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ORIGINAL

Decision No. 88872 MAY 31 1978

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN CALIFORNIA )  
EDISON COMPANY to issue and sell )  
not exceeding 6,000,000 shares of )  
Common Stock of the par value of )  
\$8-1/3 per share. )

Application No. 57998  
(Filed April 14, 1978)

O P I N I O N

Southern California Edison Company (Edison) requests authority to issue and sell not exceeding 6,000,000 shares of its common stock, having a par value of \$8-1/3.

Edison is a California corporation, primarily engaged in the business of generating, purchasing, transmitting, distributing and selling electric energy for light, heat and power in portions of central and southern California. For the year ended December 31, 1977 the utility reported total operating revenues of \$2,064,914,000 and net income of \$251,979,000.

As of December 31, 1977, Edison's uncapitalized construction expenditures total approximately \$773,653,000. Edison indicates that this amount has not been reimbursed from the proceeds of the sale of securities.

Edison is engaged in an extensive construction program and estimates that the gross expenditures required for such construction program during the years 1978 and 1979 will approximate \$1,212,689,000. Exhibit C, attached to the application, sets forth in detail the company's construction program, estimated as of December 15, 1977. Following is a summary of that exhibit:

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Thousands of Dollars

	<u>1978</u>	<u>1979</u>	<u>Total</u>
Electric Generating Plants	\$501,462	\$524,626	\$1,026,088
Electric Transmission Lines and Substations	34,327	41,784	76,111
Electric Distribution Lines and Substations	132,474	143,168	275,642
Other Expenditures	9,921	15,976	25,897
Total	678,184	725,554	1,403,738
Less: Allowance for Funds Used During Construction	82,278	108,771	191,049
Funds Used or Required for Construction Expenditures	<u>\$595,906</u>	<u>\$616,783</u>	<u>\$1,212,689</u>

The Operations Division has reviewed the above program as well as Edison's five-year construction budget and has no objection to the proposed stock issue.

After payment and discharge of obligations incurred for expenses incident to the issuance and sale of stock, Edison proposes to use a portion of the proceeds to reimburse its treasury for moneys expended to retire and discharge (a) \$30,000,000 of its 3-5/8% First and Refunding Mortgage Bonds, Series E, due August 15, 1978, and (b) \$5,500,000 of California Electric Power Company's 3% Series First Mortgage Bonds, due June 1, 1978. Edison plans to use the remaining proceeds to reimburse the treasury for uncapitalized construction expenditures. The amounts so reimbursed will become a part of Edison's general treasury funds and the applicant proposes to use a portion of such general treasury funds to repay all or a portion of its short-term bank borrowings and commercial paper outstanding, which amounted to approximately \$212,100,000 on March 6, 1978.

Edison seeks advance authority to issue and sell the common stock on or before December 29, 1978 for various reasons stated in its application and summarized as follows:

1. The Commission's recent lengthening of the process involved in the acquisition of authorization to issue its securities when coupled with registration procedures imposed by Federal statutes and regulations would require the company to determine the date of issuance of its securities at least ten weeks in advance of any proposed date of issuance.
2. In light of currently depressed and uncertain security market conditions, it would be more prudent to defer the determination of the exact date of issuance of the common stock to a date closer to the anticipated public offering date.
3. By acquiring authority to issue and sell the common stock at any time from the effective date of the Order in this proceeding through December 29, 1978, the company will enhance its financing flexibility by being able to enter the securities market on a timely basis which may result in the sale of the common stock at a relatively favorable price.

Edison's present plans contemplate that the new issue of common stock will be underwritten by a nationwide group of investment banking firms which, under the terms and conditions of a proposed written agreement, will agree to purchase all of the new issue of common stock. A preliminary copy of the underwriting agreement is attached to the application as Exhibit E. The proposed agreement sets forth the terms and conditions by which the purchase price and the initial offering price of the new issue of common stock will be determined. The purchase price per share for the new stock to be paid to the company by the underwriters would be the

initial offering price less a specified amount per share for compensation of the underwriters. The initial offering price would be determined on the basis of reported prices or quotations of the company's outstanding common stock on the New York Stock Exchange immediately prior to such determination. The initial public offering price would not be higher than 25 cents above the reported last sale price or the reported last asked price, whichever is higher and not lower than 25 cents under either such reported last sale price or the reported last bid price, whichever is lower.

Edison's capital ratios as of December 31, 1977 and as adjusted on a pro forma basis are summarized as follows:

<u>Component</u>	<u>December 31, 1977</u>	<u>Pro Forma</u>
Mortgage Bonds	46.6%	45.1%
Convertible Debentures	1.6%	1.5%
Other Long-Term Debt	3.4%	4.4%
Preferred Stock	12.3%	11.9%
Preference Stock	2.4%	2.3%
Common Equity	<u>36.7%</u>	<u>38.8%</u>
Total	<u>100.0%</u>	<u>100.0%</u>

The foregoing pro forma ratios reflect (a) sale of the 6,000,000 shares of common stock proposed herein at an assumed price of \$26.50 per share, providing total proceeds of \$159,000,000,<sup>1/</sup> and (b) the issuance of additional common shares in January and February, 1978 as previously authorized in connection with dividend reinvestment and employee stock ownership plans, and conversions of 5.20% convertible preference stock into common stock.

<sup>1/</sup> Edison's common stock closed at 25-1/8 on May 4, 1978.

Edison's cash requirements for 1978 and 1979, estimated as of March 8, 1978, are as follows:

	(Thousands of Dollars)		
	1978	1979	Total
Funds Used or Required for Construction Expenditures	\$595,906	\$616,783	\$1,212,689
Maturities:			
First and refunding mortgage bonds:			
Series E, due 8/15/78 (3-5/8%)	30,000	-	30,000
Series F, due 8/15/79 (3%)	-	30,000	30,000
First mortgage bonds (California Electric), Series of 3's, due 6/1/78	5,500	-	5,500
Promissory notes (5-1/2%), due 1979	-	5,301	5,301
Short-Term Debt Outstanding as of 12/31/77	<u>135,365</u>	<u>-</u>	<u>135,365</u>
	766,771	652,084	1,418,855
Less: Estimated Cash Available from Internal Sources	<u>381,000</u>	<u>123,000</u>	<u>504,000</u>
Additional New Money Required from Outside Sources	<u>\$385,771</u>	<u>\$529,084</u>	<u>\$ 914,855</u>
To be provided as follows:			
(1) Estimated proceeds from sale of common stock under the Dividend Reinvestment and Stock Purchase Plan authorized by Decision No. 84882, dated September 10, 1975, in Application No. 55870.	\$10,000	\$10,000	\$20,000
(2) Estimated proceeds from sale of common stock under the Employee Stock Purchase Plan authorized by Decision No. 85037, dated October 21, 1975, in Application No. 55963.	14,000	14,000	28,000
(3) Estimated proceeds from sale of common stock under Tax-Reduction Act Stock Ownership Plan authorized by Decision No. 87785, dated August 30, 1977, in Application No. 57478.	4,300	5,400	9,700
(4) Estimated proceeds from sale of 6,000,000 shares of common stock at \$26.50 per share.	159,000	-	159,000
(5) Additional cash requirements.	<u>198,471</u>	<u>499,684</u>	<u>698,155</u>
Total	<u>\$385,771</u>	<u>\$529,084</u>	<u>\$ 914,855</u>

The Finance Division of the Commission's staff has analyzed the above cash requirement forecast, attached to the application as Exhibit D, and determined that internally generated funds will provide 50% of the capital expenditures estimated for 1978 and only 19% of those estimated for 1979. The Finance Division has concluded that the proposed common stock issue will, therefore, be necessary to help meet forecasted cash requirements.

After consideration the Commission finds that:

1. The proposed stock would be for a proper purpose.
2. Edison has need for external funds for the purposes set forth in this proceeding.
3. Edison's request for authority to issue and sell the new issue of common stock on or before December 29, 1978 is reasonable and not adverse to the public interest.
4. The money, property or labor to be procured or paid for by the issue and sale of common stock is reasonably required for the purposes stated herein, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

There is no known opposition and no reason to delay granting the authority requested. 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 Edison 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 the amounts to be included in proceedings for the determination of just and reasonable rates.

ORDER

IT IS ORDERED that:

1. Southern California Edison Company, on or after the effective date hereof and on or before December 29, 1978, may issue, sell and deliver, in accordance with terms and provisions consistent with the application, not exceeding 6,000,000 shares of its common stock of the par value of \$8-1/3 per share at the initial public offering price less an underwriting discount, each to be determined as provided in an Underwriting Agreement in substantially the form attached to the application as Exhibit E.
2. Southern California Edison Company shall use the net proceeds from the sale of common stock herein authorized for the purposes set forth in the application.
3. Promptly after Southern California Edison Company ascertains the underwriting commission and the price to be paid to the company for the common stock herein authorized, the company shall notify the Commission of each in writing.
4. As soon as available, Southern California Edison Company shall file with the Commission three copies of its final Prospectus pertaining to the common stock herein authorized.
5. Southern California Edison Company shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

6. 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 \$67,750.

Dated at San Francisco, California, this 31st day of MAY, 1978.

*[Faint, mostly illegible text from the order body]*

*William J. ...*  
*Vernon S. ...*  
*Richard ...*

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.

