

RR/TC/AV/WPSC

ORIGINAL

Decision 83 03 006 MAR 2 1983

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN CALIFORNIA )  
EDISON COMPANY for authority to )  
issue and sell through its Employee )  
Stock Ownership Plan not exceeding )  
1,700,000 shares of Common Stock )

Application 83-01-43  
(Filed January 20, 1983)

O P I N I O N

Southern California Edison Company (Edison) requests authority under Public Utilities (PU) Code Sections 816 through 818 to issue and sell not to exceed 1,700,000 shares of its \$8 1/3 par value common stock in accordance with its Employee Stock Ownership Plan and Trust Agreement (Plan).

Summary of Decision

This decision grants Edison the authority to issue and sell 1,700,000 shares of its common stock in accordance with the Plan.

Notice of the filing of the application appeared on the Commission's Daily Calendar of January 25, 1983. No protests have been received.

Edison is a California corporation primarily engaged in the business of generating, purchasing, transmitting, distributing, and selling electric energy in portions of central and southern California as a public utility subject to the jurisdiction of this

A.83-01-43 RR/TC/AV/WPSC

Commission. For the twelve months ended September 30, 1982, the utility reported total operating revenues of \$4,326,599,000 and net income of \$546,196,000, shown as part of Exhibit A attached to the application.

Edison's Balance Sheet as of September 30, 1982, attached to the application as part of Exhibit A, is summarized as follows.

<u>Assets</u>	<u>Amount</u> (Thousands of Dollars)
Net Utility Plant	\$8,269,343
Other Property and Investments	182,126
Current Assets	1,254,534
Deferred Debits	<u>51,872</u>
Total	\$9,757,875
 <u>Liabilities and Equity</u>	
Common Equity	\$3,305,582
Preferred/Preference Stock	919,144
Long-Term Debt	3,687,776
Current Liabilities	1,353,543
Reserves and Deferred Credits	<u>491,830</u>
Total	\$9,757,875

By Decision (D.) 87785 and D.91198, dated August 30, 1977 and January 8, 1980, respectively, in Application (A.) 57478 and A.59295 as amended, Edison was authorized to issue up to 3,000,000 shares of its common stock under the Plan. The following number of shares, for the respective amounts of consideration shown, have been issued during the years 1977 through 1982:

<u>Year</u>	<u>Shares Issued</u>	<u>Consideration Received</u>
1977	102,262	\$ 2,630,690
1978	203,879	5,107,555
1979	30,282	765,777
1980	1,033,794	25,850,100
1981	591,084	15,772,850
1982	<u>601,948</u>	<u>19,955,721</u>
Total	2,563,249	\$70,082,693

Based on the number of shares issued to date, it has become necessary for Edison to seek Commission authority to issue up to 1,700,000 additional shares of its common stock under the Plan.

#### Description of the Plan

The Plan, a copy of which is attached as Exhibit F to the application, is an employee benefit plan as defined in the Employee Retirement Income Security Act of 1974 (ERISA) of the Internal Revenue Code (IRC). The Plan established Crocker National Bank as trustee, and it is administered by Edison's Employee Benefits Committee. Edison's present Plan is funded through the utilization of a 1% investment tax credit authorized by the IRC. Eligible Edison employees may elect to contribute to the Plan. The employee contributions are matched by Edison with funds from an additional 1/2% investment tax credit. All of the participant's and Edison contributions to the Plan are used to purchase Edison's stock.

Dividends on the stock are, in turn, utilized to purchase additional stock. Stocks in a participant's account cannot be withdrawn until the participant retires, dies, becomes disabled, or otherwise terminates employment with Edison.

Under provisions of the 1981 Federal Economic Recovery Tax Act (ERTA), the method of funding such plans was changed from a method based upon investment tax credits to a payroll tax credit method based upon a specified percentage of total company payroll. For 1983, Edison's contributions to the Plan may not exceed 1/2% of the payroll. (This percentage increases to 3/4% in 1985. The law expires on January 1, 1988). Under this new law, there are no employee contributions to the Plan. Edison contemplates revising the existing Plan during 1983 to incorporate changes under provisions of ERTA. It is not anticipated that any other aspect of the Plan will be modified other than the method of funding. To the extent shares authorized have not been issued under the original Plan, Edison proposes to issue such shares under the Plan as it is proposed to be amended by the provisions of ERTA.

Within 30 days after filing its federal income tax return on which the investment or payroll tax credit is allowed, Edison will issue common stock to the trust equal in value to the amount of the credit utilized for purposes of funding the Plan.

A.83-01-43 RR/TC/AV/WPSC

The value of the stock at the time it is issued and purchased shall be the average of the closing prices of Edison's common stock as reported on the New York Stock Exchange for the 20 consecutive trading days immediately preceding the date of transfer of such stock.

Purchases of stock may also be made on the open market if stock is unavailable from Edison. Such quarterly purchases of stock shall also include any interest paid on funds held by the trustee and any dividends paid during the quarter on stock previously issued to the Trustee.

Edison is engaged in an extensive construction program and estimates that the gross expenditures required for this construction program during 1983 will approximate \$926,000,000. Exhibit C, attached to the application sets forth in detail Edison's construction program estimated as of October 21, 1982. Following is a summary of that exhibit.

A.83-01-43 RR/TC/AV/WPSC

	1983 (000 Omitted)
Electric Generating Plant	\$ 595,000
Electric Transmission Lines and Substations	129,000
Electric Distribution Lines and Substations	274,000
Other Expenditures	<u>68,000</u>
Total	\$1,066,000
Less: Allowance for Funds used During Construction	<u>140,000</u>
Funds Used/Required for Construction Expenditures	\$ 926,000

Edison states that the proceeds from the issuance and sale of 1,700,000 shares of common stock will amount to about \$59,500,000. After payment and discharge of obligations incurred for expenses incident to their issue and sale, the proceeds will be used to reimburse Edison for moneys actually expended from income or other moneys in the treasury not secured by or obtained from the issue of stock or stock certificates or other evidences of interest or ownership, or bonds, notes or other evidences of indebtedness, for the acquisition of property, or for the construction, completion, extension or improvement of its facilities, exclusive of maintenance of service and replacements.

The Commission's Revenue Requirement Division has reviewed Edison's application and its 1983 construction program. The Division has no objection to the proposed common stock issue, but reserves the right to reconsider the reasonableness of any specific construction expenditure in future rate proceedings.

The Commission's Revenue Requirements Division has also analyzed Edison's cash requirements forecast, attached to the application as Exhibit D, and has determined that internally generated funds will provide 26% of the capital expenditures estimated for 1983 and 82% of those estimated for 1984. The Revenue Requirements Division concludes that the proposed issuance of the common stock is necessary to help meet Edison's forecasted cash requirements.

Edison's capital ratios reported as of September 30, 1982 are shown below as recorded and adjusted to give pro forma effect to the transactions that follow:

	<u>September 30, 1982</u>	<u>Pro Forma</u>
Long-Term Debt	47.0%	48.1%
Preferred/Preference Stock	11.5	11.0
Common Equity	<u>41.5</u>	<u>40.9</u>
Total	100.0%	100. %

1. The proposed issuance of 1,700,000 shares of common stock at an assumed price of \$35 per share, the subject of this application.

2. The issuance on October 19, 1982 of a promissory note in the principal amount of \$75,000,000 (D.82-06-011, dated June 2, 1982 in A.82-05-01).
3. The issuance on November 4, 1982 of \$200,000,000 of First and Refunding Mortgage Bonds, Series UU, due 2012 (D.82-05-074, dated May 18, 1982 in A. 82-03-23).
4. The issuance and sale on December 8, 1982 of \$80,000,000 Pollution Control Refunding Bonds, Series VVP due 2012 and \$88,000,000 Pollution Control Refunding Bonds, Series WWP, due 2003 (D.82-05-072, dated May 18, 1982 in A.82-02-27).
5. The sale of 242,221 and 249,657 shares of common stock issued on October 1, 1982 and December 31, 1982 respectively, under Edison's Employee Stock Purchase Plan (D.90059 and D.82-06-058, dated March 13, 1979 and June 15, 1982 in A.58606 and A.82-04-23, respectively).
6. The sale of 683,043 shares of common stock issued on November 1, 1982 under Edison's Dividend Reinvestment and Stock Purchase Plan (D.91434, dated March 18, 1980 in A.59441).
7. The sale of 12,427, 315,337, 48,875 and 33,919 shares of common stock issued on October 1, October 14, November 1, and December 31, 1982, respectively under Edison's Employee Stock Ownership Plan (D.87785 and D.91188, dated August 30, 1977 and January 8, 1980 in A.57478 and A.59295 respectively).
8. The conversion of 64,923 shares of 5.20% Preference Stock to 51,507 shares of common stock.



Findings of Fact

1. Edison, a California corporation, operates as a public utility under the jurisdiction of this Commission.
2. The proceeds of the proposed stock offering would be used for proper purposes.
3. Edison has need for external funds for the purposes set forth in the application.
4. Edison's Plan, as it now exists and as proposed to be modified, is not adverse to the public interest.
5. The proposed security issue is for lawful purposes and the money, property, or labor to be obtained is required for these purposes. Proceeds from the security issue may not be charged to operating expenses or income.
6. There is no known opposition to the application and no reason to delay granting the authority requested.

Conclusion of Law

1. A public hearing is not necessary.
2. The application should be granted to the extent set forth in the order which follows.

We place Edison and its shareholders on notice that the number of shares outstanding, the total par value of the shares, and the dividends paid do not determine allowable return on plant

investment. This authorization is not a finding of the value of Edison's stock or property, nor does it indicate the amounts to be included in rate setting proceedings.

The following order should be effective on the date of signature and payment of the fee set by PU Code Section 1904.1 to enable Edison to proceed with the issuance and sale of common stock expeditiously.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company (Edison), on or after the effective date of this order, may issue, sell, and deliver not to exceed 1,700,000 shares of its common stock at the prices and in the manner substantially set forth in the application.

2. Edison shall apply the proceeds from the sale of common stock authorized for the purposes set forth in the application.

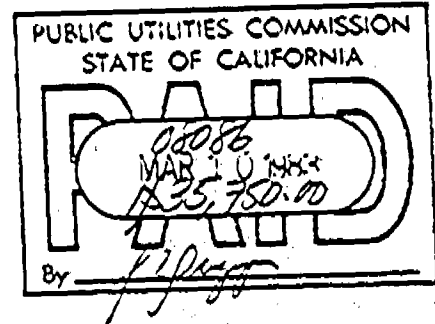
3. On or before the 25th day of each month, Edison shall file with the Commission a summary for the preceding month showing the total number of shares issued under the authority granted, the price or prices at which such shares were issued, the total proceeds received, and the purpose for which the proceeds were used. These filings shall be in lieu of the reports required under General Order Series 24.

A.83-01-43 RR/TC/AV/WPSC

4. The authority granted by this order to issue common stock will become effective when Edison pays \$35,750, the fee set by PU Code Section 1904.1.

Dated     MAR 2 1983    , at San Francisco, California.

LEONARD M. GRIMES, JR.  
President  
VICTOR CALVO  
FRISCILLA C. CREW  
DONALD VIAL  
Commissioners



I CERTIFY THAT THIS DECISION  
WAS APPROVED BY THE ABOVE  
COMMISSIONERS TODAY.

*[Signature]*  
Joseph E. Bodovick, Executive Director