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Decision No. _____

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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California)
 Edison Company to issue and sell)
 not exceeding 550,000 shares of)
 \$100 Cumulative Preferred Stock,)
 8.70% Series A (par value \$100 per)
 share).)

Application No. 58668
(Filed February 13, 1979)

O P I N I O N

By this application Southern California Edison Company (Edison) requests authority to issue and sell 550,000 shares of a new series of its \$100 Cumulative Preferred Stock to be designated the 8.70% Series A.

Edison requests this authority pursuant to Sections 816 through 818 of the California Public Utilities Code. Notice of the filing of the application was published on the Commission's Calendar of February 15, 1979.

Edison is a corporation organized under the laws of the State of California and, as a public utility subject to the jurisdiction of this Commission, is engaged principally in the business of providing electric service to portions of southern and central California.

Applicant is engaged in a continuing extensive construction program which requires funding at this time. The utility would use the net proceeds from the sale of stock to reimburse its treasury, in part, for capital expenditures. Edison proposes to use its general treasury funds to repay a portion of its short-term bank borrowings, commercial paper or banker's acceptances expected to aggregate approximately \$150,000,000 at the time of such reimbursement.

The proposed new series of Cumulative Preferred Stock is to be issued and sold by private placement to a group of institu-

tional investors. The terms and conditions of the sale will be pursuant to a written purchase agreement between Edison and each of the purchasers. Applicant anticipates that it will negotiate with the prospective purchasers regarding the rights, preferences and privileges, and the terms and conditions of the purchase and sale of the new stock. The utility believes that the terms and conditions of the proposed purchase agreement will be in the form, or substantially in the same form as found and marked Exhibit "E" attached to the application, and is summarized as follows:

- (a) Optional redemption price - \$110.00 per share if redeemed on or prior to June 30, 1989; and during each succeeding 12-month period prior to June 30, 2,000 at decreasing prices (\$104.56 to \$100.41) per share and on that date or thereafter at \$100.00 per share.
- (b) Nonrefundable prior to July 1, 1984, if such redemption is part of or in anticipation of any refunding operation involving the application of borrowed funds or the proceeds of an issue of any stock ranking prior to or on a parity with the shares of stock to be issued, as to payment of dividends or liquidation preferences, if such borrowed funds have an effective interest rate or cost to Edison, or such stock has an effective dividend rate or cost to Edison, less than the dividend rate per year of 8.70%.
- (c) Mandatory redemption of the stock from the operation of a sinking fund at the price of \$100 per share together with an amount equal to all accumulated and unpaid dividends. Redemption is to commence on June 30, 1985, and continue each year in accordance with the following schedule which shows by year the percentage of the shares to be redeemed.

<u>Years</u>	<u>Percentages of Total Shares Issued</u>
1985 - 1994	2.5% per year
1995 - 1999	5.5% per year
2000 and thereafter	9.5% per year

Edison may also, at its option, provide for the redemption of additional shares through the operation of the sinking fund in any of the years listed above, provided that such optional redemptions shall be noncumulative and will not exceed 40 percent of the stock originally issued.

Edison states that it believes the provisions contained in the purchase agreements attached to its application as Exhibit "E" will be required in order to secure commitments from the purchasers of the stock and are in fact comparable to provisions contained in similar private placements with institutional investors being negotiated by other utilities at this time.

Applicant has reviewed four recent private placements and eight recent public offerings of preferred stock by other utilities, and believes that the 8.70% dividend rate, the sinking fund provisions, the call protection and the 18.5 year average life of the proposed new stock compares favorably with these prior offerings.

The investment bankers fee associated with this offering would be approximately \$165,000 or 0.3%. Applicant believes that this fee compares favorably with those paid by other utilities in recent private placements and public offerings of preferred stock, and is at a comparable level with the fee paid by Applicant in connection with the private placement of preferred stock in November, 1977.

Applicant is informed and believes that it is customary in connection with the private placement of securities for the issuer to pay, and Edison contemplates paying the expenses of the purchasers reasonably incurred in connection with the sale of the new stock, including reasonable fees and disbursement costs of special counsel for the purchasers, the amount of which is not currently ascertainable.

Edison's capital ratios, as of December 31, 1978, and as adjusted for the effect of the proposed issue of preferred stock are as follows:

	<u>December 31, 1978</u>	<u>Pro Forma</u>
Mortgage Bonds	46.0%	45.5%
Convertible Debentures	1.4	1.4
Other Long-Term Debt	0.4	0.4
Preferred Stock	11.4	12.3
Preference Stock	1.9	1.9
Common Equity	<u>38.9</u>	<u>38.5</u>
Total	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>

As of December 31, 1978, Edison's uncapitalized construction amounted to approximately \$1,029,971,000, which has not been reimbursed from the proceeds of the sale of securities.

Edison in its extensive construction program, estimates that the gross expenditures required during the years 1979 and 1980 will approximate \$1,282,976,000. Details of this construction program have been approved by Edison's Board of Directors and a copy of which is attached to the application, marked Exhibit "C" and is summarized as follows:

	(Thousands of Dollars)		
	<u>1979</u>	<u>1980</u>	<u>Total</u>
Electric Generating Plants	\$ 571,517	\$ 527,044	\$1,098,561
Electric Transmission Lines and Substations	45,251	85,832	131,083
Electric Distribution Lines and Substations	141,298	143,545	284,843
Other Expenditures	<u>20,671</u>	<u>17,818</u>	<u>38,489</u>
Total	\$ 778,737	\$ 774,239	\$1,552,976
Less: Allowance for Funds Used During Construction	<u>119,000</u>	<u>151,000</u>	<u>270,000</u>
Funds Used/Required for Construction Expenditures	<u><u>\$ 659,737</u></u>	<u><u>\$ 623,239</u></u>	<u><u>\$1,282,976-</u></u>

The Operations Division of the Commission staff has reviewed Edison's construction budget and has no objection to the proposed security issue. The Division reserves the right, however, to consider the reasonableness of construction expenditures in future rate proceedings.

The Finance Division has concluded that the proposed preferred stock issue will be necessary to help meet Edison's cash requirements.

After consideration the Commission finds that:

1. The proposed stock would be for proper purposes.
2. Edison has need for external funds for the purposes set forth in this proceeding.
3. The proposed redemption restriction is reasonable.
4. The money, property or labor to be procured or paid for by the stock herein authorized is reasonably required for the purposes specified herein, which purposes are not, in whole or 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 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.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company on or after the effective date hereof and on or before June 30, 1979, may issue, sell and deliver not exceeding 550,000 shares of its \$100 cumulative preferred stock, 8.70% Series A, of the par value of \$100 per share

at the price of \$100, plus accrued dividends, if any, upon substantially the terms and conditions set forth in the application.

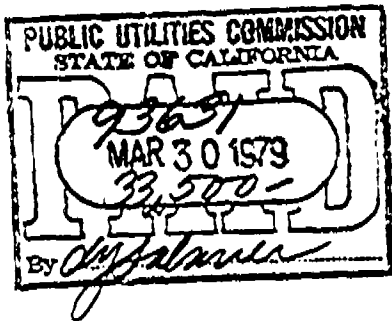
2. Southern California Edison Company shall apply the net proceeds from the sale of said stock to the purposes set forth in the application.

3. 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.

4. The authority granted by this order shall become effective upon the date Applicant pays the fee prescribed by Section 1904.1 of the California Public Utilities Code, which fee is \$33,500.

Dated in San Francisco, California this 27th day of MARCH, 1979.

John E. Byron
President
William L. Sturgeon



Richard D. Gravelle
Commissioners

Commissioner Richard D. Gravelle, being necessarily absent, did not participate in the disposition of this proceeding.