

Decision 10-08-002 August 12, 2010

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U 3338 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 \$3.5 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 \$1.0 billion 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 10-01-011
Filed January 8, 2010

**DECISION AUTHORIZING SOUTHERN CALIFORNIA EDISON COMPANY
TO ISSUE UP TO \$2.49 BILLION OF NEW LONG-TERM DEBT AND UP TO
\$811 MILLION OF NEW PREFERRED EQUITY**

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**DECISION AUTHORIZING SOUTHERN CALIFORNIA EDISON COMPANY
TO ISSUE UP TO \$2.49 BILLION OF NEW LONG-TERM DEBT AND UP TO
\$811 MILLION OF NEW PREFERRED EQUITY**

1. Summary

This decision grants Southern California Edison Company (SCE) the authority to issue up to \$2.49 billion of long-term Debt Securities and up to \$811 million of Preferred Equity, of which \$439 million of new Preferred Equity is for capital expenditures and construction and \$372 million of new Preferred Equity is for retirement/refinancing of previously issued securities. This decision also authorizes SCE to:

1. Encumber utility property, including its accounts receivable; to secure Debt Securities and Preferred Equity;
2. Guarantee the securities or other obligations of regulated direct or indirect subsidiaries or regulated affiliates of SCE or of governmental entities that issue securities on behalf of SCE;
3. Enter into interest-rate caps, collars, swaps, hedges, and other financial instruments, subject to the conditions enumerated in the order of this decision;
4. Enter into credit enhancements enumerated in the order of this decision;
5. Exempt certain Debt Securities from the Commission's Competitive Bidding Rule as enumerated in the order of this decision; and
6. Report all Debt Securities information required by General Order 24-B to the Commission on a quarterly basis.

2. Background

On January 8, 2010, Southern California Edison Company (SCE) filed Application (A.) 10-01-011 requesting authorization to issue, sell, and deliver \$3.5 billion of Debt Securities and \$1.0 billion of Preferred Equity. Notice of the

application appeared in the Commission's Daily Calendar of January 15, 2010 and no protests were filed. On January 21, 2010, Resolution ALJ 176-3247 was issued, preliminarily categorizing this application as ratesetting and that no hearings were needed.

On February 16, 2010, the assigned Administrative Law Judge (ALJ) issued *Administrative Law Judge Ruling Requiring Applicant to File a Response to Request for Information within 10 Days* (Ruling). On February 26, 2010, SCE filed its response to the ALJ Ruling. On March 26, 2010, SCE filed *Southern California Edison Company's (U 338-E) Response to Administrative Law Judge's Follow-Up Questions* (Response). In that Response, SCE reduced its request to \$2.49 billion of Debt Securities and \$811 million of Preferred Equity (\$439 million for construction expenditures, acquisition of property, or to reimburse SCE's treasury for money it has expended for those purposes and \$372 million for retirement/refinancing of securities previously issued).

3. Request

In its application, SCE sought authorization to issue, sell, and deliver up to \$4.5 billion of total financing authority, consisting of \$3.5 billion of Debt Securities and \$1 billion of Preferred Equity, in addition to previously-authorized amounts, until the aggregate principal amount authorized has been fully utilized to meet its future financing needs based on a long-term forecast covering the three-year period 2010 through 2012. Of that request, \$2.3 billion consisted of duplicative requests for authority of \$1.15 billion of Debt Securities and \$1.15 billion of Preferred Equity, because SCE wanted flexibility to utilize what it considered the most beneficial financing at the time of issuance.

In its Response, SCE modified its request, reducing it to a total of \$3.301 billion of new financing, consisting of \$2.49 billion of Debt Securities and

\$811 million of Preferred Equity. SCE reduced its original request because it determined that it did not need to request authority for duplicate issues of Debt Securities and Preferred Equity for the same purpose, reducing its request by \$1.15 billion. The balance of the reduction to SCE's request is based on the adjustment to the uses of funds as well as consideration of existing financing authority. Specifically, SCE also added two new uses of funds, including contingencies for capital expenditures given that the support for its capital expenditures are estimates, and retirement/refinancing of preferred equity that it finds may be cost effective to refinance during the period 2010-2012. SCE also adjusted its calculation of the net funding needed in order to recognize the use of existing authority. SCE plans to use the proceeds to fund for instance, payment of Net Funding of Nuclear Decommissioning Trusts, acquisition of property, construction, completion, extension, or improvement of SCE facilities, retirement/refinancing of previously issued securities, and/or reimbursement of SCE for money expended from income or its treasury funds.

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. In general, each series of Long-Term Debt Securities are expected to have a maturity of up to 100 years. Medium-term notes are expected to have a maturity of between five and 30 years.

SCE seeks authorization to guarantee the Debt Securities, Preferred Equity, and other obligations of regulated direct or indirect subsidiaries or regulated affiliates of SCE, or governmental entities that issue securities on behalf of SCE. SCE seeks authorization to execute and deliver one or more indentures or supplemental indentures, and to sell, lease, assign, mortgage, or otherwise

dispose of or encumber utility property, including but not limited to accounts receivables to secure Debt Securities and Preferred Equity. SCE proposes to utilize debt enhancement features, including credit enhancements, redemption provisions/call options, put options, sinking funds, tax-exemption, and warrants, to improve the terms and conditions of its Debt Securities, in order to lower its overall cost of money for the benefit of its ratepayers. In an effort to reduce the risks associated with interest rate volatility, SCE also seeks authority to utilize interest rate caps, collars, swaps, and hedges. Additionally, SCE seeks exemptions from selected elements of the Commission's Competitive Bidding Rule (CBR).

4. Discussion

4.1. Public Utilities Code Requirements for Issuance of Securities

SCE's request is subject to Public Utilities (Pub. Util.) Code §§ 816, 817, and 818. The Commission has broad discretion under § 816 et seq. to determine if a utility should be authorized to issue debt. Where necessary and appropriate, the Commission may attach conditions to the issuance of debt and stock to protect and promote the public interest.

Pursuant to Pub. Util. Code § 817, a public utility may only issue and use financing for selected purposes.¹ Those purposes not listed in Pub. Util.

¹ 817. A public utility may issue stocks and stock certificates or other evidence of interest or ownership, and bonds, notes, and other evidences of indebtedness payable at periods of more than 12 months after the date thereof, for any one or more of the following purposes and no others:

- (a) For the acquisition of property.
- (b) For the construction, completion, extension, or improvement of its facilities.
- (c) For the improvement or maintenance of its service.

Footnote continued on next page

Code § 817 may only be paid with funds from normal utility operations. In its forecast of sources and uses for 2010-2012 in its Response, SCE included payment of preferred dividends and net funding of nuclear decommissioning trusts in its revised determination of how much new financing is necessary.² Neither of these items are proper uses for the issuance or use of financing. Payment for both preferred dividends and net funding of nuclear decommissioning trusts are properly paid for with funds from normal operation of the utility, what SCE identifies as Cash from Operations in its forecast of sources and uses for 2010-2012. In order for SCE's request to be in compliance with Pub. Util. Code § 817, we will remove payment for preferred dividends (total \$267 million) and

(d) For the discharge or lawful refunding of its obligations.

(e) For the financing of the acquisition and installation of electrical and plumbing appliances and agricultural equipment which are sold by other than a public utility, for use within the service area of the public utility.

(f) For the reorganization or readjustment of its indebtedness or capitalization upon a merger, consolidation, or other reorganization.

(g) For the retirement of or in exchange for one or more outstanding stocks or stock certificates 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

(h) For the reimbursement of moneys actually expended from income or from any other money in the treasury of the public utility not secured by or obtained from the issue of stocks or stock certificates or other evidence of interest or ownership, or bonds, notes, or other evidences of indebtedness of the public utility, for any of the aforesaid purposes except maintenance of service and replacements, in cases where the applicant has kept its accounts and vouchers for such expenditures in such manner as to enable the commission to ascertain the amount of money so expended and the purposes for which such expenditure was made.

² SCE included payment of preferred dividends of \$61 million, \$95 million, and \$111 million in 2010, 2011, and 2012, respectively and Net Funding of Nuclear Decommissioning Trusts of \$184 million, \$192 million, and \$207 million in 2010, 2011, and 2012, respectively, in its forecasted Uses. These total \$245 million, \$287 million, and \$318 million in 2010, 2011, and 2012, respectively.

net funding of nuclear decommissioning trusts (total \$583 million) from SCE's forecast of sources and uses for 2010-2012 provided in its response to follow-up questions. We also remove the total \$850 million associated with these two items from SCE's forecast of Cash from Operations in its sources and uses statement for 2010-2012, to account for the amount from normal operations that would properly be used to pay for preferred dividends and net funding of nuclear decommissioning costs, and will not be available to defray the amount of funding necessary from new financing.

Pub. Util. Code § 818 states that no public utility may issue notes or other evidences of indebtedness payable at periods of more than 12 months unless, in addition to the other requirements of law, it shall first have secured from the Commission an order authorizing the issue, stating the amount thereof and the purposes to which the issue or the proceeds thereof are to be applied. Pub. Util. Code § 818 also requires the Commission, in issuing such an order, to find that the money, property, or labor to be procured or paid for with the proceeds of the debt authorized is reasonably required for the purposes specified in the order and, unless expressly permitted in an order authorizing debt, that those purposes are not, in whole or in part, reasonably chargeable to expenses or to income. SCE has substantiated that the balance of its need for issuance of new Debt Securities and Preferred Equity, as listed in Tables 1 and 2 of this decision, are necessary, including acquisition of property, construction, completion, extension, or improvement of SCE facilities, retirement/refinancing of previously issued securities, and/or reimbursement of SCE for money expended from income or its treasury funds. 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 new Debt Securities and Preferred Equity for the aforementioned purposes, and for the amounts determined in Section 4.2 of this decision.

4.2. Forecast of Sources and Uses

Utility applications seeking authority to issue debt or other securities are based, in part, on forecasted sources and uses of funds that illustrate the requested need for funding. SCE used a long-term forecast covering the three year period of 2010-2012 to determine its future financings needs. SCE's forecast include uses of funds such as capital expenditures and contingencies, payment of preferred dividends, funding of nuclear decommissioning trusts, payment of maturing debt obligations, and retirement/refinancing of previously issued securities. SCE's forecast also includes sources of funds, such as cash flow from operations, short-term debt, equity from the parent, and existing financing authority. In its Response, SCE provided a revised request as detailed in Section 3 of this decision. SCE's request is supported by Exhibit A to the Application, which provides a summary of SCE's current financing authorizations, Exhibit B to the application, which provides a summary of its forecasted capital expenditures for 2010-2012, and SCE's updated Exhibit C provided in its Response. We will rely on these documents, adjusted for uses and sources that are not in compliance with Pub. Util. Code § 817 as discussed in Section 4.1 of this decision, to determine the forecast of Sources and Uses set forth below in Table 1, as well as the Net Need for New Financing calculation set forth in Table 2.

Table 1
Sources and Uses Statement for 2010-2012

USES OF FUNDS	(Millions of Dollars)			
	2010	2011	2012	Total
Capital Expenditures	(\$3,838)	(\$4,197)	(\$4,473)	(\$12,508)
Capital Expenditure Contingencies	(\$155)	(\$155)	(\$155)	(\$465)
Maturities of Long-Term Debt	(\$250)	-	-	(\$250)
Retirement/ /Refinancing Preferred Equity	(\$520)			(\$520)
<i>Total Funds Required</i>	(\$4,763)	(\$4,352)	(\$4,628)	(\$13,743)
SOURCES OF FUNDS				
Short-Term Debt Issues	\$186	\$314	(\$150)	\$350
Equity from the Parent	-	\$140	\$360	\$500
Cash from Operations	\$1,860	\$2,555	\$2,666	\$7,081
<i>Total Source of Funds</i>	\$2,046	\$3,009	\$2,876	\$7,931
<i>Surplus (Deficient) Financial Sources³</i>				(\$5,811)

³ Surplus (deficit) equals total financial requirements less total source of funds.

We now deduct SCE's current financing authority to determine how much of the \$5.811 billion need for funding shown in Table 1 must come from new financing through this application, as well as the form it will take. SCE has existing authorization to issue approximately \$2.58 billion of Debt Securities and \$950 million of Preferred Equity, totaling approximately \$3.53 billion of existing authority.⁴ However, SCE is only authorized to use approximately \$2.11 billion of that authority for the acquisition of property or for construction, completion, extension, or improvement of facilities (construction/capital expenditures).⁵ The remaining authority of approximately \$1.42 billion may only be used for retirement/refinancing of existing debt and equity securities.⁶

Of the total existing authority available to offset SCE's current need for new financing, SCE is able to use \$1.310 billion of existing Debt Securities authority for construction/capital expenditures, \$802 million of existing Preferred Equity authority for construction/capital expenditures, \$250 million of existing Debt Securities authority for retirement/refinancing, and \$148 million of existing Preferred Equity authority for retirement/refinancing. SCE is therefore able to use a total of \$2.510 billion of existing financing authority to offset its current need for new financing.

⁴ See A.10-01-011 at Exhibit A; This financing authority was authorized in Decision (D.) 03-12-004, D.05-08-008, and D.07-08-012. The figures above reflect the amount of financing authority remaining from these decisions.

⁵ SCE's currently authorized financing authority available for construction of new facilities includes Debt Securities of approximately \$1.31 billion and Preferred Equity of approximately \$802 million. (See D.05-08-008 and D.07-08-012.)

⁶ SCE's currently authorized financing authority available for refinancing includes Debt Securities of approximately \$1.27 billion and Preferred Equity of approximately \$148 million. (See D.03-12-004, D.05-08-008, and D.07-08-012.)

Table 2
Net Need for New Financing
(Millions of Dollars)

Description	Current CPUC Authorization	2010-2012 Needs	Shortfall	2010 Request
New Construction/Capital Expenditures - Debt Securities	\$1,310	\$3,800	(\$2,490)	\$2,490
New Construction/Capital Expenditures - Preferred Equity	\$ 802	\$ 1,241	(\$439)	\$ 439
Retirement/Refinancing - Debt Securities	\$1,271	\$250	0	0
Retirement/Refinancing - Preferred Equity	\$148	\$520	(\$372)	\$372
TOTAL	\$3,531	\$5,811		\$3,301

Based on the results from Table 2, we will authorize \$3.301 billion of new financing, consisting of \$2.49 billion of new Debt Securities for construction and capital expenditures, \$439 million of Preferred Equity for construction and capital expenditures, and \$371 million of Preferred Equity for retirement/refinancing. This new financing will allow SCE to fund its capital expenditure plans for the period 2010 through 2012, retire/refinance existing securities, and to reimburse SCE for money expended from income or treasury funds, to the extent authorized by Pub. Util. Code § 817(h). We find SCE's request to be reasonable and supported by the record.

Granting of financing authority to a utility does not obligate the Commission to approve any capital projects. This financing authority provides SCE with sufficiently liquid resources to timely finance its upcoming public utility projects, to refund maturing debt, and to reimburse its treasury. Review of the reasonableness of capital projects occurs as needed through the regulatory process applicable to each capital project. Therefore, any approval of this

financing request would not prejudice any of SCE's forecasted projects for the period 2010 through 2012.

4.3. Types of Securities to be Issued

The types of Debt Securities that SCE may issue consist of secured debt securities, accounts receivable financing, unsecured senior debt, unsecured subordinated debt, hybrid securities, overseas indebtedness, foreign currency denomination securities, medium-term notes, direct loans, commercial paper and extendible commercial notes, first and refunding mortgage, fixed rate bonds and debentures, trust preferred securities transactions, notes sold through a placement agent, and other floating rate debt, which are similar to those authorized in D.07-08-012.

The types of Preferred Equity that SCE may issue consist of cumulative preferred stock--\$25 par value, cumulative preferred stock--\$100 par value, and preference stock. SCE proposes that the method of sale, price, dividend rate, voting rights, liquidation preferences and other rights, preferences, privileges, and restrictions of Preferred Equity issuances will be determined prior to each offering, as was done pursuant to D.07-08-012. SCE also anticipates that Preferred Equity may include provisions such as, but not limited to, restrictive redemption provisions, dividend rates that may be fixed, floating, adjustable, or set by a market auction procedure, mandatory sinking funds, and other provisions deemed appropriate. In past decisions, SCE has not received the open-ended authority it requests here regarding the terms of its Preferred Equity issues. We authorize the terms specifically listed above, but we will not authorize something that has not been identified. Therefore, we deny SCE's request to use other provisions deemed appropriate, that are not specifically requested in its application.

Consistent with § 824, SCE shall maintain records to identify the specific securities issued pursuant to this decision, and demonstrate that proceeds from such securities have been used only for public utility purposes.

4.4. Encumbrance of Utility Property

SCE seeks authority to sell, lease, assign, mortgage, or otherwise dispose of or encumber its utility property and accounts receivables as part of issuing secured Debt Securities and Preferred Equity.

This request to encumber utility property is subject to § 851 which states, in relevant part, that no utility shall encumber any part of 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 D.07-08-012,⁷ we will authorize SCE to sell, lease, assign, mortgage, or otherwise dispose of or encumber its utility property, including its accounts receivables, to improve the terms and conditions of the Debt Securities and Preferred Equity, and to lower SCE's overall cost of money for the benefit of ratepayers.⁸

SCE's request to guarantee the securities or other obligations of regulated direct or indirect subsidiaries or regulated affiliates of SCE is subject to Pub. Util. Code § 701.5 and Affiliate Transaction Rule IX C (D.06-12-029). Rule IX C is designed to ensure that the utility has sufficient ring-fencing around it to prevent the utility from being pulled into the bankruptcy of its holding company. Rule IX C does not mandate what type of ring-fencing measures the utility must

⁷ See D.07-08-012, Ordering Paragraph 2.

⁸ See, for example, D.06-05-015.

adopt. But bankruptcy judges take into account the degree of separation between the utility and its regulated affiliates by considering, among other things, whether the utility has been guaranteeing the securities or other obligations of its regulated affiliates. Rule IX C requires the “utility to provide a non-consolidation opinion that demonstrates that the “ring-fencing” around the utility is sufficient to prevent it from being pulled into the bankruptcy of its holding company.”⁹

Also consistent with D.07-08-012,¹⁰ 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 § 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. And related to Rule IX C, D.06-12-029 requires SCE to submit, on an ongoing basis, non-consolidation opinions to the Commission that the ring-fencing measures it has in place are adequate to keep it from being pulled into bankruptcy of its holding company.

Debt Securities may also be issued through a governmental body, political subdivision or other conduit issuer to obtain tax-exempt status for the securities. This will be used whenever SCE’s facilities qualify for tax-exempt financing under federal or state law. In this structured financing, SCE would unconditionally guarantee or otherwise secure the issuer’s obligations to its debt holders. As a means of securing the issuers obligations, SCE may issue and pledge or deliver bonds in an equal principal amount to the issuer or a trustee.

⁹ See D.06-12-029, at 7.

4.5. Debt Enhancements

SCE seeks authority to include certain debt enhancements to improve the terms and conditions of its Debt Securities and to lower the overall cost of money for the benefit of the ratepayers. These debt enhancements, detailed in its application, consist of credit enhancements, redemption provision/call options, put options, sinking funds, tax-exemptions, and warrants.

The Commission has previously allowed SCE authority to use similar debt enhancements, most recently by D.07-08-012 and D.05-08-008. We again authorize SCE to use these previously approved forms of credit enhancements to lower the overall cost of money for the benefit of the ratepayers.

4.6. Interest Rate Caps, Collars, Swaps, and Hedges

SCE seeks authority to use swaps and hedges, which can assist in the management of interest rate risk, including interest rate cap agreements, interest rate floor agreements, interest rate collar agreements, interest rate swap agreements, forward starting swaps, Treasury locks, caps, and collars. SCE also seeks authority to use other hedging and interest rate swap arrangements not specifically described in the application. SCE also requests that the use of this authority not be considered as separate debt for purposes of calculating its financing authorization. SCE will enter into these swap and hedging contracts only in connection with actual, pending or planned issues of authorized Debt Securities. Consistent with the authorization SCE received in D.07-08-012, SCE proposes to comply with the following restrictions regarding swap and hedging transactions entered into pursuant to this application:

¹⁰ See D.07-08-012, Ordering Paragraph 2.

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. If SCE elects to terminate a swap or hedging transaction before the original maturity or the swap or hedging partner terminates the agreement, all costs associated with the termination will be subject to review in SCE's next cost of capital proceeding.
6. 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 un-hedged transactions; and (iv) copy of the swap and hedge agreements and associated documentation.

Consistent with previous Commission decisions,¹¹ we authorize SCE to use the specific caps, collars, swaps and hedges described herein, subject to the agreed upon conditions listed above, and to exclude these instruments from consideration as separate debt for purposes of calculating its financing authorization.

In past decisions, SCE has not received the open-ended authority it requests here to use other hedging and interest rate swap arrangements not

¹¹ D.05-08-008 at Ordering Paragraph 3 and D.07-08-012 at Ordering Paragraph 4.

specifically requested. We will not authorize something that has not been identified, therefore, we deny SCE's request to use hedging and interest rate swap arrangements not specifically requested in its application.

4.7. 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 CBR, is to reduce the cost of debt issued by utilities. The Resolution also provides for utilities to seek an exemption from the CBR 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. Among the factors relevant here are:

1. Competitive 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.
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 three 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. In addition, notes sold through placement agents are analogous to commercial paper, therefore, should be exempt from the CBR.

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, Debt Securities including hybrid securities, trust preferred securities transactions, debts secured by a pledge of accounts receivables, overseas indebtedness, foreign currency securities, notes sold through a placement agent, and tax-exempt securities.

Consistent with the CBR, 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 (other than tax-exempt securities) 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 CBR 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.

Additionally, SCE represents that Diverse Business Enterprises (DBE), consisting of small underwriting firms, do not have the capital to participate with large investment banks in competitively bid financing offerings of more than \$200 million. To date, SCE has employed nine different DBE's as underwriters, in syndicated offerings totaling \$2.65 billion. The DBE's participation in SCE offerings broadens its investor pool, reaching out to smaller investors that are not covered by large investment banks. The SCE request for an exemption from the CBR for debt issuances in excess of \$200 million would enable SCE to continue its efforts to add DBE underwriters to its syndicates.

SCE's request for the previously described exemptions from, and modifications to, the CBR are granted on the basis that the Commission has routinely granted SCE and other utilities similar exemptions and modifications¹² 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.

5. Reporting Requirement

General Order (GO) 24-B requires utilities to submit a monthly report to the Commission that contains, among other things: (a) the amount of debt issued by the utility during the previous month; (b) the total amount of debt

¹² See, for example, D.09-09-046 at 8-10 and D.07-08-012 at 8-11 (SCE).

outstanding at the end of the prior month; (c) the purposes for which the utility expended the proceeds realized from the issuance of debt during the prior month; and (d) 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.

The Commission has granted many 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.¹³ SCE should be treated no differently. SCE may report quarterly to the Commission the information required by GO 24-B. However, SCE shall report this information on a monthly basis if directed to do so by the Commission staff.

6. 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 Pub. Util. Code §§ 1904(b) and 1904.1. Sections 1904(b) and 1904.1 are not applicable to any issue 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. Therefore, SCE should pay a fee on \$2.49 billion of Debt Securities and \$439 million of Preferred Equity. SCE should not pay a fee on the \$372 million of Preferred Equity that will be used to retire/refund/refinance previously authorized securities. If SCE intends to use any of the \$372 million for purposes other than the retirement or refund of indebtedness previously issued, it shall notify the Commission in writing and pay the corresponding fee before making such use, and identify in its next

Securities report after issuance how it used the \$372 million of long-term debt earmarked to replace existing long-term debt.

SCE shall remit the required \$1,470,500 fee to the Commission's Fiscal Office.¹⁴ The authority granted by this order shall not become effective until SCE remits the \$1,470,500 fee to the Commission's Fiscal Office.

7. Financial Information

We place SCE on notice that the reasonableness of any resulting interest rate and cost of money arising from the issuance of new Debt Securities and Preferred Equity as well as capital structures, are normally subject to review in the appropriate cost of capital or general rate case proceeding. Therefore, we will not make a finding in this decision of the reasonableness of the projected capital ratios for ratemaking purposes or the appropriate cost of money. We will not make a finding in this decision on the reasonableness of SCE' proposed construction program. Construction expenditures and the resulting plant balances in rate base are issues that are normally addressed in a general rate case or specific application. The authority to issue securities is distinct from the authority to undertake construction or the right to recover the cost of capital in rates.

8. California Environmental Quality Act

The California Environmental Quality Act (CEQA) applies to projects that require discretionary approval from a governmental agency, unless exempted by statute or regulation. It is long established that the act of ratemaking by the

¹³ See, for example, D.05-08-008 at 36; D.04-10-037 at 51; and D.03-12-052 at 11-12.

¹⁴ The fee is assessed on \$2.49 billion of authorized Debt Securities and \$439 million of Preferred Equity (total \$2.929 billion) as follows: $((\$2 * (\$1,000,000/\$1,000)) + (\$1 * (\$9,000,000/\$1,000)) + (\$0.50 * (\$2,919,000,000/\$1,000))) = \$1,470,500$.

Commission is exempt from CEQA review. As stated in the California Public Resources Code, the “establishment, modification, structuring, restructuring or approval of rates, tolls, fares, or other charges by public agencies” is exempt from CEQA.¹⁵ Likewise, the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant impact on the environment are not “projects” subject to CEQA.¹⁶

This decision does not authorize any capital expenditures or construction projects. New construction projects which [utility] intends to finance via this application should undergo CEQA review as early as feasible in the planning process, as required by CEQA Guidelines Section 15004(b). To the extent capital expenditures are financed with the proceeds of the long-term debt issued pursuant to this decision, ongoing projects have already been subject to any necessary CEQA review undertaken prior to SCE receiving a certificate of public convenience and necessity or permit to construct. CEQA review for future projects will occur through the regulatory processes applicable to each capital project when meaningful information necessary for conducting an environmental assessment is available.

9. Categorization and Need for Hearing

By Resolution ALJ 176-3247, dated January 21, 2010, the Commission preliminarily determined that this was a ratesetting proceeding and that a hearing would not be necessary.

¹⁵ Public Resource Code Section 21080(b)(8).

¹⁶ CEQA Guidelines Section 15378(b)(4).

Based on the record, we affirm that this is a ratesetting proceeding, and that a hearing is not necessary.

10. Comments of Proposed Decision

The proposed decision of the ALJ in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. No comments were received.

11. Assignment of Proceeding

Michael R. Peevey is the assigned Commissioner and Seaneen M. Wilson is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. Based on SCE's forecast of uses adjusted for compliance with Pub. Util. Code § 817, the forecast of funds needed by SCE over the period 2010-2012 is \$13.743 billion. Of this need, \$2.510 billion will be provided from current financing authority, \$350 million will be provided by short-term debt, \$500 million equity from the parent, \$7.081 billion from cash from operations, \$2.49 billion from new Debt Securities, and \$811 million from new Preferred Equity.

2. Of its request for new financing, \$2.49 billion of new Debt Securities is for capital expenditures and construction, \$439 million of new Preferred Equity is for capital expenditures and construction, and \$372 million of new Preferred Equity is for retirement/refinancing of previously issued securities.

3. SCE has existing authorization to issue approximately \$2.58 billion of Debt Securities and \$950 million of Preferred Equity, totaling approximately \$3.53 billion of existing authority.

4. Of its approximately \$3.53 billion of existing authority, SCE is authorized to use approximately \$2.11 billion for the acquisition of property or for construction, completion, extension, improvement, or maintenance of facilities, and approximately \$1.42 billion for retirement/refinancing of existing debt and equity securities.

5. The proposed new financing specified in the column titled "2010 Request" of Table 2 of this decision, appears necessary to provide the balance of external financing required to meet SCE's projected cash requirements through 2012.

6. The proposed new financing specified in the column titled "2010 Request" of Table 2 of this decision and the associated money, property, or labor to be procured or paid for with the proceeds of this proposed new financing, are, pursuant to Pub. Util. Code §§ 817 and 818, reasonably required for proper purposes, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

7. New securities used to retire previously issued securities are excluded from the Commission's fee calculation pursuant to Pub. Util. Code §§ 1904(b) and 1904.1.

8. Resolution F-616 requires utilities to issue debt using competitive bids but provides for exemptions from the CBR for debt issues in excess of \$200 million and debt that must be obtained on a negotiated basis such as variable-rate debt.

9. SCE has employed nine DBE firms who participated in offerings that totaled \$2.65 billion.

10. Determinations that SCE's construction budget and capital structure are necessary or reasonable for ratemaking purposes are normally reviewed and authorized in general rate case or cost of capital proceedings.

11. GO 24-B requires utilities to submit a monthly report to the Commission that contains, among other things: (a) the amount of debt issued by the utility during the previous month; (b) the total amount of debt outstanding at the end of the prior month; (c) the purposes for which the utility expended the proceeds realized from the issuance of debt during the prior month; and (d) 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.

12. The Commission has frequently 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.

13. This application does not propose any specific new construction or changes in use of existing assets and facilities.

14. Notice of A.10-01-011 appeared in the Commission's Daily Calendar on January 15, 2010, and no protests were filed.

15. In Resolution ALJ 176-3247, the Commission preliminarily determined that A.10-01-011 should be categorized as ratesetting and that a hearing would not be necessary.

Conclusions of Law

1. SCE should be granted authority to issue new Debt Securities of \$2.49 billion for capital expenditures and construction and new Preferred Equity in the amount of \$811 million, of which \$439 million of new Preferred Equity is for capital expenditures and construction, and \$372 million of new Preferred Equity is for retirement/refinancing of previously issued securities, all of which are for proper purposes and consistent with the requirements of Pub. Util. Code §§ 817 and 818.

2. Pursuant to Pub. Util. Code § 817, the proper purposes for financing include acquisition of property, construction, completion, extension, improvement, or maintenance of facilities, retirement/refunding of previously issued securities, and/or reimbursement of the utility for money expended from income or its treasury funds. All other purposes, such as payment of preferred dividends and net funding of decommissioning trusts, must be funded through other sources.

3. Pursuant to Pub. Util. Code § 817, SCE's revised forecast of Sources and Uses should be adjusted to remove payment of preferred dividends and net funding of nuclear decommission trusts from Uses totaling \$850 million, and the same amount of Cash from Operations from Sources.

4. SCE should be granted authority to issue new Debt Securities in the form of accounts receivable financing, unsecured senior debt, unsecured subordinated debt, hybrid securities, overseas indebtedness, foreign currency denomination securities, medium-term notes, direct loans, commercial paper and extendible commercial notes, first and refunding mortgage bonds, fixed rate bonds and debentures, trust preferred securities transactions, notes sold through a placement agent, and other floating rate debt.

5. SCE should be granted authority to issue new Preferred Equity in the form of cumulative preferred stock--\$25 par value, cumulative preferred stock--\$100 par value, and preference stock.

6. SCE should be granted authority to determine the method of sale, price, dividend rate, voting rights, liquidation preferences and other rights, preferences, privileges, and restrictions of Preferred Equity issuances authorized herein.

7. SCE should be granted authority to include restrictive redemption provisions, dividend rates that may be fixed, floating, adjustable, or set by a market auction procedure, or mandatory sinking funds in issuances of Preferred Equity authorized herein.

8. Pursuant to Pub. Util. Code § 851, SCE should be granted authority to sell, lease, assign, mortgage, or otherwise dispose of or encumber its utility property and accounts receivable to secure Debt Securities and Preferred Equity,, authorized herein.

9. SCE should be granted authority to guarantee, or to pledge its assets on behalf of a regulated affiliate or regulated subsidiary of SCE, pursuant to § 701.5. A regulated subsidiary may be created solely for the purpose of issuing securities to the public or privately to support SCE's operations or service in which case, SCE should have 100% ownership and control of the subsidiary.

10. SCE's request to guarantee the securities or other obligations of regulated direct or indirect subsidiaries or regulated affiliates of SCE is also subject to Affiliate Transaction Rule IX C of D.06-12-029, which ensures that the utility has sufficient ring-fencing around it to prevent the utility from being pulled into the bankruptcy of its holding company.

11. SCE should be granted authority to issue Debt Securities through a governmental body, political subdivision or other conduit issuer to obtain tax-exempt status for the securities, authorized herein. This authority will be used whenever SCE's facilities qualify for tax-exempt financing under federal or state law. In this structured financing, SCE may unconditionally guaranty or otherwise secure the issuer's obligations to its debt holders. As a means of securing the issuer's obligations, SCE may issue and pledge or deliver bonds in an equal principal amount to the issuer or a trustee.

12. SCE should be granted authority to use the following kinds of debt enhancements to improve the terms and conditions of its Debt Securities authorized herein, and to lower the overall cost of money for the benefit of the ratepayers: credit enhancements; redemption provision/call options; put options; sinking funds; tax-exemptions; and warrants.

13. SCE should be granted authority to use the following kinds of swaps and hedges to manage interest rate risk of Debt Securities authorized herein: interest rate cap agreements; interest rate floor agreements; interest rate collar agreements; interest rate swap agreements; forward starting swaps; Treasury locks; caps; and collars.

14. SCE should be granted authority to exclude the swaps and hedges authorized herein for purposes of calculating its total financing authorization authorized in this decision.

15. Authority to enter into these swap and hedging contracts should be granted to SCE, only in connection with actual, pending or planned issues of Debt Securities authorized herein.

16. SCE should comply with the following restrictions regarding swap and hedging transactions authorized herein, including:

- a. Separately report all interest income and expense arising from all swaps and hedging transactions in its regular report to the Commission.
- b. Swap and hedging transactions should not exceed at any time 20% of SCE's total long-term debt outstanding.
- c. All costs associated with hedging transactions should be subject to review in SCE's cost of capital proceedings.
- d. Hedging transactions carrying potential counterparty risk should have counterparties with investment grade credit ratings.

- e. If SCE elects to terminate a swap or hedging transaction before the original maturity or the swap or hedging partner terminates the agreement, all costs associated with the termination should be subject to review in SCE's next cost of capital proceeding.
- f. SCE should 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 un-hedged transactions; and (iv) copy of the swap and hedge agreements and associated documentation.

17. SCE should be granted an exemption from the CBR for all issuances of loans, variable or floating rate Debt Securities, subordinated Debt Securities such as hybrid securities, Debt Securities including hybrid securities, trust preferred securities transactions, debts secured by a pledge of accounts receivables, overseas indebtedness, foreign currency securities, and notes and tax-exempt securities, and for all issuances in excess of \$200 million.

18. Consistent with the CBR, SCE must use the CBR for all issuances of 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 (other than tax-exempt securities) that are sold publicly in the domestic market, through competitive bidding.

19. SCE may employ the following procedures for those situations where the CBR remains applicable:

- a. 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).

- b. To accelerate, postpone, or cancel the scheduled date and time for receipt of bids.
- c. To reject all bids submitted.
- d. To request the resubmission of bids.
- e. To reschedule subsequent receipt of bids.
- f. To vary the amount, terms, and conditions of the Debt Securities submitted for bids.
- g. To waive the requirement for newspaper publication of the above items.

20. A granting of financial authority to a utility does not obligate the Commission to approve any capital projects.

21. Review of the reasonableness of capital projects occur as needed through the regulatory process applicable to each capital project.

22. Approval of this financing request does not prejudice any of SCE's forecasted capital projects for the period 2010 through 2012.

23. The authority granted by this Decision should not become effective until SCE has paid the fees prescribed by §§ 1904(b) and 1904.1.

24. Pursuant to Pub. Util. Code §§ 1904(b) and 1904.1, SCE should not pay a fee on \$372 million of new Preferred Equity financing earmarked for the retirement/refinancing/refund of securities previously issued.

25. Southern California Edison Company should be authorized to use any of the \$372 million of Preferred Equity earmarked for retirement/refinancing of previously issued securities for proper purposes other than the retirement/refinancing of previously issued securities, if it first notifies the Commission in writing and pays the corresponding fee. It should identify in its next Securities report after issuance regarding how it used the Preferred Equity earmarked to replace existing securities.

26. Pursuant to Pub. Util. Code §§ 1904(b) and 1904.1, SCE should pay a fee on \$2.49 billion of new Debt Securities and \$439 million of new Preferred Equity of \$1,470,500, to the Commission's Fiscal Office.

27. The order herein is not a finding of the reasonableness of SCE's proposed construction plan or expenditures, the resulting plant balances in rate base, the capital structure, or the cost of money, nor does it indicate approval of matter s subject to review in a general rate case or other proceedings.

28. SCE should not use the proceeds from the debt authorized by this decision to fund its capital projects until SCE has obtained any required Commission approvals for the projects, including any required environmental review under CEQA.

29. The authority granted SCE herein is in compliance with Pub. Util. Code §§ 701.5, 816, 817, 818, 824, and 851.

30. Once SCE pays its fees pursuant to Pub. Util. Code §§ 1904(b) and 1904.1, the Decision should be effective so that SCE may issue the securities authorized herein as soon as necessary.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company is granted authority to issue new Debt Securities in the amount of \$2.49 billion for capital expenditures and construction, and new Preferred Equity in the amount of \$811 million, of which \$439 million of new Preferred Equity is for capital expenditures and construction and \$372 million of new Preferred Equity is for retirement/refinancing of previously issued securities, Southern California Edison Company is granted authority to issue new Debt Securities and Preferred Equity, in compliance with Public Utilities Code §§ 701.5, 816, 817, 818, 824, and 851.

2. Southern California Edison Company is granted authority to issue new Debt Securities in the form of accounts receivable financing, unsecured senior debt, unsecured subordinated debt, hybrid securities, overseas indebtedness, foreign currency denomination securities, medium-term notes, direct loans, commercial paper and extendible commercial notes, first and refunding mortgage bonds, fixed rate bonds and debentures, trust preferred securities transactions, notes sold through a placement agent, and other floating rate debt.

3. Southern California Edison Company is granted authority to issue new Preferred Equity in the form of cumulative preferred stock--\$25 par value, cumulative preferred stock--\$100 par value, and preference stock.

4. Southern California Edison Company is granted authority to determine the method of sale, price, dividend rate, voting rights, liquidation preferences and other rights, preferences, privileges, and restrictions of Preferred Equity issuances authorized herein.

5. Southern California Edison is granted authority to include restrictive redemption provisions, dividend rates that may be fixed, floating, adjustable, or set by a market auction procedure, or mandatory sinking funds in issuances of Preferred Equity authorized herein.

6. Pursuant to Public Utilities Code § 851, Southern California Edison Company is granted authority to sell, lease, assign, mortgage, or otherwise dispose of or encumber its utility property and accounts receivable to secure the Debt Securities and Preferred Equity authorized herein.

7. Southern California Edison Company is granted authority to guarantee, or to pledge its assets on behalf of a regulated affiliate or regulated subsidiary of Southern California Edison Company, pursuant to § 701.5. Southern California Edison Company may create a subsidiary solely for the purpose of issuing securities to the public or privately to support Southern California Edison Company's operations or service in which case, Southern California Edison Company must have 100% ownership and control of the subsidiary.

8. Southern California Edison Company is granted authority to issue Debt Securities through a governmental body, political subdivision or other conduit issuer to obtain tax-exempt status for the securities. This must only be used whenever Southern California Edison Company's facilities qualify for tax-exempt financing under federal or state law. In this structured financing, Southern California Edison Company may unconditionally guaranty or otherwise secure the issuer's obligations to its debt holders. As a means of securing the issuer's obligations, Southern California Edison Company may issue and pledge or deliver bonds in an equal principal amount to the issuer or a trustee.

9. Southern California Edison Company is granted authority to use the following kinds of debt enhancements to improve the terms and conditions of its Debt Securities and to lower the overall cost of money for the benefit of the ratepayers: credit enhancements; redemption provision/call options; put options; sinking funds; tax-exemptions; and warrants.

10. Southern California Edison Company is granted authority to use the following kinds of swaps and hedges to manage interest rate risk, including interest rate cap agreements, interest rate floor agreements, interest rate collar agreements, interest rate swap agreements, forward starting swaps, Treasury locks, caps, and collars.

11. Southern California Edison Company is granted authority to exclude the swaps and hedges authorized in this decision as separate debt for purposes of calculating its financing authorization.

12. Southern California Edison Company is granted authority to enter into the swap and hedging contracts authorized herein only in connection with actual, pending or planned issues of authorized Debt Securities.

13. If Southern California Edison Company enters into swap and hedging transactions, it must comply with the following restrictions:

- a. Southern California Edison Company must separately report all interest income and expense arising from all swaps and hedging transactions in its regular report to the Commission.
- b. Swap and hedging transactions must not exceed at any time 20% of Southern California Edison Company's total long-term debt outstanding.
- c. All costs associated with hedging transactions must be subject to review in Southern California Edison Company's cost of capital proceedings.
- d. Hedging transactions carrying potential counterparty risk must have counterparties with investment grade credit ratings.
- e. If Southern California Edison Company elects to terminate a swap or hedging transaction before the original maturity or the swap or hedging partner terminates the agreement, all costs associated with the termination must be subject to

review in Southern California Edison Company's next cost of capital proceeding.

- f. Southern California Edison Company must 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 un-hedged transactions; and
 - (iv) copy of the swap and hedge agreements and associated documentation.

14. Southern California Edison Company is granted an exemption from the Competitive Bidding Rule for all issuances of loans, variable or floating rate Debt Securities, subordinated Debt Securities such as hybrid securities, Debt Securities including hybrid securities, trust preferred securities transactions, debts secured by a pledge of accounts receivables, overseas indebtedness, foreign currency securities, and notes and tax-exempt securities, and for all issuances in excess of \$200 million.

15. Consistent with the Competitive Bidding Rule, Southern California Edison Company must use the Competitive Bidding Rule for all issuances of 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 (other than tax-exempt securities) that are sold publicly in the domestic market, through competitive bidding.

16. Southern California Edison Company may utilize the following procedures for those situations where the Competitive Bidding Rule remains applicable:

- a. 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).
- b. To accelerate, postpone, or cancel the scheduled date and time for receipt of bids.
 - c. To reject all bids submitted.
 - d. To request the resubmission of bids.
 - e. To reschedule subsequent receipt of bids.
 - f. To vary the amount, terms, and conditions of the Debt Securities submitted for bids.
 - g. To waive the requirement for newspaper publication of the above items.

17. Southern California Edison Company must not use the proceeds from the debt authorized by this decision to fund its capital projects until Southern California Edison Company has obtained any required Commission approvals for the projects, including any required environmental review under California Environmental Quality Act.

18. Southern California Edison must report on a quarterly basis all the information required by General Order 24-B with respect to debt issued pursuant to this Order. However, Southern California Edison Company shall report this information on a monthly basis if directed to do so by the Commission staff.

19. Southern California Edison Company must remit a check for \$1,470,500 as required by §§ 1904(b) and 1904.1 of the Public Utilities Code, to the Commission's Fiscal Office at 505 Van Ness Avenue, Room 3000, San Francisco, CA 94102. The number of this Decision shall appear on the face of the check. The authority granted by this Decision is effective once Southern California Edison Company has paid the fees prescribed by § 1904(b).

20. Southern California Edison Company is authorized to use any of the \$372 million of Preferred Equity earmarked for retirement/refinancing of

previously issued securities, for proper purposes other than the retirement/refinancing of previously issued securities, if it first notifies the Commission in writing and pays the corresponding fee. It must identify in its next Securities report after issuance regarding how it used the Preferred Equity earmarked to replace existing securities.

21. Southern California Edison Company must comply with all applicable environmental laws and regulations when planning and implementing any capital expenditure programs financed, in whole or in part, with the proceeds from the debt authorized by this Decision.

22. Application 10-01-011 is closed.

This order is effective today.

Dated August 12, 2010, at San Francisco, California.

MICHAEL R. PEEVEY
President
DIAN M. GRUENEICH
JOHN A. BOHN
TIMOTHY ALAN SIMON
NANCY E. RYAN
Commissioners

