SCE's representation that granting the exemptions and modifications will enable it to obtain debt in a manner advantageous to SCE and its ratepayers. We make no finding regarding the reasonableness of the rates, terms, and conditions of debt issued by SCE pursuant to the exemptions and modifications granted herein.

#### **1.1.5. Short-Term Borrowing Restriction**

SCE is required by D.05-08-008 to reduce its short-term debt to a level not exceeding 5% of other capital then outstanding at least once every 12 months. The purpose of this condition is to prevent SCE from maintaining excessive levels of short-term debt for extended periods of time.

SCE seeks authority to eliminate this short-term borrowing restriction because it is in the midst of an aggressive infrastructure replacement program involving over \$17 million of capital expenditures over the next five years. In order to fund its planned investments, SCE may be required to temporarily rely on short-term financing in the event that sufficient long-term financing is not available on favorable terms. In also seeks to eliminate that

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<sup>4</sup> See, for example, D.04-10-037 (2004) *mimeo.*, pp. 50-51; and D.03-12-004, *mimeo.*, pp. 32-33.

short-term borrowing restriction because it relies on commercial paper and credit facility borrowings to fund its cash collateral obligations related to power procurement and related hedging contracts. Therefore, to ensure that it has flexibility to finance its new utility infrastructure and satisfy collateral requirements of its power procurement and related hedging contracts, SCE seeks authority to eliminate its short-term financing restriction.

We concur with SCE that its short-term financing limitation should be eliminated so that it may obtain long-term financing for its new utility infrastructure on favorable terms and have flexibility in satisfying its power procurement and related hedging contract requirements. We will exempt SCE from this short-term financing restriction. Pursuant to Section 823(d), we will allow the continuous refunding of previously issued short-term debt securities (commercial paper and extendible commercial notes) such that the combined terms of the refunded issues and the new debt securities may exceed 12 months. However, the amount of short-term debt securities that may exceed 12 months are subject to Commission review in the future.

#### **1.1.6. Reporting Requirement**

GO 24-B requires utilities to submit a monthly report to the Commission that contains, among other things: (i) the amount of debt and preferred stock issued by the utility during the previous month; (ii) the total amount of debt and preferred stock outstanding at the end of the prior month; (iii) the purposes for which the utility expended the proceeds realized from the issuance of debt and preferred stock during the prior month; and (iv) a monthly statement of the separate bank account that the utility is required to maintain for all receipts and disbursements of money obtained from the issuance of debt and preferred stock.

The Commission has granted utilities authority to report quarterly the information required by GO 24-B in order to reduce their administrative cost of complying with the GO and to conform to past practice.<sup>5</sup> SCE should be treated no differently. SCE may report quarterly to the Commission the information required by GO 24-B.

#### **4. Fee**

Whenever the Commission authorizes a utility to issue debt and preferred stock, the Commission is required to charge and collect a fee pursuant to §§ 1904(b) and 1904.1. A fee is not applicable on any such issues used to guarantee, take over, refund, discharge, or retire any stock, bond, note, or other evidence of indebtedness on which a fee has theretofore been paid to the Commission. (§ 1904.1.)

SCE expects to use the full amount of the proposed financing proceeds for construction expenditures and acquisition of property, or to reimburse SCE for money it has expended for those purposes. Hence, the full \$3.5 billion (\$3 billion of long-term debt and \$500 million of preferred stock) is subject to a fee.

SCE shall remit the required \$1.756 million fee to the Commission's Fiscal Office.<sup>6</sup> The authority granted by this order shall not become effective until SCE remits the \$1.756 million fee to the Commission's Fiscal Office.

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<sup>5</sup> See, for example, D.05-08-008 *mimeo.*, p. 36, D.04-10-037 (2004) *mimeo.*, p. 51; and, D.03-12-052 (2003) *mimeo.*, pp. 11-12.

<sup>6</sup> The fee is assessed on \$3.5 billion of authorized Debt and Preferred Securities as follows: (\$2 times (\$1,000,000/\$1,000) plus (\$1 times \$9,000,000/\$1,000 plus \$0.5 times \$3,490,000,000/\$1,000 equals \$1.756 million.

## **5. California Environmental Quality Act**

Under the California Environmental Quality Act (CEQA) and Rule 2.4 of the Commission's Rules of Practice and Procedure (Rules), we must consider the environmental consequences of projects that are subject to our discretionary approval.<sup>7</sup> Thus, we must consider whether approval of this application will alter an approved project, result in new projects or change operations in ways that have an environmental impact.

SCE expects that it will use the entire \$3.5 billion proposed financing proceeds for construction expenditures and acquisition of property or to reimburse SCE for money it has expended for those purposes. This decision does not authorize any capital expenditures or construction projects. New construction projects which SCE intends to finance via this application should undergo a CEQA review as early as feasible in the planning process, as required by CEQA Guidelines Section 15004(b). Ongoing projects are already subject to any necessary CEQA review undertaken when SCE seeks a CPCN or PTC. To the extent capital expenditures are financed with the proceeds of the long-term debt and preferred stock issued pursuant to this decision, CEQA review should occur as needed through the regulatory processes applicable to each capital project.

## **6. Category and Need for Hearings**

SCE requested that this matter be categorized as ratesetting. By Resolution ALJ 176-3192, dated May 24, 2007, the Commission preliminarily determined that this was a ratesetting proceeding and that a hearing would not be necessary.

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<sup>7</sup> Pub. Resources Code Section 21080.

Notice of the application appeared in the Commission's Daily Calendar of May 18, 2007. There were no protests to the application. Based on the record, we affirm that this is a ratesetting proceeding, and that a hearing is not necessary.

### **7. Waiver of Comment Period**

This is an uncontested matter in which the decision grants the relief requested. Therefore, the otherwise applicable 30-day period for public review and comment is being waived, pursuant to § 311(g)(2).

### **8. Assignment of Proceeding**

John A. Bohn is the assigned Commissioner and Michael J. Galvin is the assigned Administrative Law Judge in this proceeding.

### **Findings of Fact**

1. SCE seeks authority to issue \$3 billion of Debt Securities and \$500 million of preferred stock.
2. There were no protests to this application.
3. SCE has a reasonable need to issue \$3.0 billion of long-term debt and \$500 million of preferred stock during 2007 - 2011 to finance capital expenditures.
4. SCE seeks authority under § 851 to issue First and Refunding Mortgage Bonds and to use its accounts receivable to secure its debt.
5. SCE seeks authority to issue different types of Debt Securities and preferred stock using a wide variety of means.
6. SCE seeks authority to manage interest rate risk with swaps and hedges.
7. Resolution F-616 requires utilities to issue debt using competitive bids. The Resolution also provides for exemptions from the Competitive Bidding Rule for debt issues in excess of \$200 million and debt that must be obtained on a negotiated basis such as variable-rate debt.

8. SCE represents that granting its requested exemptions from, and modifications to the Competitive Bidding Rule will enable SCE to obtain debt in a manner that is advantageous to SCE and its ratepayers.

9. SCE is required by D.05-08-008 to reduce its short-term debt to a level not exceeding 5% of other capital then outstanding at least once every twelve months.

10. In order to fund its planned investments, SCE may be required to temporarily rely on short-term financing in the event that sufficient long-term financing is not available on favorable terms.

11. SCE utilizes commercial paper or credit facility borrowings to fund its cash collateral obligations related to power procurement and related hedging contracts.

12. GO 24-B requires utilities to submit a monthly report to the Commission that contains, among other things: (i) the amount of debt and preferred stock issued by the utility during the previous month; (ii) the total amount of debt and preferred stock outstanding at the end of the prior month; (iii) the purposes for which the utility expended the proceeds realized from the issuance of debt and preferred stock during the prior month; and (iv) a monthly statement of the separate bank account that the utility is required to maintain for all receipts and disbursements of money obtained from the issuance of debt and preferred stock.

13. The Commission has routinely authorized utilities to report on a quarterly basis the information required by GO 24-B in order to reduce the utilities' administrative and compliance costs.

14. A.07-05-018 does not propose, and today's Opinion does not authorize, any specific new construction or changes in use of existing assets and facilities.

15. Notice of A.07-05-018 appeared in the Commission's Daily Calendar. There were no protests or other responses to A.07-05-018.

16. In Resolution ALJ 176-3192, the Commission preliminarily determined that this proceeding should be categorized as ratesetting and that hearings would not be necessary.

### **Conclusions of Law**

1. This is a ratesetting proceeding.
2. There is no need for hearings.
3. SCE should be authorized to renew and/or refund commercial paper, extendible commercial notes and other floating or variable rate Debt Securities, so that the combined term of the obligations may exceed 12 months without the need for further authorization from the Commission.
4. The application should be granted as requested.
5. The authority granted by this Opinion should not become effective until SCE has paid the fees prescribed by §§ 1904(b) and 1904.1.
6. SCE should not use the proceeds from the debt and preferred stock authorized by this Opinion to fund capital projects until SCE has obtained any required Commission approvals for the projects, including any required environmental review under CEQA.
7. The following Order should be effective immediately so that SCE may issue as soon as possible the debt and preferred stock authorized herein.

**O R D E R**

**IT IS ORDERED** that:

1. Southern California Edison Company (SCE) is authorized to issue \$3.0 billion of new long-term debt and \$500 million par or stated value of cumulative preferred stock to finance capital expenditures.
2. SCE may encumber utility property, including accounts receivables, to secure Debt Securities authorized by this Order.
3. SCE may guarantee the Debt Securities of regulated direct or indirect subsidiaries or affiliates of SCE that issue Debt Securities on behalf of SCE upon conditions enumerated in the body of this Order. SCE may also guarantee the Debt Securities of government entities that issue Debt Securities on behalf of SCE.
4. SCE may enter into interest-rate caps, collars, swaps, hedges, and other financial instruments to manage interest rate risks (collectively, "hedges") to the extent that SCE complies with the conditions enumerated in the body of this Order.
5. SCE is exempted from the Competitive Bidding Rule set forth in Resolution F-616 with respect to obtaining loans and issuing variable or floating rate Debt Securities, subordinated Debt Securities as hybrid securities, trust preferred securities transactions, debts secured by a pledge of accounts receivables, overseas indebtedness, and notes and tax-exempt securities.
6. Consistent with the Competitive Bidding Rule, SCE shall offer through competitive bidding fixed rate Debt Securities in the form of first and refunding mortgage bonds and intermediate and long-term note debentures of \$200 million or less in principal amount that are sold publicly in the domestic market.

7. SCE is authorized to do the following in those situations where the Competitive Bidding Rule remains applicable:

- a. Shorten the time between the issuance of an invitation for bids and the receipt of bids to a period that is the shortest time reasonably required to obtain a sufficient number of bids from underwriters, purchasers, or groups thereof (which time period may be as short as a few hours).
- b. Accelerate, postpone, or cancel the scheduled date and time for receipt of bids.
- c. Reject all bids submitted.
- d. Request the resubmission of bids.
- e. Reschedule subsequent receipt of bids.
- f. Vary the amount, terms, and conditions of the Debt Securities submitted for bids.
- g. Waive the requirement for newspaper publication of the above items.

8. SCE is exempted from complying with Ordering Paragraph 13 of Decision 05-08-008 which required SCE to reduce its short-term debt to a level not exceeding 5% of other capital then outstanding at least once every twelve months.

9. SCE shall report on a quarterly basis all the information required by General Order 24-B with respect to debt and preferred stock issued pursuant to this Order.

10. SCE shall remit to the Commission's Fiscal Office a check for \$1.756 million as required by § 1904(b) of the Public Utilities Code. The decision number of this Order shall appear on the face of the check.

11. The authority granted by this Order shall not become effective until SCE remits \$1.756 million to the Commission's Fiscal Office.

12. SCE shall comply with all applicable environmental laws and regulations when planning and implementing any capital expenditure programs that are financed, in whole or in part, with the proceeds from the debt and preferred stock authorized by this Order.

13. Application 07-05-018 is closed.

This order is effective today.

Dated August 23, 2007, at San Francisco, California.

MICHAEL R. PEEVEY

President

DIAN M. GRUENEICH

JOHN A. BOHN

RACHELLE B. CHONG

TIMOTHY ALAN SIMON

Commissioners