

Decision No. 77759**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
SOUTHERN CALIFORNIA EDISON COMPANY,)	Application No. 52168
a corporation, for authority to issue)	Filed August 31, 1970
and sell not to exceed 500,000 shares)	
of \$100 Cumulative Preferred Stock,)	
<u> </u> % Series, \$100 Par Value.)	

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 short-term obligations, 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 \$507,275,071 as of July 31, 1970, and estimates that the gross expenditures for its construction program during the years 1970 and 1971 will approximate \$670,000,000.

Applicant's capital ratios as of July 31, 1970, and as adjusted to give effect to the proposed stock issue, are summarized from the application, as follows:

	<u>July 31, 1970</u>	<u>Pro Forma</u>
Long-term debt	52.8%	51.9%
Preferred and preference stock	11.3	12.9
Common stock equity	<u>35.9</u>	<u>35.2</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 for delivery on January 6, 1971 pursuant to Delayed Delivery Contracts providing for an additional amount equal to accrued dividends from January 1, 1971, a nationwide group of investment banking firms will purchase all the shares of new preferred stock at a price of \$100 per share. The anticipated maximum underwriters' compensation and dividend rate are \$750,000 and 9-3/4% per annum, respectively.

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

thereafter and prior to October 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 earlier this year for the company's Cumulative Preferred Stock, 8.96% 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 opinion.
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 rate proceedings only that which it deems reasonable.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company, in accordance with terms and provisions consistent with the foregoing opinion, may issue, sell and deliver, at a price of not less than \$100 per share, not exceeding 500,000 shares of its \$100 Cumulative Preferred Stock of the aggregate par value of not exceeding \$50,000,000.

2. Southern California Edison Company may execute and deliver an Underwriting Agreement and Delayed Delivery Contracts in the same form, or in substantially the same form, as Exhibit E and Schedule 2 thereof, respectively, attached to the application.

3. Southern California Edison Company shall apply the proceeds from the sale of said stock to the purposes referred to in the foregoing opinion.

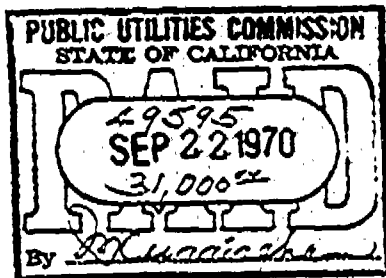
4. On the date Southern California Edison Company determines the dividend rate and underwriters' compensation pertaining to said stock, it shall notify the Commission of each by telegram.

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 two months after selling any of the 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 when Southern California Edison Company has paid the fee prescribed by Section 1904.1 of the Public Utilities Code, which fee is \$31,000.

Dated at San Francisco, California,
this 22nd day of SEPTEMBER, 1970.



[Signature]
Chairman
[Signature]

[Signature]
Commissioners

Commissioner William Symons, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner Thomas Moran, being necessarily absent, did not participate in the disposition of this proceeding.