Decision 14-03-005 March 13, 2014

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN CALIFORNIA EDISON COMPANY (U338E) 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 $4,020,000,000; 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 $670,000,000 par or stated value of Cumulative Preferred Stock -- $25 Par Value, $100 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 Preferred or Preference Stock.	Application 13-09-005 (Filed September 5, 2013)

DECISION AUTHORIZING SOUTHERN CALIFORNIA EDISON COMPANY TO ISSUE DEBT AND PREFERRED EQUITY SECURITIES

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DECISION AUTHORIZING SOUTHERN CALIFORNIA EDISON COMPANY TO ISSUE DEBT AND PREFERRED EQUITY SECURITIES

1. Summary

In response to Application (A.) 13-09-005, this decision grants Southern California Edison Company (SCE) authority pursuant to Public Utilities Code Sections (Pub. Util. Code §§) 816 – 818, 821, 830, and 851 to do the following:

1. Issue debt securities with an aggregate principal amount of up to $2.509 billion (hereafter, "Debt Securities"), including Debt Securities secured by utility property and accounts receivable.
2. Issue preferred equity securities with an aggregate principal of up to $569 million (hereafter, "Preferred Equity Securities").
2. Use debt enhancements, swaps, and hedges to lower the cost of the Debt Securities and reduce financial risks.
3. Guarantee the obligations of regulated affiliates and governmental entities that are incurred on behalf of SCE for the purposes authorized by this decision.

The authority granted by this decision will become effective when SCE pays a fee of $1,098,000 pursuant to Pub. Util. Code § 1904. The fee is due no later than 30 days from the effective date of this decision.

SCE is authorized to use the proceeds from the Debt Securities and Preferred Equity Securities to (1) finance $2.184 billion of capital expenditures, (2) refinance $489 million of maturing long-term debt, and (3) refinance $405 million of preferred equity. These authorized uses will help SCE fulfill its obligation under Pub. Util. Code § 451 to "furnish and maintain such adequate, efficient, just, and reasonable service, instrumentalities, equipment, and facilities…as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public." The cost of the

Debt Securities and Preferred Equity Securities will depend on market conditions when the securities are issued.

In A.13-09-005, SCE sought authority to issue $4.690 billion of debt and preferred equity securities. This decision reduces SCE's request by $1.612 billion. We find the disallowed amount is not required for the purposes authorized by this decision. Today's decision also denies SCE's request for authority to use debt enhancements, swaps, and hedges in connection with the Preferred Equity Securities authorized by this decision. We held in Decision (D.) 12-06-015 that debt enhancements, swaps, and hedges "shall only be used in connection with debt securities."[1] We do not consider the Preferred Equity Securities authorized by this decision to be "debt securities" within the meaning of D.12-06-015.

2. Procedural Background

Southern California Edison Company (SCE), a public utility subject to the Commission's jurisdiction, filed Application (A.) 13-09-005 on September 5, 2013. Notice of A.13-09-005 appeared in the Commission's Daily Calendar on September 11, 2013. There were no protests or responses to the application.

A prehearing conference was held on November 4, 2013. The assigned Commissioner issued a scoping memo on November 22, 2013, that determined the need for hearings and the scope, schedule, and category of this proceeding pursuant to Rule 7.3(a) of the Commission's Rules of Practice and Procedure. On the following dates, SCE filed and served documents that provided additional information requested by the assigned Administrative Law Judge (ALJ): October 17, October 25, and November 8, 2013, and January 13 and 16, 2014.

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[1] D.12-06-015 at 29.

3. Existing Authority to Issue Debt and Preferred Equity

In A.13-09-005, SCE requests authority to issue $4.690 billion of debt and preferred equity for the purposes identified in Section 4.2 of this decision. As of January 13, 2014, SCE had the following unused authority to issue debt and preferred equity for the same purposes requested in A.13-09-005:

Remaining Authority to Issue Long-Term Debt and Preferred Equity for the Same Purposes Requested in A.13-09-005				
			Authorized Uses	
Decision (D.) No.	**Type**	**Remaining Authority**	**Capital Expenditures**	**Refinance Debt and/or Preferred Equity**
D.05-08-008	Long-Term Debt	$210,685,000	$0	$210,685,000
D.10-08-002	Long-Term Debt	$650,415,000	$650,415,000	$650,415,000
D.10-08-002	Preferred Equity	$411,000,000	$365,920,000	$411,000,000
Total		**$1,272,100,000**	**$1,016,335,000**	**$1,272,100,000**
Source: SCE filing on January 13, 2014.				

The above table shows that SCE has $1.272 billion of available authority to issue long-term debt and preferred equity that may be used to (1) refinance $1.272 billion of previously issued long-term debt and preferred equity, (2) spend $1.016 billion on capital expenditures, or (3) some combination of the two previous items, not to exceed $1.272 billion.

4. Summary of the Application

4.1. Requested Authorizations and Findings

In A.13-09-005, SCE asks the Commission to issue an order pursuant to Public Utilities Code Sections (Pub. Util. Code §§) 816, 817, 818, 821, 830, and 851 that authorizes SCE to do the following:

1. Issue, sell, and deliver one or more series of debt securities with an aggregate principal amount of up to $4.020 billion (hereafter, "Debt Securities"). The specific types of Debt Securities are identified in Section 4.3 of this decision.
2. Renew and/or refund commercial paper and other floating-rate or variable-rate Debt Securities, so that the combined term of the obligations may exceed 12 months without further authorization from the Commission.
3. Arrange credit facilities for the purpose of issuing Debt Securities and to modify such credit facilities without further authorization from the Commission.
4. Execute and deliver an indenture or supplemental indenture in connection with the Debt Securities and to sell, lease, assign, mortgage, or otherwise encumber and dispose of utility property in connection with the Debt Securities.
5. Pledge, encumber, and dispose of its accounts receivable in connection with the issuance and sale of Debt Securities.
6. Issue, sell, and deliver Debt Securities by public offering or private placement.
7. Issue, sell, and deliver one or more series of preferred equity securities with an aggregate principal amount of up to $670 million (hereafter, "Preferred Equity Securities"). The specific types of Preferred Equity Securities are identified in Section 4.6 of this decision.
8. Guarantee the securities and obligations of governmental entities and SCE regulated affiliates, the proceeds of which are used for the benefit of SCE.
9. Use the proceeds from the Debt Securities and Preferred Equity Securities for the purposes specified in Section 4.2 of this decision.
10. Utilize the debt enhancements, swaps, and hedges described in Sections 4.4 and 4.5 of this decision.

SCE further requests that the Commission find pursuant to Pub. Util Code § 818 that the money, property, or labor to be procured or paid for with the proceeds from the Debt Securities and Preferred Equity Securities is reasonably required for the purposes so specified, and that, except as permitted in the order in the case of bonds, notes, or other evidences of indebtedness, such purposes are not, in whole or in part, reasonably chargeable to operating expenses or income.

4.2. Use of Proceeds

SCE requests authority to use the proceeds from the sale of the Debt Securities and Preferred Equity Securities for the following purposes: (1) pay expenses incident to the issuance and sale of the securities; (2) acquire utility property; (3) construct, complete, extend, or improve utility facilities; (4) retire or refund securities previously issued for which SCE paid the fees levied by Pub. Util Code § 1904; and (5) reimburse SCE for money it has expended from its income, or from money in its treasury not secured by or obtained from the issuance of debt or equity, for any of the previous purposes except maintenance of service and replacements. The amounts so reimbursed will become a part of SCE's general treasury funds.

To demonstrate that it has a reasonable need to issue the requested securities, SCE provided the following forecast of its uses and sources of cash during the period of 2014 - 2016:

Forecasted Uses and Sources of Cash 2014 - 2016	**$Millions**
+ Capital Expenditures	12,350
+ Refinance Maturing Long-Term Debt	700
+ Refinance Preferred Equity	450
= Forecasted Need for Cash 2014 – 2016	**13,500**
Less: Available Cash from Operations 2014 - 2016	-9,150
Less: Current CPUC Authority to Issue Securities	-1,272
= Cash Shortfall	**3,078**
+ Contingency Reserve	1,612
= Amount Requested in A.13-09-005	**4,690**
Source: SCE Filing on January 13, 2014, Exhibit A, High Capex Case	

The above table shows that SCE requests $4.690 billion of Debt Securities and Preferred Equity Securities for two general purposes. First, SCE intends to use $3.078 billion to finance a forecasted shortfall of cash for capital expenditures, refinance maturing long-term debt, and refinance outstanding, but not maturing, preferred equity.[2] Second, SCE requests $1.612 billion for contingencies such as unforeseen capital needs, financial market disruptions, other unexpected events, and to take advantage of potential opportunities to refinance existing debt and preferred equity in this era of low interest rates.

The following table shows in more detail how SCE anticipates it will use the proceeds from the $4.020 billion of requested Debt Securities and $670 million of requested Preferred Equity Securities:

	Debt Securities ($ Millions)	**Preferred Equity Securities ($ Millions)**	**Total ($ Millions)**
Capital Expenditures	3,020	265	3,285
Refinance	1,000	405	1,405
Total	**4,020**	**670**	**4,690**
Forecasted Cap. Ex.	2,020	164	2,184
Contingent Cap. Ex.	1,000	101	1,101
Subtotal	**3,020**	**265**	**3,285**
Forecasted Refinance	489	405	894
Contingent Refinance	511	0	511
Subtotal	**1,000**	**405**	**1,405**
Total	**4,020**	**670**	**4,690**
Source: A.13-09-005 and SCE Filing on January 13, 2014			

2 All of SCE's preferred equity is perpetual, meaning it does not have a date when SCE must redeem the preferred equity.

SCE expects that $3.285 billion of the requested securities will be subject to the fees levied by Pub. Util Code § 1904. The remaining $1.405 billion will be used to retire or refund previously issued securities for which SCE paid the fees levied by Pub. Util Code § 1904.

4.3. Types of Debt Securities

SCE requests authority to issue one or more series of Debt Securities, with the type of Debt Security, principal amount, terms and conditions of each issuance to be determined by SCE based on market conditions at the time of sale and issuance. The requested Debt Securities may bear a fixed or variable rate of interest; may be issued at par or with an original issue discount or premium; and may have maturities of up to 100 years.

SCE requests authority to sell Debt Securities by public offering or private placement. If the former, the Debt Securities may be registered with the Securities and Exchange Commission and listed on a stock exchange. SCE also seeks authority to issue Debt Securities itself or through an affiliate that will, in turn, lend or otherwise transfer the proceeds to, or for the benefit of, SCE.

The specific types of Debt Securities for which SCE requests authority to issue are identified below.

Secured Debt Securities would be secured by an encumbrance on utility property. Secured Debt Securities may be issued in the form of mortgage bonds, or as part of a "fall-away" mortgage bond structure where mortgage bonds are initially issued and later converted into unsecured debt. In addition, SCE may issue, pledge, or deliver secured Debt Securities as a means of securing other authorized indebtedness. Because each new series of secured Debt Securities would be an additional encumbrance on utility property, SCE requests authority under Pub. Util. Code § 851 to encumber utility property.

Accounts receivable financing would consist of Debt Securities secured by a pledge, sale, or assignment of SCE's accounts receivable. Using accounts receivable as collateral may make it possible to obtain financing at interest rates lower than SCE's short-term borrowing costs. Because accounts receivable financing would be an encumbrance on utility property, SCE requests authority under Pub. Util. Code § 851 to encumber utility property.

Unsecured Debt Securities may be in the form of debentures, notes, preferred securities, senior debt, subordinated debt, or other evidences of indebtedness. Unsecured Debt Securities may be issued under trust preferred indentures. In such instances, SCE would create a subsidiary, usually in the form of a trust, that would issue preferred securities to the public. The preferred securities would represent an interest in unsecured Debt Securities issued by SCE to the trust, and would also be guaranteed by SCE.

Hybrid Debt Securities would have characteristics of both debt and equity, and thus are given partial equity treatment by rating agencies. The terms of hybrid Debt Securities may include (i) restrictive redemption provisions; (ii) interest rates that may be fixed, floating, adjustable, or deferrable; (iii) mandatory sinking funds; and (iv) such other provisions as SCE deems appropriate. SCE would treat hybrid securities similar to preferred equity in its cost of capital proceedings and in determining compliance with its authorized capital structure. SCE believes it may be able to issue hybrid Debt Securities as a lower cost alternative to Preferred Equity Securities. The hybrid securities may be issued directly to the public or structured as a trust preferred security.

Overseas Debt Securities would be sold in foreign capital markets and would likely be denominated in U.S. dollars. These securities would be used only when they provide lower cost of money than similar domestic securities.

Foreign currency denominated Debt Securities would pay principal and interest in a foreign currency, and may be sold to foreign or domestic investors. In conjunction with foreign currency denominated securities, SCE or an affiliate may enter into forward contracts that obligate a counterparty to pay the foreign currency needed for principal and interest payments. In exchange, SCE or an affiliate would pay the counterparty U.S. dollars based on a prearranged formula. Foreign currency denominated securities would be issued only when it results in lower cost of money, including all transaction and foreign exchange contract costs, than comparable U.S. dollar denominated securities.

Medium-term notes (MTNs) may be offered on a continuous or periodic basis, sold in the domestic or foreign markets, and denominated in U.S. dollars or a foreign currency. If MTNs are sold through a placement agent, SCE or an affiliate would set the interest rate at which it would be willing to issue MTNs of various maturities. The interest rate could be updated continuously to reflect market conditions and SCE's need for funds.

Direct loans would be obtained from banks, insurance companies, or other financial institutions. To obtain loans, SCE may enter into loan or credit agreements, including agreements on a revolving basis, and SCE may secure loans by issuing mortgage bonds to the lenders. SCE would enter into direct loans only when doing so results in lower cost of money than other forms of debt, when necessary as an interim arrangement, or for other reasons.

Commercial paper and other short-term debt may be issued with maturities of 364 days or less and then rolled over for periods exceeding 12 months. SCE anticipates that it or an affiliate (acting at SCE's direction) would arrange credit agreements with financial institutions to provide liquidity support for commercial paper. The cost of commercial paper would include the effective yield, issuance expenses, rating fees, and credit facility fees.[3]

Other variable-rate debt would consist of all other forms of floating or variable-rate debt that SCE and/or an affiliate may issue when doing so results in a lower cost of money. Interest rates may be based on various short-term interest rate indices or bankers' acceptances, and may vary based on changes in SCE's credit ratings or other factors.

4.4. Debt Enhancements

SCE requests authority to include the following features in Debt Securities to enhance the price, rates, terms, and/or conditions for the benefit of ratepayers.

Credit enhancements may include letters of credit, standby bond purchase agreements, surety bonds, insurance policies, or other credit-support arrangements to reduce interest costs or improve other credit terms. The cost of credit enhancements would be included in the cost of the Debt Securities.

Redemption provisions and call options would allow Debt Securities to be redeemed or repaid prior to maturity at a stated price. These features would enable SCE, if market rates fall, to replace outstanding debt with lower-cost debt.

Put options would provide the owner of a Debt Security with the right to sell the security to SCE or an affiliate at a specified price. Investors may be willing to accept a lower interest rate in exchange for a put option that protects the value of the owner's investment in Debt Securities.

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[3] SCE does not request authority to issue short-term debt pursuant to Pub. Util. Code § 823(c).

Sinking funds would require SCE to periodically set aside funds to redeem, repurchase, or retire a specified amount of Debt Securities. SCE anticipates that the cost of Debt Securities may be reduced by sinking funds.

Tax-exempt Debt Securities would be issued through a governmental body or other conduit issuer to finance facilities that qualify for tax-exempt financing under federal and/or state law. To obtain the low-cost benefits of tax-exempt financing, SCE may structure financings as follows:

1. A governmental body would issue and sell its bonds, notes, debentures, or other securities to underwriters who would ultimately market such securities to investors.
2. Concurrent with the sale of such securities and in consideration for the proceeds from the securities, SCE would enter into a loan agreement or other security agreement with the issuer. Pollution control or other facilities may be conveyed to the issuer and then re-conveyed to SCE in exchange for SCE Debt Securities. Control of the facilities would stay with SCE at all times.

The obligations of SCE would be substantially consistent with the terms and conditions of the governmental issuer's securities, and SCE would guarantee or otherwise secure the issuer's obligations to its debt holders. As a means of securing the issuer's obligations, SCE may issue, pledge, or deliver bonds in an equal principal amount to the issuer or a trustee.

Warrants would provide the owner of a Debt Security with the right to purchase another debt security or a share of capital stock at a pre-established price. No additional underwriting fees would be incurred upon exercise of the warrants. SCE posits that even if the warrants are exercised, ratepayers would realize savings because of the premium received from the sale of the warrants.

4.5. Swaps and Hedges

SCE seeks authority to enter into swap agreements to improve the terms and conditions of Debt Securities and Preferred Equity Securities for the benefit of ratepayers. Swaps may enable SCE to reduce its borrowing costs by issuing a fixed or floating-rate security and concurrently entering into interest rate swap contracts to convert fixed interest payments into favorable floating-rate payments or vice versa, or to convert floating-rate payments tied to one index into floating-rate payments tied to another index. Swaps can reduce financing costs if the resulting interest rate is lower than SCE could have obtained by issuing a comparable security directly.

SCE also requests authority to enter into contracts to hedge certain financial risks associated with the Debt Securities and Preferred Equity Securities. To hedge the risk that interest rates for floating-rate securities may rise, SCE may enter into contracts that limit SCE's exposure to higher interest rates, including interest rate caps, floors, collars,[4] and swaps.

To hedge the risk of increased interest rates associated with planned issuances of fixed-rate securities, SCE may enter into contracts for interest rate locks, caps, collars, and forward-starting swaps. Interest rate locks and caps would "lock in" or cap the forward interest rate of a specified Treasury or other security on which a fixed-rate SCE security will be priced at some future date.

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[4] To reduce exposure to higher interest rates, SCE may negotiate a maximum "cap" rate. If floating rates rises above the cap rate, SCE would pay only the cap rate. The counterparty to the contract may desire a floor rate so that if the floating rate falls below the floor rate, SCE would pay the floor rate. Such floor and cap rates are known as collars because the interest rate fluctuates within a negotiated band.

Collars "lock in" a range of forward rates of a specified Treasury or other security on which a fixed-rate SCE security will be priced at some future date.

To hedge the overall cost of a planned issuance, not just the underlying interest rate, SCE may enter into forward-starting swaps with an effective start date of weeks, months, or years in the future. These types of swaps fix the cost of borrowing today without having to start the transaction right away.

Finally, to hedge risks associated with securities denominated in a foreign currency, SCE may enter into currency swaps and swaps denominated in a foreign currency, including forward-starting swaps.

SCE may guarantee the swaps and hedges of affiliates. All swaps and hedges will comply with the requirements set forth in D.12-06-015, which are summarized later in this decision. SCE requests that swaps and hedges not be counted as separate debt for purposes of calculating its remaining financing authority under this decision.

4.6. Types of Preferred Equity Securities

SCE requests authority to issue, sell, and deliver one or more series of Cumulative Preferred Stock-$25 Par Value, Cumulative Preferred Stock-$100 Par Value, and Preference Stock as authorized in SCE's articles of incorporation (together, "Preferred Equity Securities"). SCE also seeks authority to guarantee the securities or other obligations of regulated affiliates in connection with the issuance of Preferred Equity Securities.

The method of sale, terms, and conditions of each offering will be determined by SCE based on market conditions at that time. The price, dividend rate, voting rights, liquidation preferences, and other rights, preferences, privileges, and restrictions applicable to each series of Preferred Equity Securities will be fixed by resolution of SCE's board of directors or a committee thereof, and a certificate of preferences which includes the content of such resolution will be filed with the California Secretary of State. SCE anticipates that the Preferred Equity Securities may include (i) restrictive redemption provisions; (ii) dividend rates that may be fixed or variable; and (iii) mandatory sinking funds.

SCE may issue Preferred Equity Securities via trust preferred securities. In such an issuance, SCE would create an affiliate in the form of a trust or other entity that would issue preferred securities to the public. The preferred securities would represent an interest in the Preferred Equity Securities issued by SCE to the trust and would be guaranteed by SCE. SCE may also issue Preferred Equity Securities via depositary shares to investors. Each depositary share would represent a fractional interest in one share of a Preferred Equity Security. The depositary shares would have identical terms as the underlying Preferred Equity Securities that are held by a custodian, typically a large bank. Issuing depositary shares would allow SCE to utilize fewer of its authorized shares, thereby avoiding the costly process of amending its Articles of Incorporation to increase the number of authorized shares.

4.7. Estimated Cost

SCE estimates that the costs of the requested Debt Securities and Preferred Equity Securities will be as follows, assuming that A.13-09-005 is granted:

Estimated Cost of Debt Securities & Preferred Equity Securities						
A	B	C	D	E	F	G
Principal ($Million)	**Term (Years)**	**Annual Interest & Dividends ($Million)**	**Annual Trustee Fees ($M)**	**Issuance Fees ($M)**	**Amortized Issuance Fees (E ÷ 30) ($Million)**	**Total Annual Costs (C + D + F) ($Million)**
$4,690	30 Years to Perpetual	$261.42	$0.238	$65.72	$2.19	$263.61
Total Costs for 30 Years						7,908.30

The above table shows that SCE forecasts it will issue $4.690 billion of Debt Securities and Preferred Equity Securities with an annual cost of $263.61 million, assuming all the securities are issued and outstanding. The total forecasted cost is $7.908 billion over a 30-year period. SCE's actual costs may differ from its forecasted costs.

The estimated costs in the above table are limited to interest and dividend payments, issuance costs, annual trustee and administrative fees, and the fees levied by Pub. Util. Code § 1904. The above table does not include repayment of principal or the costs and benefits of debt enhancements, swaps, and hedges.

5. Discussion

5.1. Authority to Issue Debt and Preferred Equity Securities

SCE's application for authority to issue $4.02 billion of Debt Securities and $670 million of Preferred Equity Securities is subject to Pub. Util. Code §§ 816, 817, 818, 821, 830, and 851. We address each of these laws below.

5.1.1. Pub. Util. Code § 816

Pub. Util. Code § 816 provides the Commission with broad discretion to (1) determine if a utility should be authorized to issue debt securities and preferred equity securities; and (2) attach conditions to the issuance of securities in order to protect and promote the public interest. For the reasons set forth below, we find that it is reasonable to authorize SCE to issue $2.509 billion of Debt Securities and $569 million of Preferred Equity Securities pursuant to Pub. Util. Code § 816, subject to several conditions.

5.1.2. Pub. Util. Code § 817

Pub. Util. Code § 817 provides that a public utility may issue long-term debt and preferred equity only for the purposes specified in § 817. Here, SCE requests authority to issue $4.02 billion of Debt Securities and $670 million of Preferred Equity Securities for the following purposes: (1) refinance maturing long-term debt; (2) refinance existing preferred equity; (3) capital expenditures; (4) pay expenses incident to the issuance of the requested securities; and (5) reimburse SCE for money it has expended from income, or from funds in its treasury not obtained from or secured by the issuance of debt or equity, for any of the previous purposes except maintenance of service and replacements, with the amounts so reimbursed becoming part of SCE's general treasury funds.

We find that SCE's request to issue Debt Securities and Preferred Equity Securities for the previously identified purposes is permitted by the following subsections of Pub. Util. Code § 817:

- <u>§ 817(a)</u> authorizes the issuance of long-term debt and preferred equity to acquire property. We consider capital expenditures, to the extent such expenditures are used to acquire property, to be within the ambit of § 817(a).
- <u>§ 817(b)</u> authorizes the issuance of long-term debt and preferred equity to construct, complete, extend, or improve utility facilities. We consider capital expenditures to be squarely within the ambit of § 817(b).
- <u>§ 817(c)</u> authorizes the issuance of long-term debt and preferred equity to maintain or improve service. We consider capital expenditures to be necessary for the maintenance and

improvement of public utility services and, therefore, within the ambit of § 817(c).

- § 817(d) authorizes the issuance of long-term debt and preferred equity to discharge or lawfully refund a utility's obligations. We consider the issuance of the requested Debt Securities and Preferred Equity Securities to retire, refund, or refinance long-term debt and preferred equity during 2014 - 2016 to be within the ambit of § 817(d).
- § 817(g) authorizes the issuance of long-term debt and preferred equity to retire, or in exchange for, outstanding long-term debt and preferred equity. We consider the use of the requested Debt Securities and Preferred Equity Securities to refinance maturing long-term debt and outstanding preferred equity during 2014 - 2016 to be within the ambit of § 817(g).
- § 817(h) authorizes the issuance of long-term debt and preferred equity to reimburse a utility for money expended from its income, or from funds in the utility's treasury not secured by or obtained from the issuance of debt or equity, for any of the previous purposes except maintenance of service and replacements, but only in cases where the utility has kept its accounts in a way that enables the Commission to ascertain the amount of money so expended and the purposes for which such expenditure was made. Here, SCE requests authority to use the proceeds from the Debt Securities and Preferred Equity Securities to reimburse SCE for money expended for the purposes authorized by § 817(h), with the money having come from SCE's income and/or from funds in SCE's treasury that were not secured by, or obtained from, the issuance of debt or equity. SCE is required by General Order 24-C to maintain its accounts in a manner consistent with § 817(h).

We conclude for the previous reasons that SCE's request to issue Debt Securities and Preferred Equity Securities satisfies Pub. Util. Code § 817.

5.1.3. Pub. Util. Code § 818

Pub. Util. Code § 818 provides that a public utility may not issue long-term debt and preferred equity unless it has first secured a Commission order authorizing the debt and preferred equity, stating the amount thereof, and the purposes to which the proceeds thereof are to be applied. Section 818 further requires the Commission to find that the money, property, and/or labor to be procured with the proceeds from the long-term debt and preferred equity are reasonably required for the purposes specified in the order, and that such purposes are not reasonably chargeable to expenses or income.

In A.13-09-005, SCE seeks authority to issue $4.02 billion of Debt Securities and $670 million of Preferred Equity Securities for the following purposes:[5]

Purpose	**Debt Securities ($ Millions)**	**Preferred Equity ($ Millions)**
Capital Expenditures	$2,020	$164
Refinance Maturing Long-Term Debt	$489	- -
Refinance Outstanding Preferred Equity	- -	$405
Subtotal	$2,509	$569
Contingencies	$1,511	$101
Total	**$4,020**	**$670**

Pursuant to our authority under Pub. Util. Code § 818, we authorize SCE to (1) issue $2.509 billion of Debt Securities to finance capital expenditures and refinance maturing long-term debt as shown in the above table; and (2) issue $569 million of Preferred Equity Securities to finance capital expenditures and refinance outstanding preferred equity as shown in the above table. We find pursuant to § 818 that the money, property, and/or labor to be procured with the proceeds from the authorized Debt Securities and Preferred Equity Securities are

[5] A.13-09-005, Exhibit A.

reasonably required for the purposes specified in this decision, and that such purposes are not reasonably chargeable to expenses or income.

We deny SCE's request for authority to issue $1.511 billion of Debt Securities and $101 million of Preferred Equity Securities for potential contingences such as unforeseen capital needs, financial market disruptions, and fleeting opportunities to issue debt and preferred equity at attractive rates. It is speculative whether these contingencies will occur, and we can only guess at the circumstances that will prevail at that time. Consequently, we cannot reach the findings required by Pub. Util. Code § 818 that (1) the proceeds from $1.511 billion of Debt Securities and $101 million of Preferred Equity Securities are reasonably required for contingences, and (2) such purposes are not reasonably chargeable to expenses or income.

5.1.4. Pub. Util. Code § 821

Pub. Util. Code § 821 provides that a public utility may issue long-term debt securities that can be converted into shares of common stock, subject to the other provisions of Pub. Util. Code §§ 816 - 830. Consistent with § 821, this decision grants SCE's request for authority to issue Debt Securities that are convertible into common stock, subject to the provisions of §§ 816 – 830 and the conditions specified in this decision.

5.1.5. Pub. Util. Code § 830

Pub. Util. Code § 830 provides that a public utility shall not assume any obligation or liability as guarantor, endorser, surety, or otherwise with respect to the debts of another person, firm, or corporation without prior permission from the Commission. In A.13-09-005, SCE requests authority under § 830 to guarantee the securities, debt enhancements, swaps, hedges, and other obligations (together, "obligations") of regulated affiliates and governmental entities. This decision grants SCE's request, subject to the following conditions:

- SCE shall only incur obligations that are (i) directly related to the Debt Securities or Preferred Equity Securities authorized by this decision, and (ii) for the purposes authorized by this decision.
- The affiliate's or governmental entity's obligations that are guaranteed by SCE shall have an equal or lower cost than SCE incurring the obligation itself.
- SCE shareholders shall not profit, either directly or indirectly, from the obligations that are guaranteed by SCE.
- The Commission and its staff shall have full and timely access to all of an affiliate's books, records, and other information that pertain to the obligations that are guaranteed by SCE.

5.1.6. Pub. Util. Code § 851

SCE requests authority under Pub. Util. Code § 851 to issue Debt Securities secured by utility property. Section 851 provides that a utility shall not sell, lease, assign, dispose of, or encumber (together, "encumber") any part of its plant, system, or other property necessary or useful in the performance of its duties to the public without prior approval from the Commission. The Commission has broad discretion under § 851 to authorize or deny an encumbrance of utility property. The primary standard used by the Commission is whether the encumbrance will adversely affect the public interest. When necessary, the Commission may attach conditions to an encumbrance to protect and promote the public interest.

There is nothing in the record of this proceeding which indicates that granting SCE's request for authority under § 851 to issue Debt Securities secured by utility property will be detrimental to the public interest. To the contrary, secured debt may cost less than unsecured debt, resulting in a lower cost of capital for ratepayers. Therefore, SCE's request is granted.

The authority granted by this decision to encumber utility property does not include authority to dispose of encumbered property that is necessary or useful in the provision of utility service to the public. If a default occurs and title to any of SCE's plant, system, or property that is necessary or useful in the performance of SCE's duties to the public is transferred pursuant to the terms of a secured debt indenture, the thing transferred shall continue to be used to provide utility service to the public until the Commission authorizes otherwise.

5.2. Types of Debt Securities and Preferred Equity Securities

SCE seeks authority to issue (1) the types of Debt Securities that are identified in Section 4.3 of this decision and Section III of A.13-09-005; and (2) the types of Preferred Equity Securities that are identified in Section 4.6 of this decision and Section VI of A.13-09-005. We believe that public utilities should have reasonable latitude regarding the types of debt and preferred equity they may issue in order to obtain the lowest cost of capital for ratepayers. A utility's request to issue a specific type of security should be denied only if the requested type is unduly risky or for other good cause. That is not the case here. Therefore, we will grant SCE's request to issue the previously identified types of Debt Securities and Preferred Equity Securities.

5.3. Debt Enhancements, Swaps, and Hedges

SCE requests authority to use the debt enhancements, swaps, and hedges identified in Sections 4.4 and 4.5 of this decision with respect to the Debt Securities authorized by this decision. In D.12-06-015, the Commission authorized utilities to use debt enhancements, swaps, and hedges for debt securities, subject to after-the-fact review by the Commission. The only requirement that a utility must satisfy in a financing application such as A.13-09-005 is to provide "a brief description and rationale for the potential use of a debt enhancement or the risk management properties associated with the potential use of a derivative instrument to hedge risk exposure."[6] SCE provided the required information in A.13-09-005. To reiterate, SCE represents that the requested debt enhancements, swaps, and hedges will be used to improve the price, rates, terms, and/or conditions of the Debt Securities and to hedge financial risks associated with the Debt Securities for the benefit of ratepayers.

For the preceding reasons, we will authorize SCE to use the requested types of debt enhancements, swaps, and hedges with respect to the Debt Securities, subject to the following conditions and restrictions set forth in D.12-06-015 for swaps and hedges:[7]

i. SCE shall list in its General Order 24-C reports to the Commission any interest income and expense from swaps and hedges during the period covered by the report.

ii. Swaps and hedges shall not exceed 20% of a SCE's total long-term debt outstanding.

iii. All costs associated with hedging transactions may be reviewed in regulatory proceedings addressing SCE's cost of capital.

iv. Hedging transactions that carry potential counterparty risk must have counterparties with investment grade credit ratings.

v. If a swap or hedge is terminated before the original maturity, all termination-related costs may be reviewed in SCE's next regulatory proceeding addressing its cost of capital.

vi. SCE shall provide the following to Commission staff within 30 days of receiving a written request: (i) all terms, conditions,

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6 D.12-06-015 at 28-30 and Attachment A at A-5, as corrected by D.12-07-003.

7 D.12-06-015 at 29 and Attachment A at A-5, as corrected by D.12-07-003.

> and details of swap and hedge transactions; (ii) rationale(s) 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.

The authority granted by this decision to use debt enhancements, swaps, and hedges is limited to the Debt Securities authorized by today's decision.

SCE also requests permission to use the swaps and hedges identified in Section 4.5 of this decision with respect to the Preferred Equity Securities authorized by this decision. We decline to grant SCE's request because it is contrary to D.12-06-015 wherein the Commission held that debt enhancements, swaps, and hedges "shall only be used in connection with debt securities financings."[8] We do not consider Preferred Equity Securities to be "debt securities" within the meaning of D.12-06-015.

5.4. Other Regulatory Requirements

5.4.1. Financing Rule and General Order (GO) 24-C

The Financing Rule adopted by D.12-06-015 establishes the following regulations regarding the issuance of new debt securities:

- Public utilities must issue debt in a prudent manner, consistent with market standards that encompass competition and transparency, with the goal of achieving the lowest long-term cost of capital.
- Public utilities must determine the financing terms of debt issues with due regard for (i) their full financial condition and requirements, and (ii) current and anticipated market conditions.

[8] D.12-06-015 at 29 and Attachment A at A-5. D.12-06-015 treats swaps and hedges as a type of debt enhancement. (D.12-06-015 at 3–4, 29-30, Finding of Fact 12, and Conclusion of Law 13.)

- Public utilities may choose whether to issue debt securities via competitive or negotiated bid, as long as the basis for the method is chosen to achieve the lowest cost of capital.
- Public utilities with annual operating revenues of $25 million or more must make every effort to encourage, assist, and recruit Women-, Minority-, and Disabled Veteran-Owned Business Enterprises in being appointed as lead underwriter, book runner, or co-manager of debt securities offerings.
- Public utilities may use debt enhancements, swaps, and hedges for debt securities, subject to certain restrictions and reporting requirements, including the restrictions on swaps and hedges identified in Section 5.3 of this decision.

The Financing Rule applies to SCE and the Debt Securities, debt enhancements, swaps, and hedges authorized by this decision. To protect ratepayer interests, we will extend the requirements of the Financing Rule to the Preferred Equity Securities authorized by this decision.[9]

GO 24-C requires public utilities that issue debt or equity to file a semiannual report with the Commission that includes the following information for the applicable semiannual period:

1. A description of the debt and equity issued during the semiannual period, if any, including the principal amount of each issuance, the commissions paid for each issuance, and the net proceeds received for each issuance.
2. The total amount of stock issued and outstanding at the end of the semiannual period, including the total number of shares issued and the par value, if any, of such shares.

[9] Because this decision does not authorize SCE to use debt enhancements, swaps, and hedges with respect to Preferred Equity Securities, the provisions in the Financing Rule concerning debt enhancements, swaps, and hedges are moot with respect to the Preferred Equity Securities authorized by this decision.

3. The total bonds and other debt issued and outstanding at the end of the semiannual period, including the principal amount of such bonds and other debt.
4. The expenditures of debt and equity proceeds during the semiannual period and the purposes for which these expenditures were made. Expenditures must be reported in a way that allows the Commission to ascertain the utility's compliance with Pub. Util. Code § 817 and the related authorizing decision.

In addition to the previously enumerated reporting requirements, GO 24-C requires utilities to maintain records which demonstrate that the proceeds from the issuance of debt and equity have been used in a manner authorized by Pub. Util. Code § 817 and the related authorizing decision. Utilities must make the records available to Commission staff upon written request.

GO 24-C applies to SCE and the Debt Securities and Preferred Equity Securities authorized by this decision.

5.4.2. Ratemaking and Pub. Util. Code § 451

Today's decision provides SCE with authority to issue $2.509 billion of Debt Securities for two purposes: (1) finance $2.020 billion of capital expenditures, and (2) refinance $489 million of maturing long-term debt. Similarly, today's decision provides SCE with authority to issue $569 million of Preferred Equity Securities for two purposes: (1) finance $164 million of capital expenditures, and (2) refinance $405 million of outstanding preferred equity. The authority granted by this decision is subject to the condition that SCE shall maintain its Commission-approved capital structure.

This decision does not authorize or approve any capital expenditures, construction projects, or the recovery of any costs in rates. The all-in cost of the

Debt Securities[10] and Preferred Equity Securities will be reviewed in SCE's cost-of-capital proceedings or other appropriate proceedings; and the capital expenditures financed with the proceeds from the Debt Securities and Preferred Equity Securities will be reviewed in general rate case proceedings, capital project-specific proceedings, or other appropriate proceedings. Based on these reviews, the Commission will determine whether the cost of the Debt Securities, Preferred Equity Securities, and related capital expenditures may be recovered in rates pursuant to Pub. Util. Code § 451, which states as follows:

> All charges demanded or received by any public utility, or by any two or more public utilities, for any product or commodity furnished or to be furnished or any service rendered or to be rendered shall be just and reasonable. Every unjust or unreasonable charge demanded or received for such product or commodity or service is unlawful.
>
> Every public utility shall furnish and maintain such adequate, efficient, just, and reasonable service, instrumentalities, equipment, and facilities, including telephone facilities, as defined in Section 54.1 of the Civil Code, as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public.

5.4.3. Pub. Util. Code § 1904

Pub. Util. Code §§ 1904(b) and 1904.1 require utilities to pay a fee for authority to issue debt and equity securities (hereafter, "§ 1904 Fee"). The § 1904 Fee does not apply when the authorized debt or equity is used to retire or refund maturing securities for which the fee was paid previously.

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10 The all-in cost of the Debt Securities includes the debt enhancements, swaps and hedges authorized by this decision.

This decision authorizes SCE to issue $3.078 billion of Debt Securities and Preferred Equity Securities, of which $894 million will be used to refinance long-term debt and preferred equity for which the § 1904 Fee was paid previously. Therefore, the net amount of Debt Securities and Preferred Equity Securities subject to the § 1904 Fee is $2.184 billion (i.e., $3.078 billion less $894 million). The following table shows the calculation of the § 1904 Fee for $2.184 billion of Debt Securities and Preferred Equity Securities:

§ 1904 Fee for $2,184,000,000 of Debt Securities and Preferred Equity Securities		
Amount	**Rate**	**Fee**
$1,000,000	$2 per $1,000	$2,000
$9,000,000	$1 per $1,000	$9,000
$2,174,000,000	$0.50 per $1,000	$1,087,000
$2,184,000,000		**$1,098,000**

SCE shall pay the § 1904 Fee shown in the above table no later than 30 days from the effective date of this decision. The authority granted by this decision will become effective upon the payment of the § 1904 Fee.

6. California Environmental Quality Act

The California Environmental Quality Act (CEQA) applies to projects that (1) may cause a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment, and (2) require discretionary approval from a governmental agency, unless exempted by statute or regulation.[11] A project is exempt from CEQA when it can be seen with

[11] California Public Resources (Cal. Pub. Res.) Code § 21067.

certainty that the activity in question will not have a significant effect on the environment.[12] The Commission is the lead agency under CEQA with respect to A.13-09-005 and, therefore, must determine if the Debt Securities and Preferred Equity Securities requested in A.13-09-005 are exempt from CEQA.[13]

Today's decision does not authorize any capital expenditures, construction projects, or any other activities that might have an effect on the environment. Therefore, it can be seen with certainty that the Debt Securities and Preferred Equity Securities authorized by this decision will not have a significant effect on the environment. Accordingly, the authorized Debt Securities and Preferred Equity Securities are exempt from CEQA. To ensure compliance with CEQA, SCE shall not use the proceeds from the authorized Debt Securities and Preferred Equity Securities to fund any project until the required CEQA review and approval for the project, if any, has been completed.

7. Categorization and Need for Hearings

In Resolution ALJ 176-3322, dated September 19, 2013, the Commission preliminarily categorized this proceeding as ratesetting and preliminarily determined that a hearing is necessary. The categorization of this proceeding as ratesetting was affirmed and finalized by the Scoping Memo.

There were no protests or responses to A.13-09-005, and no factual issues were raised at the prehearing conference or since then. Based on these circumstances, we will change the preliminary determination that a hearing is necessary. We now find that a hearing is not necessary.

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[12] CEQA Guidelines, Title 14 of the California Code of Regulations, Division 6, Chapter 3, Article 20, Section 15061(b)(3). (Hereafter, "CEQA Guidelines".)

[13] Cal. Pub. Res. Code §§ 21065 and 21080(a), and CEQA Guidelines Section 15061(a).

8. Comments on the Proposed Decision

The proposed decision was mailed to the parties in accordance with Pub. Util. Code § 311, and comments were allowed in accordance with Rule 14.3 of the Commission's Rules of Practice and Procedure. There were no comments on the proposed decision.

9. Assignment of the Proceeding

Michael Picker is the assigned Commissioner for this proceeding and Timothy Kenney is the assigned ALJ.

Findings of Fact

1. In A.13-09-005, SCE requests authority pursuant to Pub. Util. Code §§ 816 - 818, 821, 830, and 851 to issue $4.020 billion of Debt Securities and $670 million of Preferred Equity Securities for the following purposes: (i) pay accrued interest and other expenses incident to the issuance of the requested securities; (ii) finance $2.184 billion of capital expenditures; (iii) refinance $489 million of maturing long-term debt during; (iv) refinance $405 million of outstanding preferred equity; (v) provide $1.612 billion for contingencies; and (vi) reimburse SCE for money it has expended from its income, or from funds in its treasury that were not secured or obtained from the issuance of debt and equity, for any of the previous purposes except maintenance of service and replacements. The amounts so reimbursed will become a part of SCE's general treasury funds.

2. SCE has a reasonable need for additional authority to issue $2.509 billion of Debt Securities to (i) finance $2.020 billion of capital expenditures; (ii) refinance $0.489 billion of maturing long-term debt; (iii) pay accrued interest and other expenses incident to the issuance and sale of Debt Securities; and (iv) reimburse SCE for money it has expended from its income, or from funds in its treasury

that were not secured by or obtained from the issuance of debt and equity, for any of the previous purposes except maintenance of service and replacements, with the amounts so reimbursed becoming part of SCE's general treasury funds.

3. SCE has a reasonable need for additional authority to issue $569 million of Preferred Equity Securities to (i) finance $164 million of capital expenditures; (ii) refinance $405 million of preferred equity; (iii) pay expenses incident to the issuance and sale of Preferred Equity Securities; and (iv) reimburse SCE for money it has expended from its income, or from funds in its treasury that were not secured by or obtained from the issuance of debt and equity, for any of the previous purposes except maintenance of service and replacements, with the amounts so reimbursed becoming part of SCE's general treasury funds.

4. It is speculative whether SCE will have a reasonable need in the foreseeable future to issue $1.612 billion of Debt Securities and Preferred Equity Securities for contingencies that may arise.

5. In A.13-09-005, SCE requests authority to issue (i) the types of Debt Securities identified in Section 4.3 of this decision, and (ii) the types Preferred Equity Securities identified in Section 4.6 of this decision. The requested types of securities will provide SCE with flexibility to issue debt and preferred equity at the lowest cost to ratepayers. There is no known good cause to prohibit SCE from issuing the requested types of securities.

6. In A.13-09-005, SCE requests authority under Pub. Util. Code § 851 to issue Debt Securities secured by utility property. Granting the request will not adversely affect the public interest.

7. In A.13-09-005, SCE seeks authority to use with respect to the requested Debt Securities (i) the debt enhancements in Section 4.4 of this decision; and (ii) the swaps and hedges in Section 4.5 of this decision. The purpose of the debt enhancements, swaps, and hedges is to improve the price, rates, terms and/or conditions of the Debt Securities for the benefit of ratepayers, and to hedge financial risks associated with the Debt Securities for the benefit of ratepayers.

8. In A.13-09-005, SCE seeks authority to use with respect to the requested Preferred Equity Securities the swaps and hedges in Section 4.5 of this decision.

9. The Debt Securities and Preferred Equity Securities authorized by this decision will not have a significant effect on the environment.

10. In Resolution ALJ 176-3322, dated September 19, 2013, the Commission preliminarily determined that a hearing is necessary in this proceeding.

11. There are no contested factual issues in this proceeding.

Conclusions of Law

1. SCE should be authorized pursuant to Pub. Util. Code §§ 816 – 818 to issue up to $2.509 billion of Debt Securities to finance $2.020 billion of capital expenditures and refinance $0.489 billion of maturing long-term debt. Pursuant to Pub. Util. Code §§ 816 - 818, the authorized Debt Securities should be used only for the purposes identified in Finding of Fact 2 of this decision.

2. SCE should be authorized pursuant to Pub. Util. Code §§ 816 – 818 to issue up to $569 million of Preferred Equity Securities to finance $164 million of capital expenditures and refinance $405 million of preferred equity securities. Pursuant to Pub. Util. Code §§ 816 - 818, the authorized Preferred Equity Securities should be used only for the purposes identified in Finding of Fact 3 of this decision.

3. The $2.509 billion of Debt Securities and $569 million of Preferred Equity Securities authorized by this decision are for purposes allowed by Pub. Util. Code § 817 and, as required by § 818, such purposes are not reasonably chargeable, in whole or in part, to operating expenses or income.

4. SCE should be authorized pursuant to Pub. Util. Code § 816 to issue the types of Debt Securities and Preferred Equity Securities identified in Sections 4.3 and 4.6 of this decision.

5. SCE should be authorized pursuant to Pub. Util. Code § 821 to issue Debt Securities that are convertible into common stock using the debt enhancement features described in Section 4.4 of this decision.

6. SCE should be authorized pursuant to Pub. Util. Code § 830 to guarantee the obligations of regulated affiliates and government entities, subject to the conditions specified in Section 5.1.5 of this decision.

7. SCE should be authorized pursuant to Pub. Util. Code § 851 to encumber utility assets using the secured Debt Securities identified in Section 4.3 of this decision. Consistent with § 851, if a default occurs and title to any SCE property, franchise, permit, or right that is necessary or useful in the performance of SCE's duties to the public is transferred pursuant to terms of the encumbrance, the thing transferred should be used to provide utility service to the public until the Commission authorizes otherwise.

8. SCE has satisfied the requirements of D.12-06-015 for authority to use the debt enhancements, swaps, and hedges identified in Sections 4.4 and 4.5 of this decision with respect to the requested Debt Securities. SCE should be authorized pursuant to Pub. Util. Code §§ 816 - 818 to use these debt enhancements, swaps, and hedges with respect to the Debt Securities authorized by this decision.

9. SCE's request in A.13-09-005 for authority to use swaps and hedges with respect to Preferred Equity Securities should be denied. The Financing Rule adopted by D.12-06-015 restricted the use of swaps and hedges to debt securities. The Preferred Equity Securities authorized by this decision are not debt securities for Commission regulatory purposes.

10. The Financing Rule and GO 24-C apply to SCE and the Debt Securities, Preferred Equity Securities, debt enhancements, swaps, and hedges authorized by this decision.

11. SCE should be authorized pursuant to Pub. Util. Code § 816 to issue Debt Securities and Preferred Equity Securities subject to the condition that SCE maintains its Commission-authorized capital structure.

12. The authority granted by this decision to issue Debt Securities and Preferred Equity Securities is separate from the authority to (i) recover the cost of the securities in rates; (ii) purchase or construct specific utility plant with the proceeds from the securities; and (iii) recover the cost of utility plant in rates.

13. The Commission may determine in future proceedings whether the all-in costs of the Debt Securities and Preferred Equity Securities issued pursuant to this decision are just and reasonable and may be recovered in rates; and whether the capital expenditures funded with the proceeds from the Debt Securities and Preferred Equity Securities are reasonable and may be recovered in rates.

14. SCE is required by Pub. Util. Code §§ 1904(b) and 1904.1 to pay a fee of $1,098,000 as set forth in Section 5.4.3 of this decision. The authority granted by this decision should not become effective until SCE has paid the fee.

15. The Commission is the lead agency under CEQA for A.13-09-005.

16. The Debt Securities and Preferred Equity Securities authorized by this decision are exempt from CEQA.

17. SCE should not use the Debt Securities and Preferred Equity Securities authorized by this decision to finance a project until SCE has obtained any required environmental review and approval for the project under CEQA.

18. There are no factual issues in this proceeding that require an evidentiary hearing. The preliminary determination in Resolution ALJ 176-3322 that a hearing is needed should be changed to a hearing is not needed.

19. The following order should be effective immediately so that SCE may issue the Debt Securities and Preferred Equity Securities authorized by the order.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company (SCE) is authorized pursuant to Public Utilities Code Sections 816 – 818, 821, 830, and 851 to do the following:

   a. Issue, sell, and deliver one or more series of debt securities with an aggregate principal amount not to exceed $2.509 billion (Debt Securities).

   b. Use the proceeds from the Debt Securities for the following purposes only: (i) finance $2.020 billion of capital expenditures; (ii) refinance $0.489 billion of maturing long-term debt; (iii) pay accrued interest and other expenses incident to the issuance and sale of the Debt Securities; and (iv) reimburse SCE for money it has expended from its income, or from funds in its treasury that were not secured by or obtained from the issuance of debt or equity, for the previous purposes except maintenance of service and replacements. The amounts so reimbursed shall become a part of SCE's general treasury funds.

   c. Issue one or more series of preferred equity securities with an aggregate principal amount not to exceed $569 million (Preferred Equity Securities).

d. Use the proceeds from the Preferred Equity Securities for the following purposes only: (i) finance $164 million of capital expenditures; (ii) refinance $405 million of outstanding preferred equity; (iii) pay expenses incident to the issuance and sale of the Preferred Equities; and (iv) reimburse SCE for money it has expended from its income, or from funds in its treasury that were not secured by or obtained from the issuance of debt and equity, for any of the previous purposes except maintenance of service and replacements. The amounts so reimbursed shall become a part of SCE's general treasury funds.

e. Guarantee the securities, obligations, debt enhancements, swaps, and hedges of SCE regulated affiliates and government entities (together, "obligations"), subject to the following conditions:

   (i) The obligations that are guaranteed by SCE must be directly related to the Debt Securities and Preferred Equity Securities authorized by this Order and must be used only for the purposes authorized by this Order.

   (ii) The obligations that are guaranteed by SCE must result in an equal or lower cost of money for SCE's customers compared to SCE incurring the obligations itself.

   (iii) SCE shareholders must not profit, either directly or indirectly, from the obligations guaranteed by SCE.

   (iv) The Commission and its staff shall have full and timely access to all affiliate books, records, and other information that pertain to the obligations that are guaranteed by SCE.

f. Issue, sell, and deliver one or more series of the following types of Debt Securities: mortgage bonds, debt securities secured by a pledge of SCE's accounts receivable, debentures, notes, subordinated debt securities, hybrid securities, overseas indebtedness, foreign currency denominated securities, medium-term notes, preferred securities, commercial paper, other floating or variable-rate debt, credit or loan agreements, and other evidences of indebtedness. The principal amount, terms, and conditions of each issue of Debt Securities may be determined by SCE's management and/or board of directors based on market conditions at the time of issuance.

g. Renew and/or refund commercial paper and other floating or variable-rate Debt Securities, so that the combined term of the obligations may exceed twelve months without further authorization from the Commission.

h. Arrange credit facilities for the purpose of issuing the Debt Securities authorized by this Order, and to modify such credit facilities without further authorization from the Commission, provided that such modifications comply with this Order.

i. Execute and deliver an indenture or supplemental indenture in connection with the Debt Securities, and to sell, lease, assign, mortgage, or otherwise encumber utility property in connection with the issuance and sale of the Debt Securities authorized by this Order.

j. Pledge or otherwise encumber accounts receivable in connection with the issuance and sale of Debt Securities.

k. Issue, sell, and deliver Debt Securities by public offering or private placement.

l. Issue, sell, and deliver, as authorized in SCE's articles of incorporation, one or more series of Cumulative Preferred Stock-$25 Par Value, Cumulative Preferred Stock-$100 Par Value, Preference Stock (together, Preferred Equity Securities), and depositary shares with respect to the Preferred Equity Securities.

m. Use the following debt enhancements with respect to the Debt Securities authorized by this Order: Standby bond purchase agreements, surety bonds, insurance policies, and other credit-support arrangements; redemption provisions and call options that allow Debt Securities to be redeemed or repaid prior to maturity; put options that provide the owner of a Debt Security with the right to sell the security to SCE or an affiliate under specified terms and conditions; sinking funds; and warrants that entitle the holder to purchase another Debt Security or share of capital stock, provided that debt or equity issued pursuant to warrants comply with this Order.

n. Issue, sell, and deliver the Debt Securities and Preferred Equity Securities authorized by this Order at any time or times, not to exceed the aggregate principal amounts authorized by this Order.

o. Use the following financial instruments to reduce financial risks associated with the Debt Securities authorized by this Order: Interest rate caps, floors, collars, swaps, and forward-starting contracts; Treasury locks and caps; and foreign currency swaps and forward-starting currency swaps. Such financial instruments shall not be considered as separate debt for the purpose of determining the aggregate principal amount of Debt Securities issued pursuant to this Order.

2. If a default occurs and title to any of Southern California Edison Company's (SCE) assets, property, franchise, permit, or right that is necessary or useful in the performance of SCE's duties to the public is transferred pursuant to the terms of a secured debt indenture, pledge, or other encumbrance, the thing transferred shall continue to be used to provide utility service to the public until the Commission authorizes otherwise.

3. Southern California Edison Company and the Debt Securities, Preferred Equity Securities, debt enhancements, swaps, and hedges authorized by this Order are subject to (a) the Financing Rule adopted by Decision (D.) 12-06-015, as corrected by D.12-07-003; (b) General Order 24-C; and (c) the capital structure and associated capital ratios adopted by the Commission.

4. This Order does not authorize or approve any capital projects, construction expenditures, rate base, capital structure, or cost of money.

5. Within 30 days from the effective date of this Order, Southern California Edison Company (SCE) shall remit a check for $1,098,000 pursuant to Public Utilities Code Section 1904 to the Commission's Fiscal Office, Room 2250, 505 Van Ness Avenue, San Francisco, CA 94102. The decision number of this Order must appear on the face of the check. The authority granted by this Order shall become effective when SCE pays the fee required by Section 1904.

6. Southern California Edison Company (SCE) may not use the proceeds from the Debt Securities and Preferred Equity Securities authorized by this Order to finance a project until SCE has obtained any required review and approval of the project under the California Environmental Quality Act.

7. The preliminary determination in Resolution ALJ 176-3322 that a hearing is needed is changed to a hearing is not needed.

8. Application (A.) 13-09-005 is granted to the extent set forth in the previous Ordering Paragraphs. A.13-09-005 is denied to the extent it requests authority to (i) issue more than $2.020 billion of Debt Securities; (ii) issue more than $569 million of Preferred Equity Securities; and (iii) use the swaps and hedges authorized by this Order in connection with the Preferred Equity Securities authorized by this Order.

9. Application 13-09-005 is closed.

This order is effective today.

Dated March 13, 2014, at San Francisco, California.

MICHAEL R. PEEVEY
President
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
CARLA J. PETERMAN
MICHAEL PICKER
Commissioners