

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE

SAN FRANCISCO, CA 94102-3298

February 12, 2026

Agenda ID #24040

Ratesetting~~TO PARTIES OF RECORD IN APPLICATION 25-06-007:~~

~~This is the proposed decision of Administrative Law Judge Eric Fredericks. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's March 19, 2026, Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.~~

~~Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.~~

~~The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4).~~

~~/s/ MICHELLE COOKE~~~~Michelle Cooke~~~~Chief Administrative Law Judge~~

MLC:abb

Attachment

ALJ/EFD/abb

PROPOSED DECISION

Agenda ID #24040 (Rev. 1)

Ratesetting

~~Ratesetting~~

3/19/2026 Item #17

Decision PROPOSED DECISION OF ALJ FREDERICKS (Mailed 2/12/2026)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U 338-E) to issue, sell, and deliver one or more series of Debt Securities and guarantee the obligations of others in respect of the issuance of Debt Securities, the total aggregate principal amount of such indebtedness and guarantees not to exceed \$10,125,000,000 and 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 \$1,405,000,000 par or stated value of Preferred Equity, and guarantee the obligations of others in respect of the issuance of that Preferred Equity.

Application 25-06-007

**DECISION AUTHORIZING SOUTHERN CALIFORNIA EDISON COMPANY TO
ISSUE DEBT AND GUARANTEE THE OBLIGATIONS OF OTHERS**

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**DECISION AUTHORIZING SOUTHERN CALIFORNIA EDISON COMPANY TO
ISSUE DEBT AND GUARANTEE THE OBLIGATIONS OF OTHERS****Summary**

This decision grants Southern California Edison Company (SCE) authority pursuant to California Public Utilities (Pub. Util.) Code §§ 816, 817, 818, 821, 823, 830, and 851 to do the following:

- a. Issue, from time to time, debt securities including debt securities secured by utility property and accounts receivable in an aggregate principal amount not to exceed \$9,850,000,000, and preferred equity not exceeding \$1,155,000,000 par or stated value. SCE initially sought authority to issue debt securities in an aggregate amount not exceeding \$10,125,000,000 and preferred stock in an aggregate amount not exceeding \$1,405,000,000. The total authorized amounts reflects a \$525,000,000 reduction of SCE's original request;
- b. Use debt enhancements, caps, collars, swaps, and hedges to lower the cost of the debt securities and reduce financial risks;
- c. Guarantee the obligations of regulated affiliates and governmental entities that are incurred on behalf of SCE for the purposes authorized by this decision;
- d. Renew and/or refund commercial paper and other floating or variable rate debt securities, so that the combined term of the obligations may exceed 12 months without further authorization from the Commission;
- e. Arrange credit agreements or other credit facilities as may be necessary for the purpose of issuing the debt, and to modify such credit facilities;
- f. Execute and deliver an indenture or supplemental indenture in connection with any issue of debt, and to sell, lease, assign, mortgage, or otherwise dispose of or encumber, utility property in connection with the issuance or sale of debt;

- g. Pledge or otherwise dispose of or encumber its accounts receivable in connection with the issuance and sale of debt;
- h. Issue and sell and deliver debt by public offering or private placement;
- i. Guarantee the securities of a regulated subsidiary or affiliate of SCE, the proceeds of which may be used to purchase preferred equity from SCE; and
- j. If SCE intends to use any portion of the authority granted herein that it currently expects to use for the retirement or refunding of securities previously issued instead of for construction expenditures and acquisition of property, it shall notify the Commission and pay the corresponding fee before making such use.

SCE may use the proceeds from the debt and preferred equity authorized by this decision to finance its capital expenditures and refinance its maturing long-term debt during the projected years.

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 and preferred equity will depend on market conditions when the securities are issued.

No later than 30-days from the effective date of this decision, SCE shall pay a fee of \$2,471,000 pursuant to Pub. Util. Code §§ 1904(b) and 1904.1. The authority granted by this decision shall become effective upon SCE’s payment of the Pub. Util. Code §§ 1904(b) and 1904.1 fee.

This proceeding is closed.

1. Procedural Background

On June 10, 2025, Southern California Edison Company (SCE) filed Application (A.) 25-06-007 (Application) seeking authority to issue, sell, and deliver from time to time, one or more series of debt securities including, but not limited to, first and refunding mortgage bonds, debt securities secured by a pledge of its accounts receivable, debentures, notes, subordinated debt securities including 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; guarantee the obligations of regulated direct or indirect subsidiaries or affiliates of SCE or of governmental entities that issue securities on behalf of SCE, execute and deliver one or more indentures; sell, lease, assign, mortgage, or otherwise dispose of or encumber utility property, the total aggregate principal amount of such indebtedness and guarantees not to exceed \$10,125,000,000; issue, sell and deliver, from time to time, in one or more series, an aggregated amount not to exceed \$1,405,000,000 par or stated value of preference stock (generally referred to in this instant Application as preferred equity); and guarantee the obligations of others in respect of the issuance of that preferred equity. In a later filing,¹ SCE modified the total requested authority amount to \$9,850,000,000 new long-term debt authority and \$1,155,000,000 new preferred equity, a \$525,000,000 reduction.

On July 10, 2025, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) filed a response to the Application.

On August 18, 2025, the Small Business Utility Advocates (SBUA) filed a

¹ SCE's Second Supplemental Information Pursuant to the Assigned Commissioner's Scoping Memo and Ruling Issued on September 30, 2025, at 1-3.

motion for party status, and the motion was granted by the Administrative Law Judge (ALJ) the next day.

On August 25, 2025, the assigned ALJ held a virtual Pre-hearing Conference (PHC).

On September 30, 2025, the Assigned Commissioner issued a Scoping Memo and Ruling (Scoping Memo) categorizing the proceeding as ratesetting and confirming that evidentiary hearings were not required. The Scoping Memo also requested SCE to file supplemental information.

On October 14, 2025, SCE filed the first supplemental information response.

On October 24, 2025, SBUA and Cal Advocates each filed comments on the supplemental information response.

On October 31, 2025, the assigned ALJ issued a ruling requesting SCE to file additional supplemental information.

On November 12, 2025, SCE filed a second supplemental information response.

On November 19, 2025, SBUA filed comments on the second supplemental information response.

2. Submission Date

This matter was deemed submitted upon the filing of SBUA's second supplemental information comments on November 19, 2025.

3. Jurisdiction

SCE operates as an investor--owned public utility under the Commission's jurisdiction pursuant to Article XII of the California Constitution and Public Utilities Code (Pub. Util. Code) Sections (§) 816, 817, 818, 821, 823, 830, and 851.

The Commission has full authority to decide this application and to grant or deny SCE's request consistent with the Pub. Util. Code and Commission precedent.

4. Issues Before the Commission

The Scoping Memo identified the following issues to be determined:

1. Is the application complete with all the information required to render a decision?
2. Is the request reasonable, in the public interest, and comply with all applicable Pub. Util. Codes, Commission Rules, General Orders (GO), and Decisions (D.)?

5. Background and Overview of SCE's Request

SCE requested and was granted authority for similar requests in March 2022 and November 2023.² SCE states that it used the long-term debt authority previously granted more quickly than forecasted due to the timing and magnitude of third-party claims related to the 2017/2018 wildfires and higher than expected refinancing needs for prior financing of wildfire claims. SCE says that the authorization requested here is intended to continue to address wildfire claims, but also cover the financing of capital expenditures in its 2025 General Rate Case (GRC), primarily to assure that its transmission and distribution network is safe and reliable, to implement wildfire mitigation and safety improvements, and to modernize the electric grid to enable increased penetration of distributed energy resources.³

SCE states that it has largely exhausted the long-term debt and preferred equity authority previously granted by the Commission, and that absent new authorization, it would lack sufficient remaining authority to meet its forecasted

² See D.22-03-019 in A.21-09-017 and D.23-11-060 in A.23-06-012.

³ Application at 3.

financing needs. If SCE's request for financing authorization of \$9.85 billion in debt securities and \$1.155 billion in preferred equity in this Application is granted, SCE can finance its capital expenditures and meet its financial obligations during the forecast period through 2028.⁴ SCE intends to utilize \$6.075 billion of this authority for the retirement or refunding of securities previously issued.⁵

SCE requests that the Commission issue an order pursuant to Public Utilities (Pub. Util.) Code §§ 816, 817, 818, 821, 823, 830, and 851 authorizing SCE to do the following:

- 5.1 Issue, from time to time, debt securities including debt securities secured by utility property and accounts receivable in an aggregate principal amount not to exceed \$9,850,000,000;
- 5.2 Issue, from time to time, preferred equity in an aggregate amount not to exceed \$1,155,000,000 par or stated value;
- 5.3 Use debt enhancements, caps, collars, swaps, and hedges to lower the cost of the debt securities and reduce financial risks;
- 5.4 Guarantee the obligations of regulated affiliates and governmental entities that are incurred on behalf of SCE for the purposes authorized by this decision;
- 5.5 Renew and/or refund commercial paper and other floating or variable rate debt securities, so that the combined term of the obligations may exceed 12-months without further authorization from the Commission;
- 5.6 Arrange credit agreements or other credit facilities as may be necessary for the purpose of issuing the debt, and to modify such credit facilities;
- 5.7 Execute and deliver an indenture or supplemental indenture in connection with any issue of debt, and to sell,

⁴ *Id.*

⁵ *Id.*

- lease, assign, mortgage, or otherwise dispose of or encumber, utility property in connection with the issuance or sale of debt;
- 5.8 Pledge or otherwise dispose of or encumber its accounts receivable in connection with the issuance and sale of debt;
- 5.9 Issue and sell and deliver debt by public offering or private placement;
- 5.10 Guarantee the securities of a regulated subsidiary or affiliate of SCE, the proceeds of which may be used to purchase preferred equity from SCE; and
- 5.11 If SCE intends to use any portion of the authority granted herein that it currently expects to use for the retirement or refunding of securities previously issued instead of for construction expenditures and acquisition of property, it shall notify the Commission and pay the corresponding fee before making such use.

SCE further requests that the Commission find, pursuant to California Pub. Util. Code §818, that the money, property, or labor to be procured or paid for with the proceeds from the debt and preferred equity 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.

6. Description of Funds Requested

6.1. Debt Securities Request

SCE requests authority to issue one or more series of debt securities, with the principal amount, maturity, form, and terms and conditions of each series to be determined by SCE's board of directors, a duly authorized committee thereof, or SCE management, according to market conditions at the time of sale or issuance.⁶ Debt securities may bear a fixed, floating or variable rate of interest;

⁶ Application at 4.

may be issued at par or with an original issue discount or premium; and may have maturities of up to 100-years. Debt securities may be sold to domestic or foreign investors. SCE 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. Commercial paper and other forms of short-term debt may be issued with maturities of 364-days or less.

The specific types of debt securities for which SCE requests authority to issue are identified below.

6.1.1 Secured Debt Securities Request

SCE notes that secured debt securities are first and refunding mortgage bonds under SCE's first mortgage bond indenture dated as of October 1, 1923, as amended and supplemented.⁷ If authority requested in this Application is granted, SCE states that the supplemental indenture delivered in connection with each series of first and refunding mortgage bonds will be in a form consistent with supplemental indentures under which SCE's currently outstanding bonds have been issued. These secured debt securities may be sold to underwriters who in turn will offer them to investors or may be sold directly to investors either with or without the assistance of a private placement agent.

SCE adds that secured debt securities may also be delivered in connection with a pollution control financing. If the Commission grants the authority requested, SCE anticipates they could also issue, pledge, or deliver secured debt securities as a means of securing other authorized indebtedness, such as borrowing under a loan or credit agreement. Secured debt securities may be registered with the Securities and Exchange Commission (SEC), depending on the method of offering and sale, and may be listed on a stock exchange. Secured

⁷ See Application, Exhibit D at D-3.

debt securities may be issued under another indenture, and senior notes and debentures may be issued as part of a “fall-away” mortgage bond structure where mortgage bonds are initially issued and later converted to unsecured notes and debentures. Because each new series of secured debt securities would be an additional encumbrance on utility property, SCE requests authority under Public Utilities Code §851 to mortgage and encumber its utility property.

6.1.2. Accounts Receivable Financing Request

If the Commission grants authorization, SCE notes they may issue debt securities secured by a pledge, sale, or assignment of SCE’s accounts receivable, which are the amounts owed to SCE by its customers for services already rendered. Using accounts receivable as collateral may make it possible to obtain financing at interest rates lower than SCE’s short-term borrowing costs, as it reduces the risk for lenders by providing a reliable source of repayment. Because accounts receivable financing would be an encumbrance on utility property, SCE requests authority under Pub. Util. Code §851 to encumber its utility property.

6.1.3. Unsecured Senior Debt Securities/ Senior Notes and Debentures Request

SCE notes that if authorization is granted, they could potentially issue unsecured senior debt securities in the form of debentures (generally notes for longer term unsecured debt), notes, or other evidence of indebtedness. Unsecured debt securities (also known as “*senior notes and debentures*”) would not be secured by specific properties of SCE but may be issued under trust indentures (a legal contract outlining debt terms and trustee’s duties for bondholders), including but not limited to, a senior indenture dated January 15, 1993. Senior notes and indentures may be sold to underwriters who in turn will offer the debt securities to investors, or may be sold directly to investors, with or without the assistance of a placement agent. SCE may

potentially issue senior notes and debentures or other unsecured senior debt securities as part of an issuance of trust preferred securities. In such an issuance, 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 the senior notes and debentures issued by SCE to the trust and would also be guaranteed by SCE. Senior notes and debentures may be registered with the SEC and may be listed on a stock exchange.

6.1.4. Unsecured Subordinated Debt Securities/ Subordinated Notes and Debentures Request

If authority is granted, SCE may possibly issue unsecured subordinated debt securities as debentures, notes, or other evidence of indebtedness. Unsecured subordinated debt securities (also known as “*subordinated notes and debentures*”) would not be secured by specific properties of SCE but may be issued under trust indentures. Subordinated notes and debentures would be junior to secured debt securities and senior notes and debentures in liquidation and right of payment. Subordinated notes and debentures may be sold to underwriters who in turn will offer them to investors, or may be sold directly to investors, either with or without the assistance of a placement agent. SCE may also issue subordinated notes and debentures as part of an issuance of trust-preferred securities. In such an issuance, SCE would create a subsidiary, generally in the form of a trust, which would issue preferred securities to the public. The preferred securities would represent an interest in the notes and debentures issued by SCE to the trust and would also be guaranteed by SCE. Unsecured subordinated debt securities may or may not be issued as part of a hybrid security structure, as outlined in the immediately following section. Subordinated notes and debentures may be registered with the SEC and may be listed on a stock exchange.

6.1.5. Hybrid Securities Request

SCE notes that if the Commission grants authority, SCE may choose to issue hybrid securities as subordinated debt directly to the public or structured as a trust preferred security, with SCE issuing subordinated debt to a subsidiary, generally in the form of a trust, and the trust issuing preferred securities to the public. The hybrid securities would have a term of up to 100-years and would have other features which improve the equity content of the securities, as determined by applicable rating agencies. The terms of hybrid securities may include but will not be limited to:

- i. Restrictive redemption provisions, including but not limited to, capital replacement provisions;
- ii. Interest rates which may be fixed, floating, adjustable, or deferrable, or a combination of these;
- iii. Mandatory sinking funds; and
- iv. Such other provisions as SCE may deem appropriate in connection with its issuance and sale of hybrid securities.⁸

SCE notes a reason for issuing hybrid securities is they could be a lower cost alternative to preferred equity. Hybrid securities have characteristics of both debt and equity, and therefore are given partial equity treatment by the rating agencies. Accordingly, 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 states such treatment is consistent with the Commission's past practice with respect to other preferred equity alternatives, such as the Quarterly Income Preferred Securities (QUIPS) and Monthly Income Preferred Securities (MIPS). Hybrid securities may be registered with the SEC and may be listed on a stock exchange.

⁸ Application at 7.

6.1.6. Overseas Indebtedness Request

If the Commission grants the authority requested, SCE or an affiliate⁹ may choose to issue debt securities in the form of debentures, notes, or other evidence of indebtedness that would be issued and sold ultimately to foreign investors and would likely be denominated in United States (U.S.) dollars. Such debt securities may be sold to underwriters who in turn may offer them to investors, or may be sold directly to investors, either with or without the assistance of a placement agent. SCE notes that overseas indebtedness would be issued and sold only when such issuances result in an overall cost of money to SCE and/or an affiliate lower than issuances of comparable domestic debt securities in the U.S. market.¹⁰

6.1.7. Foreign Currency Denominated Securities Request

With Commission granted authority, SCE and/or an affiliate could potentially issue debentures, notes or other debt securities with the payment of interest, principal, or both denominated in a foreign currency.¹¹ Such foreign currency denominated securities may be sold to foreign or domestic investors and may be denominated in any major foreign currency including, but not limited to: British pounds; Australian, New Zealand, Hong Kong, Singapore, or Canadian dollars; Norwegian, Swedish or Danish krona; Japanese yen; Swiss francs, or European euros. SCE claims that foreign currency denominated securities will be issued only when such issuances result in an overall cost of money to SCE, including all transaction and foreign exchange contract costs, lower than issuances of comparable U.S. dollar denominated securities.

⁹ The term “affiliate” means regulated direct or indirect subsidiaries or affiliates of SCE.

¹⁰ Application at 8.

¹¹ *Id.*

If the authority is granted and in conjunction with the issuance of foreign currency denominated securities, SCE and/or an affiliate may potentially enter into one or a series of forward contracts by which a counterparty would be obligated to pay the foreign currency necessary to make principal, premium (if any), and interest payments on the foreign currency denominated security. In exchange, SCE and/or an affiliate would pay a counterparty U.S. dollars, based on a predetermined formula. SCE notes the forward contracts would be with a major financial intermediary, such as a commercial or investment bank, or directly with a principal in need of U.S. dollars. SCE adds that the cost of the forward contracts will be included in determining the overall cost of foreign currency denominated securities.

6.1.8. Medium-Term Notes (MTNs) Request

MTNs are debt instruments commonly offered as part of a program on a continuous or periodic basis, similar to commercial paper programs, but with maturities generally ranging from one to ten years. MTNs may be sold privately or publicly in the domestic or foreign capital markets and denominated in U.S. dollars or a foreign currency. If the Commission grants the authority requested, SCE and/or an affiliate may choose to sell MTNs to underwriters who in turn offer them to investors or SCE and/or an affiliate may sell MTNs directly to investors. 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. MTNs may require registration under the federal securities laws.¹²

¹² Application at 9.

6.1.9. Direct Loans Request

Direct loans are loans obtained directly from banks, insurance companies, or other financial institutions. With the requested authority granted, SCE could potentially obtain such loans by entering into loan or credit agreements, including agreements on a revolving basis, and secure them by issuing secured debt securities to the lenders or their agent.¹³

6.1.10. Commercial Paper Request

SCE notes if their request is granted, they could potentially issue debt securities as commercial paper (a short-term, unsecured promissory note) administered by the Federal Reserve that rolls over or refunds previously issued commercial paper. SCE anticipates that it or an affiliate (acting at SCE's direction) would arrange credit agreements with banks or other financial institutions to provide liquidity support for commercial paper. The cost of commercial paper would include the effective yield plus any expenses associated with issuing commercial paper such as, by way of example and not limitation, dealer commissions, issuance expenses, rating fees, and credit facility fees.¹⁴

6.1.11. Other Floating or Variable-Rate Debt Request

Other floating variable-rate debt would consist of all other forms of floating or variable-rate debt that SCE and/or an affiliate may issue if the authority is granted. Interest rates may be based on various short-term interest rates indices or bankers' acceptances and may vary based on changes in SCE's credit ratings or other factors.¹⁵

¹³ Application at 9-10.

¹⁴ Application at 10.

¹⁵ Application at 10-11.

6.2. Features to Enhance Debt Securities Request

SCE requests authority to include at its discretion one or more features to improve the terms and conditions of its debt securities.

6.2.1. Credit Enhancements

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.¹⁶

6.2.2. Redemption Provisions/Call Options

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. In any case, the debt securities would be redeemable at a premium over par or at a stated price such as par.¹⁷

6.2.3. Put Options

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.¹⁸

6.2.4. Sinking Funds

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.¹⁹

¹⁶ Application at 11.

¹⁷ *Id.*

¹⁸ Application at 12.

¹⁹ *Id.*

6.2.5. Tax--Exempt Debt Securities

Tax--exempt debt securities would be issued through a governmental body, political subdivision, 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, if authorized, may potentially structure such financings as follows:

- a. A governmental body would issue and sell its bonds, notes, debentures, or other securities to underwriters who would ultimately market such securities to investors.
- b. Concurrent with the sale and delivery of such securities and in consideration for the proceeds of the securities, SCE would enter into a loan agreement, installment sale agreement or other security agreement with the issuer. Pollution control or other facilities may be conveyed to the issuer and then subsequently be reconveyed to SCE in consideration for SCE debt securities. The operation and control of the facilities would remain with SCE or the project operator 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 unconditionally guarantee or otherwise secure the issuer's obligations to its debt holders. SCE notes that they may possibly issue and pledge or deliver bonds in an equal principal amount to the issuer or a trustee as a means of securing the issuer's obligations.²⁰

6.2.6. Warrants

Debt securities may be sold with warrants attached. The owner of a debt security to which a warrant is attached has the right to purchase another debt security or a share of capital stock at a pre-established price. The debt security

²⁰ Application at 12-13.

issued when a debt warrant is exercised would receive interest at a pre-established rate and mature at a pre-established time. No additional underwriting fees are incurred upon exercise of the warrants. SCE states that warrants could be exercised if the stock price rose above a certain price, or expire unexercised if the stock price remained below the pre-established price. Ratepayers could realize savings when investors overvalue warrants to the advantage of the issuer. Even if warrants are exercised, customers could still benefit from the premium received from the sale of the warrants.²¹

6.3. Contracts To Manage Interest Rate Risks

SCE seeks authority to enter into contracts for the purpose of managing interest rate risk. Such contracts could include interest rate cap agreements, interest rate floor interest rate collar agreements and interest rate swap agreements. SCE also seeks authority to enter into contracts to reduce the risk of increased interest and dividend rates associated with planned financings (*e.g.*, forward-starting swaps,²² Treasury locks,²³ swaptions,²⁴ caps,²⁵ and collars²⁶ used to hedge future fixed rate debt issuances). Such authority will not be

²¹ Application at 13.

²² SCE may be able to reduce its borrowing costs by issuing fixed or floating rate debt and entering into one or a series of **interest rate swap contracts** to convert fixed rate payments into favorable floating rate payments or vice versa, or to convert floating rate payments tied to one index (*e.g.*, London Interbank Offer Rate (LIBOR)) into floating rate payments tied to another index (*e.g.*, the Federal Reserve Composite Rate for Commercial Paper). SCE could reduce financing costs if the resulting rate is lower than SCE could have obtained by issuing a comparable security directly.

²³ **Treasury locks** are used to “lock in” the forward rate of a specified Treasury or other security on which a fixed rate financing will be priced at some date in the future.

²⁴ **Swaptions**, or swap options, give the issuer the right to enter into an interest rate swap at a future date.

²⁵ In order to reduce customers’ exposure to interest rate risk, SCE may negotiate a maximum rate, usually called a **cap**. Caps are used to “lock in” the maximum forward rate of a specified Treasury or other security on which a fixed rate issuance will be priced at some date in the future.

²⁶ Treasury **collars** are used to “lock in” a range of forward rates of a specified Treasury or other security on which a fixed rate issuance will be priced at some date in the future. In addition to the ceiling rate, sometimes the counterparty to the contract desires to have a floor rate. In the event that the floating rate

considered as separate debt or equity for purposes of calculating its remaining financing authorization hereunder.²⁷

SCE notes that swaps may be denominated in U.S. dollars or in a foreign currency. If SCE enters into a swap denominated in a foreign currency, any exchange risk would be hedged through one or more forward contracts or through a currency swap. Swaps would be negotiated with a major financial intermediary (such as a commercial bank) or directly with a principal seeking the other side of the swap transaction. The swap contract may specify that the exchange of interest payments will commence either immediately or at a future date.

Contracts for hedging future fixed rate debt issuances can take various forms, including Treasury locks, swaptions, caps, and collars. In addition to these contracts which hedge the underlying Treasury rate or other index upon which issuances are priced, there are also contracts which hedge the overall cost of an issuance, not just the underlying index rate. These hedges are accomplished through the use of forward-starting swaps, whereby an issuer contracts to pay a pre-determined rate at some date in the future.²⁸

6.3.1. Requirements Applicable to Swap and Hedging Requirements

SCE states they will enter into swap or hedging contracts only in connection with actual, pending, or planned issuances or refinancings of authorized debt securities. SCE notes that swap and hedging transactions

falls below the floor rate, SCE would pay the floor rate. Such floor and ceiling rates are called **interest rate collars** because the interest rate fluctuates within a band which is negotiated between SCE and the counterparty.

²⁷ Application at 14. SCE is requesting authority for the same type of contracts as requested in A.17-12-008 and approved by the Commission in D.18-06-008.

²⁸ Application at 14-15.

entered into pursuant to this Application will comply with the following requirements²⁹:

- a. SCE will separately report all interest income and expense arising from all swap and hedging transactions in its report to the Commission pursuant to GO 24-C.
- b. Swap and hedging transactions will not exceed at any time 20-percent of SCE's total long-term debt outstanding.
- c. All costs associated with hedging transactions are subject to review in SCE's next cost of capital proceeding.
- d. Hedging transactions carrying potential counterparty risk must have counterparties with at least an investment grade rating from Moody's Investors Service or Standard & Poor's Corporation.
- 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 will be subject to review in SCE's next cost of capital proceeding.
- f. SCE will provide the following to the Commission's Energy Division Staff within 30-days of receiving any written request:
 - i. All terms, conditions, and other details of swap and hedge transactions;
 - ii. Rationale(s) for the swap and hedge transactions;
 - iii. Estimated costs for the "*alternative*" or unhedged transactions; and
 - iv. A copy of the swap and hedge agreements and associated documentation.

The terms and conditions of swaps and hedges will be determined by SCE according to market conditions at the time such transactions are negotiated.

²⁹ Application at 15-16.

Caps, collars, swaps or hedges entered into by an affiliate may be guaranteed by SCE.

6.4. Preferred Equity

SCE seeks authority to offer, issue, and sell preferred equity in an aggregate amount not exceeding \$1,155,000,000 par or stated value, in one or more offerings, subject to such terms and conditions as may be approved by SCE's board of directors or a duly authorized committee thereof. SCE asserts the method of sale, price, dividend rate, voting rights, liquidation preferences and other rights, preferences, privileges and restrictions would reflect market conditions immediately prior to the date of issuance or sale. The rights, preferences, and privileges applicable to each series of preferred equity would be fixed by resolution of SCE's board of directors (or a committee thereof). SCE states they shall file with the California Secretary of State a certificate of determination of preferences, reflecting the content of the resolution.³⁰

6.4.1. Terms of Issuance

SCE anticipates that terms of issuance of preferred equity may include but will not be limited to:

- i. Restrictive redemption provisions;
- ii. Dividend rates which may be fixed, floating, adjustable or a combination thereof, or set by market auction procedure; and
- iii. Mandatory sinking funds.³¹

6.4.2. Trust Preferred Securities

If preferred equity is part of an issuance of trust preferred securities, SCE notes they will create an affiliate in the form of a trust or other entity that would

³⁰ Application at 16-17.

³¹ Application at 17.

issue preferred securities to the public. The preferred securities would represent an interest in the preferred equity issued by SCE to the trust and would also be guaranteed by SCE.³²

6.4.3. Depository Shares

If the Commission grants the authority SCE requests, SCE may potentially issue preferred equity in the form of depository shares. Each depository share represents a fractional interest in a share of SCE preference stock. The depository shares would have identical terms as the underlying preferred equity that is held by a custodian (typically a bank).

Issuing depository shares or trust preferred securities allows SCE to utilize fewer of its authorized shares in an issuance and avoids the costly process of amending SCE's Articles of Incorporation to increase the number of authorized shares.³³

7. Party Positions

7.1. Cal Advocates

Cal Advocates raises preliminary concerns regarding the scale and justification of SCE's requested debt and preferred equity authority, emphasizing that the Application relies on multi-year forecasts from the GRC, the NextGen Enterprise Resource Planning (ERP) proceeding,³⁴ and other anticipated regulatory requests, which Cal Advocates believes must be validated to ensure SCE's financing proposal is accurate and sufficiently supported. Cal Advocates further questions whether SCE's financial analysis provides a reasonable basis for authorizing new issuances, particularly where SCE seeks to finance or

³² *Id.*

³³ *Id.*

³⁴ *See* A.25-03-009.

re-finance costs – including third-party wildfire claims – that may already have been requested for recovery in other proceedings, and whether retroactive securitization of previously addressed expenses would be just, reasonable, or in ratepayers’ best interest. Cal Advocates also asserts that SCE should demonstrate it adequately explored alternative financing strategies before seeking additional authority.³⁵

Cal Advocates further asserts that SCE’s first supplemental filing did not cure significant evidentiary deficiencies in the Application, emphasizing that SCE chose not to reconcile its financing request with the lower capital levels adopted in the 2025 GRC decision and did not provide updated balance sheets, forecasts, or project -level documentation required under Rules 2.1 and 2.3 to demonstrate that the requested authority is reasonably required. Cal Advocates maintains that SCE in its initial supplemental filing did not identify or support the memorandum -account expenditures it proposes to finance, leaving the Commission unable to determine compliance with §§ 816--818. Cal Advocates notes that the record remains incomplete regarding the interaction between this request and wildfire--related securitization authorization, in particular the risk of duplicative or premature financing. Cal Advocates additionally states that SCE’s filing did not demonstrate that its proposed debt structure reflects a least -cost or prudent financing approach under the Financing Rule, nor did it provide the cost-effectiveness, alternative -financing analysis, or accounting detail necessary to protect ratepayers from double recovery, unnecessary carrying costs, or unverified hedging risks. Finally, Cal Advocates argues that SCE’s filing does not satisfy multiple procedural obligations – including updated financial

³⁵ Cal Advocates Response to SCE’s Application for Authority to Issue, Sell and Deliver Debt Securities at 3; RT 6:25-7:14, 11:25-12:9.

statements, GO 24-C reporting, and property -encumbrance detail under §§ 851 and -857, and therefore the Commission cannot make the statutory findings required to grant the requested authority.³⁶

7.2. SBUA

SBUA expressed concern throughout the proceeding that SCE's requested long-term debt and preferred equity authority is not adequately justified and may exceed SCE's demonstrated financing needs. At the PHC, SBUA aligned with Cal Advocates in questioning how SCE's wildfire--related liabilities and potential securitization interact with the conventional financing sought here and emphasized that the request depends heavily on capital forecasts from SCE's 2025 GRC. SBUA stated that unless the financing request is reconciled to the final GRC decision and other wildfire--related mechanisms, the Commission risks authorizing authority that is larger than necessary and difficult for parties to evaluate.³⁷

In comments on SCE's first supplemental filing, SBUA argues that SCE's decision not to adjust its \$10.125 billion request in anticipation of lower GRC authorization is unreasonable and unsupported by the record. They characterize SCE's supplemental showing as too generalized to demonstrate that the entire request is needed and assert that SCE has not accounted for the potential ratepayer implications of issuing more debt than necessary. SBUA also disputes SCE's reliance on later reasonableness review, noting that securitization-backed debt places repayment obligations on ratepayers and therefore requires a clear demonstration of prudent planning, supervision, and record retention. They

³⁶ Cal Advocates Comments on SCE's Supplemental Filing Regarding the Application for Authority to Issue, Sell and Deliver Debt Securities at 1-6.

³⁷ RT 7:20-8:14, 12:14-13:3.

maintain that SCE's filing does not acknowledge or demonstrate these prudent -manager requirements, and therefore recommend that the Commission deny the full amount as requested or require SCE to provide more detailed justification linked to verified needs.³⁸

In comments on SCE's second supplemental filing, SBUA appreciates the additional information and the over \$500 million reduction to reflect the Final Decision in A.23-05-010 and characterizes this as a meaningful improvement that reduces the risk of excess debt--related costs. SBUA remains concerned, however, that SCE continues to rely on the general proposition that only "reasonable" costs are recoverable, and states that the additional supplement still does not demonstrate that ratepayers are fully protected from the implementation of excess debt securities, particularly where securitization relies on ratepayer -funded charges. SBUA further notes that the additional supplement does not provide information showing that issuance will be properly supervised or that records will be retained for future cost-recovery proceedings. SBUA therefore recommends that the Commission seek further information or impose supervision and record -retention requirements and recommends that the forecasted financing requirements table directed by the October 31 ruling be required as part of the initial application filing to avoid unnecessary delay.³⁹

7.3. SCE

SCE states in its Application that the requested authority to issue debt and preferred equity is reasonably required pursuant to Pub. Util. Code §§ 816--818 to support its forecasted capital expenditures, refinancing needs, and wildfire--related obligations. SCE explains that the requested authority is based

³⁸ Comments of SBUA on SCE's first supplemental information filed by SCE at 2-5.

³⁹ Comments of SBUA to the November 12th Additional Supplement Filed by SCE at 2-3.

on multi-year forecasts and is intended to provide financial flexibility to support safe and reliable utility operations, while recognizing that approval of financing authority does not approve specific projects or cost recovery.

In response to the Scoping Memo, SCE filed a first supplemental informational response providing additional explanation regarding its forecasted financing needs and reiterating that a financing application is not intended to establish cost recovery or preapprove specific capital expenditures. In that first supplemental filing, SCE states that forecast -level support is appropriate for a financing application and that detailed project -level review and reasonableness determinations occur in general rate case, cost of capital, or other ratemaking proceedings.

In its second supplemental filing, SCE states that it updated its forecasted financing requirements to reflect the 2025 GRC decision, planned non--GRC spending, and estimated wildfire liabilities, resulting in a revised request of \$9.85 billion in new long-term debt authority and \$1.155 billion in new preferred equity authority, a \$525 million reduction from its initial request. SCE explains that the revised forecast is supported by updated sources-and-uses and capital expenditure tables and continues to include additional non--GRC expenditures expected to be tracked in Commission -authorized memorandum accounts and reviewed for reasonableness in subsequent proceedings.⁴⁰

SCE argues that requiring post--filing reconciliation or updated forecasts in financing authority applications would be inconsistent with Commission precedent and unsound policy because capital expenditures – including memorandum -account spending – are inherently variable and subject to external

⁴⁰ SCE's (U 338-E) Second Supplemental Information Pursuant to the Assigned Commissioner's Scoping Memo and Ruling Issued on September 30, 2025, at 1-3.

factors beyond a utility's control. SCE further contends that Cal Advocates' and SBUA's concerns regarding overborrowing, increased customer borrowing costs, and exposure to excess leverage are unfounded given existing statutory limits, Commission oversight, and the fact that financing authority does not approve cost recovery, which remains subject to subsequent reasonableness review.⁴¹

SCE asserts that Cal Advocates' claims of non-compliance are based on a misreading of the Commission's Rules of Practice and Procedure, GO 24-C, and Pub. Util. Code provisions governing financing authority applications. SCE maintains that its Application, as supplemented, satisfies applicable requirements because financing authority proceedings do not require project--level cost justification, reconciliation of requested financing authority to authorized expenditures, cost effectiveness, or least-cost analyses as alleged by Cal Advocates, all of which are addressed in separate ratemaking and cost -recovery proceedings.⁴²

SCE responds that SBUA's and Cal Advocates' assertions that ratepayers may pay twice for wildfire liability through securitization and debt borrowing authorized in this proceeding are factually incorrect. SCE states that requesting authority to finance wildfire claims payments does not constitute a request to recover those costs in rates and does not prejudge the outcome of any cost-recovery or securitization proceeding. SCE explains that the financing is a borrowing rather than a recovery mechanism which must be repaid by the utility. SCE further states that financing authority is needed to meet payment

⁴¹ *Id* at 3-6.

⁴² *Id* at 6-10.

obligations as they arise, while recovery determinations are addressed in separate Commission proceedings.⁴³

8. Discussion

8.1. Authority to Issue Debt and Preferred Equity

While Cal Advocates did not file comments on SCE's second supplemental filing, SBUA recommends that the Commission seek additional information regarding forecasted financing requirements. However, in SCE's second supplemental filing, SCE updated its financing forecasts to incorporate the 2025 GRC decision, anticipated non-GRC expenditures, and estimated wildfire liabilities, reducing its request to \$9.85 billion in long-term debt authority and \$1.155 billion in preferred equity authority, \$525 million less than initially sought. SCE's requested debt authorization is based on its forecasted financing needs and amounts approved or anticipated in other proceedings, including the GRC. Accordingly, it is not necessary to request that SCE provide a cost-effectiveness analysis in this proceeding, as suggested by Cal Advocates.

Importantly, the requested financing authority does not authorize recovery of costs in rates. Some parties appear to misunderstand this proceeding as authorizing cost recovery through a securitization. While certain wildfire liabilities and costs are recovered through Commission-approved recovery bonds via a surcharge known as the fixed recovery charge in a securitization proceeding, this instant standard financing proceeding merely authorizes the utility to issue up to a specified amount of debt and equity to fund capital expenditures and other obligations. Accordingly, parties' concerns regarding potential "double recovery" of wildfire-related liabilities through this proceeding are unfounded. Any recovery of costs associated with the authorized securities

⁴³ *Id* at 10-11.

will be reviewed, as appropriate, in SCE's cost of capital, GRC, cost recovery, or other relevant Commission proceedings.

Parties also raised concerns regarding potential over-borrowing. As SCE responded in its second supplemental filing, the requested financing authority relates to borrowing, not cost recovery, and that all borrowings must be repaid by the utility.⁴⁴ As a result, over -borrowing would increase repayment risk borne by the utility and its shareholders without assurance of future ratemaking recovery, which constrains incentives to borrow more than necessary. Any future recovery of costs associated with such borrowing remains subject to Commission review for reasonableness in subsequent cost of capital, GRC, cost recovery, or other relevant proceedings at which time the Commission will determine whether, and to what extent, any amounts may be borne by ratepayers. In addition, Affiliate Transaction Rules require utilities to maintain a capital structure that is balanced and aligned with the capital structure set forth by the Commission in its most recent cost of capital decision (D.25-12-043). In the event of an adverse financial occurrence that results in a reduction of the utility's equity ratio by 1% or more, utilities may submit an application for a waiver under Rule IX.B Restrictions on Deviations from Authorized Capital Structure. Utilities are generally obligated to comply with the authorized capital structure as established in the Commission's approved cost of capital decision or any granted waiver, thereby reducing the risk of excessive leverage beyond the authorized limits.

For the reasons discussed above, we do not adopt new Commission-wide filing requirements in this decision. The record here, as supplemented pursuant to the ALJ ruling, is sufficient to resolve the issues scoped for this decision.

⁴⁴ *Id* at 6-10.

SCE's application for authority to issue \$9.85 billion of debt securities and \$1.155 billion of preferred equity is subject to Pub. Util. Code §§ 816, 817, 818, 821, 823, 830, and 851. Each of these sections is discussed below.

8.1.1. Pub. Util. Code §816

Pub. Util. Code §816 provides the Commission broad discretion to:

- a. Determine if a utility should be authorized to issue debt securities; and
- b. 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 \$9.85 billion of debt and \$1.155 billion of preferred equity pursuant to Pub. Util. Code §816.

8.1.2. Pub. Util. Code §817

Pub. Util. Code §817 provides that a public utility may issue long-term debt only for the purposes specified in Pub. Util. Code §817. SCE requests authority to issue \$9.85 billion of debt and \$1.155 billion of preferred equity for the following purposes:

- a. The acquisition of property;
- b. The construction, completion, extension, or improvement of SCE's facilities;
- c. The improvement or maintenance of SCE's service;
- d. The discharge of SCE's obligations;
- e. The retirement or the refunding of securities previously issued and upon which SCE paid the fees prescribed by Pub. Util. Code §§ 1904(b) and 1904.1; and/or
- f. To reimburse SCE for money it has actually expended from income, or from any other money in its treasury not secured by or obtained from the issue of stocks or stock certificates or other evidence of interest or ownership, or bonds, notes, or other evidence of SCE's indebtedness, for

any of the aforesaid purposes except maintenance of service and replacements.

We conclude that SCE's request herein to issue new debt and preferred equity satisfies the requirement of Pub. Util. Code §817 and should be granted for up to \$9.85 billion in debt and ~~\$1.15~~[1.155](#) billion in preferred equity.

8.1.3. Pub. Util. Code § 818

Pub. Util. Code §818 provides that a public utility may not issue long-term debt unless it has first secured a Commission order authorizing the debt, stating the amount thereof, and the purposes to which the proceeds thereof are to be applied. Pub. Util. Code §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 are reasonably required for the purposes specified in the order, and that such purposes are not reasonably chargeable to expenses or income.

In compliance with Pub. Util. Code §818, SCE filed the instant Application seeking \$9.85 billion in new financing authority for the purpose of financing its capital expenditures for years 2025-2028 and refinancing certain issued debt securities. SCE's application meets the requirements of Pub. Util. Code §818.

8.1.4. Pub. Util. Code §823

Pub. Util. Code §823 governs the issuance and use of utility securities and generally requires Commission authorization for financing transactions, while limiting the use of security proceeds to approved purposes and terms. Although §823(b) allows utilities to issue short term notes payable within 12 -months without prior approval, §823(c) limits the aggregate amount of such obligations to prevent excessive short-term leverage. Pub. Util. Code §823(d) requires prior Commission authorization before a utility may refinance or replace any note payable within 12-months through the issuance of debt or equity securities. Pursuant to Pub. Util. Code §823(d), we authorize SCE to renew and/or refund

commercial paper and other floating or variable -rate debt securities with the securities requested in the application, so that the combined term of the obligations may exceed 12-months, without further authorization from the Commission.

8.1.5. Pub. Util. Code §830

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

- a. SCE shall only incur obligations that are:
 - i. Directly related to the debt securities authorized by this decision; and
 - ii. For the purposes authorized by this decision.
- b. 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.
- c. SCE shareholders shall not profit, either directly or indirectly, from the obligations that are guaranteed by SCE.

The Commission and its staff⁴⁵ 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.

⁴⁵ Traditionally, this includes Cal Advocates.

8.1.6. Pub. Util. Code §851

Pub. Util. Code §851 applies in debt securities applications to the extent a utility seeks authority to mortgage, pledge, or otherwise encumber utility property as security for the proposed financing and requires Commission approval for any such encumbrance. Pursuant to Pub. Util. Code §851, we authorize SCE to encumber utility assets using the securities identified in Section 8 of this decision. 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 property, franchise, permit, or right transferred should be used to provide utility service to the public until the Commission authorizes otherwise.

8.2. Types of Debt and Preferred Equity

SCE seeks authority to issue the types of debt and preferred equity identified in Section 6 of this decision and Sections III and VI of the instant Application. The Commission believes that public utilities should have reasonable latitude regarding the types of debt 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. The Commission finds that the request is not unduly risky and grants SCE's request to issue the types of debt and preferred equity described in Section 6 of this decision.

8.3. Debt Enhancements, Swaps, and Hedges

SCE requests authority to use the debt enhancements, swaps, and hedges identified in Sections 6.2 and 6.3 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 the instant Application 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.”* SCE provided the required information.

For ease of reference, 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. The information provided by SCE meets the Commission’s requirement, and we authorize SCE to use the types of debt enhancements, swaps, and hedges requested with respect to the debt securities, subject to the following conditions and restrictions set forth in D.12-06-015 for swaps and hedges:

- a. SCE shall list in its GO 24-C reports to the Commission any interest income and expense from swaps and hedges during the period covered by the report.
- b. Swaps and hedges shall not exceed 20-percent of SCE’s total long-term debt outstanding.
- c. All costs associated with hedging transactions may be reviewed in regulatory proceedings addressing SCE’s cost of capital.
- d. Hedging transactions that carry potential counterparty risk must have counterparties with investment grade credit ratings.
- e. 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.

- f. SCE shall provide the following to the Commission's Energy Division Staff within 30-days of receiving a written request:
 - i. All terms, conditions, and details of swap and hedge transactions;
 - ii. Rationale(s) for the swap and hedge transactions;
 - iii. Estimated costs for the "alternative" or unhedged transactions; and
 - iv. Copy of the swap and hedge agreements and associated documentation.

The authority granted by this decision to use debt enhancements, swaps, and hedges is limited to the debt securities authorized by this decision.

8.4. Other Regulatory Requirements

8.4.1. Financing Rule and GO 24-C

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

- a. 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.
- b. 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.
- c. 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.
- d. 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 and equity securities offerings.

- e. Public utilities may use debt enhancements, swaps, and hedges for debt securities, subject to certain restrictions and reporting requirements.

The Financing Rule applies to SCE and the preferred equity, debt securities, debt enhancements, swaps, and hedges authorized by this decision.

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 semi-annual period:

- a. 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.
- b. 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.
- c. 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. The expenditures of debt and equity proceeds during the semi-annual 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 above-listed reporting requirements, GO 24-C requires utilities to maintain records that 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.

8.4.2. Ratemaking and Public Utilities Code §451

This decision provides SCE with authority to issue \$9.85 billion of debt securities and \$1.155 billion of preferred equity for authorized purposes including:

- a. Financing of capital expenditures; and
- b. Refinancing of maturing debt obligations.

Parties raised concerns regarding the relationship between the requested financing authority and authorized capital expenditures, the treatment of wildfire--related liabilities, and whether alternative financing approaches should have been evaluated. We clarify that this proceeding authorizes financing authority only and does not approve specific expenditures, determine cost recovery, or resolve issues related to securitization, prudence, or ratepayer impacts, all of which are addressed in separate Commission proceedings subject to their own evidentiary records. Consistent with Commission precedent, the question here is whether the requested authority is reasonable and consistent with applicable statutes and rules, not whether the underlying expenditures will ultimately be recoverable in rates.

This decision does not authorize or approve any specific capital expenditures, construction projects, or the recovery of any costs in rates. The all-in cost of the securities will be reviewed in SCE's cost of capital proceedings or other appropriate proceedings. The capital expenditures financed with the proceeds from the debt and 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 and equity securities, and related capital expenditures may be recovered in rates pursuant to Pub. Util. Code §451.

8.4.3. Public Utilities Code §1904, Estimated Costs and Fees

Pub. Util. Code §§ 1904(b) and 1904.1 require utilities to pay a fee for authority to issue Debt and Equity Securities (§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.

SCE proposes to use the proceeds from the issuance and sale of the debt securities and authorized by this decision, other than for payment of accrued interest, if any, and after payment or discharge of obligations incurred for expenses incident their issue and sale:

- a. For the acquisition of property;
- b. For the construction, completion, extension or improvement of SCE's facilities;
- c. For the retirement or the refunding of securities previously issued and upon which SCE paid the fees prescribed by Pub. Util. Code §§ 1904(b) and 1904.1; and/or to reimburse SCE for money it has actually expended from income or from any other money in its treasury not secured by or obtained from the issue of stocks or stock certificates or other evidence of interest or ownership, or bonds, note, or other evidences of SCE's indebtedness, for any of the aforesaid purposes except maintenance of service and replacements. The amounts reimbursed will become a part of SCE's general treasury funds.

CPUC Fee Calculation		
Step 1: Amount of Debt and Preferred Equity on which the Fee is Owed		
Long-Term debt authorized by the order		\$9,850,000,000
LESS Use of bond fees for refunding		\$5,170,000,000
New debt subject to fees		\$4,680,000,000
Preferred Equity authorized by this Order		\$1,155,000,000
LESS use of Preferred Equity for refunding		\$905,000,000
New Preferred Equity subject to fees		\$250,000,000
Total New Debt and Preferred Equity Subject to Fees		\$4,930,000,000
Step 2: Computation of Fee		
	Cost per \$1,000	Total Cost
Fee on First \$1 Million	\$2.00	\$2,000
Fee on \$1 Million to \$10 Million	\$1.00	\$9,000
Fee on Over \$10 Million	\$0.50	\$2,460,000
TOTAL FEES \$2,471,000		

SCE expects to use \$4.93 billion of the requested debt securities and preferred equity authority for construction expenditures, acquisition of property and repayment of SCE's obligations, or to reimburse SCE for money it has expended for those purposes. The remaining \$6.075 billion of authorization requested for debt securities and preferred equity is expected to be used for the retirement or refunding of securities previously issued and upon which SCE previously paid a fee and therefore will not be subject to a fee. Therefore, under Pub. Util. Code §§ 1904(b) and 1904.1, SCE expects that the Commission will charge a fee of ~~\$2,476,000~~[2,471,000](#) on the authorization granted (*see* calculation above). If SCE intends to use any of the remaining authority it currently expects to use for the retirement or refunding of securities instead of for construction expenditures and acquisition of property, SCE must notify the Commission and pay the corresponding fee before making such use.

9. Summary of Public Comments

Rule 1.18 allows any member of the public to submit written comment in any Commission proceeding using the "Public Comment" tab of the online

Docket Card for that proceeding on the Commission's website. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding. No written comment was submitted in this proceeding.

10. Procedural Matters

This decision affirms all rulings made by the ALJ and assigned Commissioner in this proceeding. All other motions not ruled on are deemed denied.

11. Comments on Proposed Decision

The proposed decision of ALJ Eric Fredericks in this matter was mailed to the parties in accordance with Section 311 of the Pub. Util. Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. [Cal Advocates filed comments on the proposed decision on March 4, 2026. SCE filed reply comments on the proposed decision on March 9, 2026.](#)

[Cal Advocates argues that the proposed decision contains legal errors and does not make the statutory findings needed to support the requested financing authority. In its view, the proposed decision relies too heavily on generalized forecasts and does not sufficiently identify or quantify the purposes for which the proceeds will be used, including adopted capital expenditures, refinancing needs, wildfire-related amounts, and whether those uses are properly chargeable to income. Cal Advocates also contends the proposed decision does not adequately support the amount of debt and preferred equity authorized.](#)

[Cal Advocates further argues the proposed decision inadequately supports authorization under Pub. Util. Code § 851 because it does not specifically identify the property to be encumbered, place sufficient limits on encumbrances, or make findings that service will not be impaired and that the](#)

encumbrances are reasonably necessary. Cal Advocates also contends the proposed decision lacks sufficient findings under Pub. Util. Code § 830 because it authorizes guarantees of affiliate obligations without findings showing the guarantees are limited to authorized purposes, do not increase leverage beyond the authorized capital structure, and do not shift affiliate risk to ratepayers.

We reject these arguments. The proposed decision explains the basis for the financing authority granted and ties that authority to forecasted capital expenditures and the refinancing of maturing long-term debt through 2028. The proposed decision also addresses the applicable statutory requirements and limits the authorization to the specified financing instruments and related purposes approved therein. Further, the proposed decision does not authorize unrestricted transfers of utility property or open-ended affiliate support. Instead, it preserves Commission oversight over any transfer of property necessary or useful to utility service and limits guarantees to obligations incurred for authorized purposes.

Cal Advocates argues that the proposed decision contains factual errors and does not adequately connect the requested financing authority to the record. Cal Advocates maintains that the proposed decision accepts SCE's updated forecasts and reduced request without making findings that clearly reconcile the request to adopted capital spending, refinancing needs, and wildfire-related obligations.

Cal Advocates further contends the proposed decision does not make sufficient findings to show the requested authority is necessary and reasonably required. Cal Advocates argues the proposed decision does not adequately

address whether the financing assumptions overlap with other possible recovery or financing mechanisms, including wildfire-related mechanisms.

We reject these arguments. The proposed decision explains that SCE updated its request to reflect the 2025 GRC decision, anticipated expenditures, and estimated wildfire liabilities, and reduced the amount requested accordingly. The proposed decision also makes clear that this proceeding addresses financing authority only and does not determine cost recovery or prejudice any future recovery mechanism.

Cal Advocates argues that the proposed decision contains technical errors because the findings do not sufficiently connect the granted authority to reporting, ratemaking treatment, and safeguards against excessive borrowing. Cal Advocates contends the proposed decision discusses GO 24-C reporting, but does not require separate tracking of refinancing, capital expenditures, wildfire-related borrowings, memorandum-account expenditures, or hybrid securities.

Cal Advocates also contends the proposed decision does not address how hybrid securities will be treated for ratemaking purposes or evaluated for compliance with SCE's authorized capital structure, and does not adequately resolve the risk of over-borrowing. Cal Advocates argues additional findings would be needed on liquidity needs, utilization patterns, and reserve levels.

We reject these arguments. The proposed decision already imposes GO 24-C reporting for swaps and hedges, authorizes the requested financing instruments only after finding they are not unduly risky, and provides that the all-in cost of the securities will be reviewed in SCE's cost of capital proceedings or other appropriate proceedings.

Cal Advocates argues the application should be denied without prejudice because correcting the proposed decision's legal, factual, and technical errors

would require new findings that the current record does not support. Cal Advocates contends SCE should refile with a quantified, record-based showing that the requested financing is reasonably required for specified utility purposes under Public Utilities Code section 818. We reject this request.

SCE argues the proposed decision should be adopted without modification because it correctly applies Pub. Util. Code §§ 818, 830, and 851 and makes the findings required for this financing authority proceeding. SCE contends Cal Advocates is seeking extra reconciliation, quantification, and factual findings that are not required by statute or Commission precedent. SCE also argues that imposing capital structure requirements in this proceeding would create redundant work because those issues are reviewed in cost of capital proceedings.

SCE also argues the proposed decision properly rejects Cal Advocates' objections regarding encumbrances and guarantees. SCE maintains the decision already ties encumbrances to the authorized securities and approved financing purposes, preserves Commission oversight in the event of default, and adequately limits guarantees to authorized purposes. SCE further argues Cal Advocates is raising issues better addressed in other proceedings, such as ratemaking treatment, capital structure compliance, and future cost recovery. SCE also emphasizes that timely approval is needed because it has exhausted its prior long-term debt authority and delay is unwarranted. We concur with SCE's arguments.

After reviewing party comments, the Commission makes the following revisions to the PD.

The Findings of Fact (FOF) are modified to correct a numbering error.

FOF 6b is modified to clarify the purpose is SCE's assertion.

12. Assignment of Proceeding

Darcie L. Houck is the assigned Commissioner and Eric Fredericks is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. There are no contested factual issues in this proceeding.
2. SCE requests authority pursuant to Pub. Util. Code §§ 816-818, 821, 823, 830, and 851 to issue \$9.85 billion of debt and \$1.155 billion of preferred equity.

3. ~~2.~~ SCE has a reasonable need for additional authority to issue debt and preferred equity for:

- i. The acquisition of property;
- ii. The construction, completion, extension or improvement of SCE's facilities;
- iii. The improvement or maintenance of SCE's service;
- iv. The discharge of SCE's obligations;
- v. The retirement or the refunding of securities; and/or
- vi. To reimburse SCE for money it has actually expended from income, or from any other money in its treasury not secured by or obtained from the issue of stocks or stock certificates or other evidence of interest or ownership, or bonds, notes, or other evidence of SCE's indebtedness, for any of the aforesaid purposes except maintenance of service and replacements.

4. ~~3.~~ SCE requests authority to issue the types of debt and preferred equity Identified in Section 6 of this decision. The types of securities proposed will provide SCE with flexibility to issue securities at the lowest cost to ratepayers. No good cause exists to prohibit SCE from issuing the proposed types of securities.

5. ~~4.~~ SCE requests authority under Pub. Util. Code §851 to issue securities secured by utility property. Granting the request will not adversely affect the public or SCE's ability to meet its operational responsibilities.

6. ~~5.~~ SCE seeks authority to use:

- a. The debt enhancements described in Section 6.2 of this decision; and
- b. The swaps and hedges described in Section 6.3 of this decision. ~~The~~ [SCE asserts 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.

7. ~~6.~~ SCE must pay a fee of \$2,471,000 to the Commission, pursuant to Pub. Util. Code §§ 1904(b) and 1904.1.

Conclusions of Law

1. Pursuant to Pub. Util. Code §§ 816–818, SCE should be authorized to issue from time to time up \$9.85 billion of debt and \$1.155 billion of preferred equity, a \$525 million reduction from its initial request. Pursuant to Pub. Util. Code §§ 816--818, the authorized debt and preferred equity should be used only for the purposes identified in ~~Findings of Fact~~ [FOF](#) 3 of this decision.

2. The \$9.85 billion of debt and \$1.155 billion of preferred equity authorized by this decision are for purposes allowed by Pub. Util. Code §817 and, as required by Pub. Util. Code § 818, such purposes are not reasonably chargeable, in whole or in part, to operating expenses or income.

3. Pursuant to Pub. Util. Code §816, SCE should be authorized to issue the types of securities identified in Section 6 of this decision.

4. Pursuant to Pub. Util. Code §823(d), SCE should be authorized to renew and/or refund commercial paper and other floating or variable-rate debt

securities with the securities requested in the application, so that the combined term of the obligations may exceed 12-months, without further authorization from the Commission.

5. Pursuant to Pub. Util. Code §830, SCE should be authorized to guarantee the obligations of regulated affiliates and government entities, subject to the conditions specified in Section 8 of this decision.

6. Pursuant to Pub. Util. Code §851, SCE should be authorized to encumber utility assets using the securities identified in Section 8 of this decision.

7. Consistent with Pub. Util. Code §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 property, franchise, permit, or right 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 Section 6.2 and 6.3 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. The Financing Rule and GO 24-C apply to SCE and the debt and preferred equity, debt enhancements, swaps, and hedges authorized by this decision.

10. Pursuant to §816, SCE should be authorized to issue debt securities subject to the condition that SCE maintains its Commission -authorized capital structure.

11. The authority granted by this decision to issue debt and preferred equity 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.

12. The Commission may determine in future proceedings whether the all -in costs of the securities issued pursuant to this decision are just and reasonable and recoverable in rates, and whether the capital expenditures funded with the proceeds from the securities are reasonable and recoverable in rates.

13. SCE is required by Pub. Util. Code §§ 1904(b) and 1904.1 to pay a fee of \$2,471,000 as set forth in Section 8.4.3 of this decision. The authority granted by this decision should not become effective until SCE has paid the fee.

14. There are no factual issues in this proceeding that require an evidentiary hearing. The determination in the Scoping Memo that hearings are not needed should be affirmed.

15. In order for SCE to issue the securities authorized by the order without delay, the following order should be effective immediately upon SCE's payment of its Pub. Util. Code §§ 1904(b) and 1904.1 fee of \$2,471,000.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company (SCE) is authorized pursuant to Public Utilities Code §§ 816-818, 821, 823, 830, and 851 to do the following:
 - a. Issue, from time to time, debt securities including debt securities secured by utility property and accounts receivable in an aggregate principal amount not to exceed \$9.85 billion.
 - b. Use debt enhancements, caps, collars, swaps, and hedges to lower the cost of the debt securities and reduce financial risks;

- c. Guarantee the obligations of regulated affiliates and governmental entities that are incurred on behalf of SCE for the purposes authorized by this decision;
 - d. Renew and/or refund commercial paper and other floating or variable rate securities, so that the combined term of the obligations may exceed 12-months without further authorization from the California Public Utilities Commission (Commission);
 - e. Arrange credit agreements or other credit facilities as may be necessary for the purpose of issuing the securities, and to modify such credit facilities;
 - f. Execute and deliver an indenture or supplemental indenture in connection with any issue of debt securities, and to sell, lease, assign, mortgage, or otherwise dispose of or encumber, utility property in connection with the issuance or sale of securities;
 - g. Pledge or otherwise dispose of or encumber its accounts receivable in connection with the issuance and sale of securities;
 - h. Issue and sell and deliver securities by public offering or private placement;
 - i. Issue, from time to time, preferred equity in an aggregate amount not to exceed \$1.155 billion par or stated value;
 - j. Guarantee the securities of a regulated subsidiary or affiliate of SCE, the proceeds of which may be used to purchase preferred equity from SCE; and
 - k. If SCE intends to use any portion of the authority granted herein that it currently expects to use for the retirement or refunding of securities previously issued instead of for construction expenditures and acquisition of property, it shall notify the Commission and pay the corresponding fee before making such use.
2. If a default occurs and title to any of Southern California Edison Company's (SCE's) 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 assets, property, franchise, permit, or right transferred shall continue to be used to provide utility service to the public until the California Public Utilities Commission authorizes otherwise.

3. Southern California Edison Company and the debt and equity securities, debt enhancements, swaps, and hedges authorized by this Decision are subject to:

- a. The Financing Rule adopted by Decision (D.) 12-06-015, as corrected in D.12-07-003;
- b. General Order 24-C; and
- c. The capital structure and associated capital ratios adopted by the California Public Utilities Commission.

4. This decision 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 Decision, Southern California Edison Company shall remit a check for \$2,471,000 pursuant to Public Utilities (Pub. Util) Code §1904 to the California Public Utilities Commission's Fiscal Office, Room 3000, 505 Van Ness Avenue, San Francisco, CA 94102. The decision number of this Decision must appear on the face of the check.

The authority granted by this Decision shall become effective when the fee required by Pub. Util. Code §1904 has been paid.

6. Application 25-06-007 is closed.

This order is effective today.

Dated March __, 2026, at Sacramento, California.

Summary report:	
Litera Compare for Word 11.6.0.100 Document comparison done on 3/17/2026 10:18:41 AM	
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Intelligent Table Comparison: Active	
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