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Decision No. 87785 AUG 30 1977

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN CALIFORNIA)
EDISON COMPANY for authority to issue)
and sell not exceeding 1,000,000)
shares of Common Stock of the par)
value of \$8-1/3 per share.)

Application No. 57478
(Filed July 28, 1977;
Amended August 15, 1977)

O P I N I O N

Southern California Edison Company (Edison) requests authorization to issue, sell and deliver not exceeding 1,000,000 shares of \$8-1/3 par value common stock in accordance with its Employee Stock Ownership Plan and Trust Agreement (TRASOP).

Under a plan intended to conform to the terms of Section 301 of the Tax Reduction Act of 1975, as amended, and Section 401 of the Internal Revenue Code of 1954, as amended, Edison and a corporate trustee would enter into a proposed TRASOP which establishes and prescribes the rights, duties and obligations of participants, administrators and trustee.

Pursuant to TRASOP, the trustee would invest the cash deposited by Edison in the purchase of its stock no later than 30 days after the filing date of the applicable annual Federal income tax return for TRASOP. The purchase of the stock would be made directly from Edison as an original issue at a price prescribed by statute (Section 301 (d) (9) (B) of the Tax Reduction Act of 1975) in determining the number of shares to be issued. The prescribed price is a price equal to the average of closing prices of Edison's common stock as reported by the New York Stock Exchange for the 20 consecutive trading days immediately preceding the date of transfer or allocation of such shares. Cash dividends paid upon shares of stock held in trust would be invested in common stock at a price determined by averaging the closing prices on the New York

Stock Exchange, for the five trading days immediately preceding the dividend payment date.

In the event the Internal Revenue Service should notify Edison that TRASOP does not satisfy the requirements of Section 301 of the Tax Reduction Act, as amended, or Section 401 (a) of the Internal Revenue Code, as amended, the stock purchased and cash dividends paid on said stock from contributions made to the trust would be returned to Edison within a year thereafter.

The application states:

"The establishment and implementation of the Plan and Trust is conditioned upon: (a) the resolution of questions raised and now pending before this Commission in reopened Application No. 54946 relating, among other things, to the effect of Commission decision upon the availability to Applicant of investment tax credit under Section 46 of the Internal Revenue Code which will enable Applicant to implement the TRASOP under said section and Tax Reduction Act, as amended; and (b) the qualification of the TRASOP under Section 401 (a) of the Internal Revenue Code and the Tax Reduction Act of 1975, as amended."

As of June 30, 1977, uncapitalized construction expenditures totaled \$751,364,000. Edison plans to use the net proceeds, after payments in discharge of obligations incurred for expenses incident to the sale of its common stock from funds derived from the additional 1% investment tax credit claimed under Section 46 (a) (2) (B) (i) of the Internal Revenue Code, to reimburse its treasury for capital expenditures. The company indicates its contributions under the Tax Reduction Act would have the effect of increasing the amount of cash available to reimburse the treasury for uncapitalized construction by decreasing the amount of cash payable for Federal income taxes.

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The utility's capitalization ratios at June 30, 1977, and as adjusted to give effect to the proposed stock issue, assuming proceeds of \$26,000,000, together with proceeds from security issues previously authorized by the Commission and sold in the second quarter of 1977, is as follows:

	<u>June 30, 1977</u>	<u>Pro Forma</u>
Mortgage bonds	44.8%	46.8%
Convertible debentures	1.6	1.6
Other long-term debt	0.5	0.4
Preferred stock	11.7	11.2
Preference stock	2.7	2.6
Common equity	<u>38.7</u>	<u>37.4</u>
Total	<u>100.0%</u>	<u>100.0%</u>

After considering this matter the Commission finds that:

1. The proposed stock would be for a proper purpose.
2. Edison has need for external funds for the purpose set forth in this proceeding.
3. The Employee Stock Ownership Plan and Trust Agreement would not be adverse to the public interest.
4. The money, property or labor to be procured or paid for by the stock herein authorized is reasonably required for the purpose specified herein, which purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.

There is no known opposition and there is no reason not to grant the authority requested. The Commission therefore concludes 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 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.

O R D E R

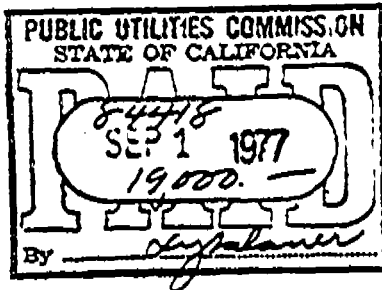
IT IS ORDERED that:

1. Southern California Edison Company, on or after the effective date hereof, may issue, sell and deliver not exceeding 1,000,000 shares of its common stock for the par value of \$8-1/3 per share at prices calculated in accordance with the pricing formula as set forth in the description of the Tax Reduction Act Employee Stock Ownership Plan and in the manner substantially as set forth in the Employee Stock Ownership Plan and Trust Agreement filed as an amendment to this application.
2. Southern California Edison Company shall use the net proceeds derived through the issuance and sale of said common stock to reimburse its treasury for capital expenditures.
3. Within one month after issuing and selling the stock herein authorized, Southern California Edison Company shall file with the Commission a statement showing the number of shares of common stock purchased under the Employee Stock Ownership Plan and Trust Agreement, the gross proceeds received, and the expenses incurred by it in connection with the issue and sale of the common stock. These filings shall be in lieu of reports required under General Order No. 24-B.
4. This order shall become effective when Southern California Edison Company has paid the fee prescribed by Section 1904.1 of

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the Public Utilities Code, which fee is \$19,000.

Dated at San Francisco, California, this 30th day
of AUGUST, 1977.



President
William Swanson

Reginald Sturgis

Richard W. Howell

Commissioners

Commissioner Robert Batinovich, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner Claire T. Dedrick, being necessarily absent, did not participate in the disposition of this proceeding.