

ORIGINAL

Decision No. 76895

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 SOUTHERN CALIFORNIA EDISON COMPANY,)
 a corporation, for authority to)
 issue and sell not to exceed)
 500,000 shares of \$100 Cumulative)
 Preferred Stock, _____% Series,)
 \$100 Par Value.)

Application No. 51708
 Filed February 16, 1970

O P I N I O N

Southern California Edison Company requests an order of the Commission authorizing it to issue, sell and deliver not exceeding 500,000 shares of its \$100 Cumulative Preferred Stock of the aggregate par value amounting to \$50,000,000.

After payment and discharge of obligations incurred for expenses incident to the issuance and sale of said stock, including compensation payable to the several underwriters in connection therewith, applicant proposes to use the stock proceeds (a) to retire and discharge certain promissory notes, and (b) to reimburse itself for moneys actually expended by it from income or other moneys in its treasury not secured by or obtained from the issuance of securities, for the acquisition of property, or for the construction, completion, extension or improvement of its facilities, exclusive of maintenance of service and replacements.

The utility reports uncapitalized construction expenditures of \$471,146,908 as of December 31, 1969, and estimates that the gross expenditures for its construction program during the years 1970 and 1971 will approximate \$624,600,000.

Applicant's capital ratios as of December 31, 1969, and as adjusted to give effect to the proposed stock issue, are summarized from the application, as follows:

	<u>December 31, 1969</u>	<u>Pro Forma</u>
Long-term debt	54.4%	53.4%
Preferred and preference stock	9.8	11.5
Common stock equity	<u>35.8</u>	<u>35.1</u>
Total	<u>100.0%</u>	<u>100.0%</u>

The company contemplates that, except for shares to be sold directly to various institutional investors pursuant to Delayed Delivery Contracts on June 1, 1970, a nationwide group of investment banking firms will purchase all the shares of new preferred stock. The purchase price will be \$100 per share. The anticipated maximum underwriters' compensation and dividend rate are \$750,000 and 9-1/2% per annum, respectively.

Applicant anticipates that the initial redemption price of the new stock will not exceed \$111 per share if redeemed prior to March 1, 1980; \$107 per share if redeemed thereon or thereafter and prior to March 1, 1985; \$104 per share if redeemed thereon or thereafter and prior to March 1, 1990; and \$101 per share if

redeemed thereon or thereafter; together, in each case, with an amount equal to all accumulated and unpaid dividends to and including the date of redemption. The shares will be subject to restricted refunding provisions for no longer than seven years, which is the length of time utilized in 1966 for the company's Cumulative Preferred Stock, 5.80% Series.

In the event of voluntary liquidation the preferences payable with respect to the new shares will be the same as their redemption price current on the commencement date of the liquidation proceedings, together with an amount equal to all accumulated and unpaid dividends thereon to and including the date fixed for distribution or payment.

After consideration the Commission finds that:

1. The proposed preferred stock issue is for proper purposes.
2. Applicant has need for funds from external sources for the purposes set forth in this proceeding.
3. Applicant will be required to pay dividends at a lower rate than it would in the absence of the proposed restricted refunding provisions.
4. The money, property or labor to be procured or paid for by the issue of the stock herein authorized is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.
5. The proposed Underwriting Agreement and Delayed Delivery Contracts would not be adverse to the public interest.

On the basis of the foregoing findings we conclude that the application should be granted. A public hearing is not necessary.

In issuing our order herein, we place applicant and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares nor the dividends paid as measuring the return it should be allowed to earn on its investment in plant, and that the authorization herein granted is not to be construed as a finding of the value of the company's stock or properties nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

Applicant is hereby placed on further notice that, if the Commission should believe the negotiated dividend rate or underwriters' compensation pertaining to the proposed stock issue would result in excessive effective costs, it will take into consideration in future rate proceedings only that which it deems reasonable.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company may issue, sell and deliver not exceeding 500,000 shares of its \$100 Cumulative Preferred Stock of the par value of \$100 per share, and of the aggregate par value of \$50,000,000 at a price of \$100 per share, with the maximum limits specified in the application with respect

to the compensation to be paid to the underwriters, the dividend rate, the initial redemption price and the related initial voluntary liquidation preference, and the duration of the restricted refunding provisions, and in accordance with the terms and provisions of an Underwriting Agreement and Delayed Delivery Contracts in the forms substantially as filed in this proceeding.

2. Southern California Edison Company shall apply the proceeds from the sale of said stock to the purposes referred to in the application.

3. Immediately upon determination by its Board of Directors of the dividend rate for the preferred stock herein authorized, Southern California Edison Company shall notify the Commission thereof by telegram.

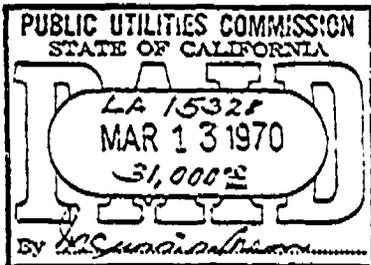
4. On the date Southern California Edison Company determines the amount of compensation to be inserted after the dollar sign in the paragraph beginning near the foot of page 2 of Exhibit E, attached to the application, it shall notify the Commission thereof by telegram.

5. Within thirty days after selling any of the stock herein authorized, Southern California Edison Company shall file with the Commission three copies of its prospectus pertaining to said stock.

6. Within three months after selling stock herein authorized, Southern California Edison Company shall file with the Commission a statement, or statements, in lieu of a report, or reports, under General Order No. 24-B, disclosing the purposes for which the stock proceeds were used.

7. This order shall become effective on the day of payment by Southern California Edison Company of the fee prescribed by Section 1904.1 of the Public Utilities Code, which fee is \$31,000, or on the fifth day after the date hereof, whichever day is later.

Dated at San Francisco, California,
this 10th day of MARCH, 1970.



William S. [signature]
President

[signature]

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Commissioners