

mcm

Decision No. 90710 AUG 28 1979**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
SOUTHERN CALIFORNIA EDISON COMPANY,)	
a corporation, for authority to issue)	Application No. 58994
and sell not exceeding 750,000 shares)	(Filed July 11, 1979)
of \$100 Cumulative Preferred Stock,)	
\$100 Par Value.)	

O P I N I O N

Southern California Edison Company (Edison) requests authority, pursuant to Sections 816 through 818 of the Public Utilities Code, to issue and sell not exceeding 750,000 shares of its Cumulative Preferred Stock, having a par value of \$100 per share. Notice of the filing of the application appeared on the Commission's Daily Calendar of July 18, 1979.

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.

As of March 31, 1979, Edison's uncapitalized construction expenditures amounted to approximately \$1,120,870,000. Edison would use the proceeds from the sale of the preferred stock to reimburse its treasury, in part, for these uncapitalized construction expenditures. Edison proposes to repay, from such general treasury funds, a portion of its outstanding short-term borrowings, which are expected to aggregate approximately \$250,000,000 at the time of repayment.

Edison's capital ratios as of March 31, 1979, and as adjusted to give effect to (a) the proposed preferred stock issue; (b) the sale of 525,000 shares of \$100 Cumulative Preferred Stock,

8.70% Series A on April 25, 1979;^{1/} (c) the issuance of \$105,000,000 principal amount of First and Refunding Mortgage Bonds, Series KK, Due 2004 on June 29, 1979;^{2/} and (d) the issuance of additional common shares in April, May and June 1979 as previously authorized in connection with the dividend reinvestment, employee stock purchase and employee stock ownership plans, and conversions of 5.20% convertible preference stock into common stock are as follows:

	<u>March 31, 1979</u>	<u>Pro Forma</u>
Mortgage bonds	45.7%	45.5%
Convertible debentures	1.4	1.3
Other long-term debt	<u>0.3</u>	<u>0.3</u>
Total long-term debt	47.4	47.1
Preferred stock	11.3	13.1
Preference stock	1.8	1.7
Common stock equity	<u>39.5</u>	<u>38.1</u>
Total	<u>100.0%</u>	<u>100.0%</u>

Edison's construction expenditure for the years 1979 and 1980 will approximate \$1,281,970,000. Details of this construction program, estimated as of April 19, 1979, are as follows:

	(Thousands of Dollars)		
	<u>1979</u>	<u>1980</u>	<u>Total</u>
Electric Generating Plants	\$557,080	\$546,574	\$1,103,654
Electric Transmission Lines and Substations	52,673	77,438	130,111
Electric Distribution Lines and Substations	143,995	147,640	291,635
Other Expenditures	<u>21,920</u>	<u>17,650</u>	<u>39,570</u>
Total	775,668	789,302	1,564,970
Less: Allowances for Funds Used During Construction	<u>123,000</u>	<u>160,000</u>	<u>283,000</u>
Funds Used or Required for Construction Expenditure	<u>\$652,668</u>	<u>\$629,302</u>	<u>\$1,281,970</u>

^{1/} Authorized by Decision No. 90103, dated March 27, 1979, in Application No. 58668.

^{2/} Authorized by Decision No. 90438, dated June 19, 1979, in Application No. 58832.

The staff of the Commission's Revenue Requirements Division has reviewed Edison's 1979 and 1980 construction program, which is attached as Exhibit "C" to the application, and has no objection to the proposed preferred stock issue.

Edison's cash requirements for 1979 and 1980, estimated as of June 8, 1979, are as follows:

	(Thousands of Dollars)		
	1979	1980	Total
Funds Used or Required for Construction Expenditures	\$652,668	\$629,302	\$1,281,970
Maturities:			
First and refunding mortgage bonds: Series F, due 8/15/79 (3%)	30,000	- -	30,000
First mortgage bonds (Cal-Electric) Series of 2-7/8, due 6/1/80	- -	6,000	6,000
Convertible debentures due 8/15/80, (3-1/8%)	- -	74,902	74,902
5-1/2% Promissory Notes	3,737	3,642	7,379
Short-Term Debt (Temporary Investments) Outstanding as of Beginning of Year	<u>(61,000)</u>	<u>- -</u>	<u>(61,000)</u>
	625,405	713,846	1,339,251
Less: Estimated Cash Available from Internal Sources	<u>80,600</u>	<u>43,000</u>	<u>123,600</u>
Additional New Money Required from Outside Sources	<u>\$544,805</u>	<u>\$670,846</u>	<u>\$1,215,651</u>

(Thousands of Dollars)

	1979	1980	Total
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. 89463, dated October 3, 1978, in Application No. 58268.	\$ 23,700	\$ 26,070	\$ 49,770
(2) Estimated proceeds from sale of common stock under the Employee Stock Purchase Plan authorized by Decision No. 90059, dated March 13, 1979, in Application No. 58606.	22,600	24,860	47,460
(3) Estimated proceeds from sale of common stock under the Tax Reduction Act Employee Stock Ownership Plan authorized by Decision No. 87785 dated August 30, 1977, in Application No. 57478.	184	5,000	5,184
(4) Proceeds from sale of 525,000 shares of \$100 Cumulative Preferred Stock, 8.70% Series A authorized by Decision No. 90103, dated March 27, 1979, in Application No. 58668.	52,300	--	52,300
(5) Estimated Proceeds from sale of First and Refunding Mortgage Bonds, Series KK authorized by Decision No. 90438, dated June 19, 1979, in Application No. 58832	105,000	--	105,000
(6) Estimated Proceeds from sale of Cumulative Preferred Stock, 9.00% Series	75,000	--	75,000
(7) Additional Cash requirements	<u>266,021</u>	<u>614,916</u>	<u>880,937</u>
	<u>\$544,805</u>	<u>\$670,846</u>	<u>\$1,215,651</u>

The Revenue Requirements Division of the Commission staff has analyzed the cash requirement forecast attached to Edison's application as Exhibit "D", and determined that internally generated funds will provide only 13% of the capital expenditures estimated for 1979 and 6% for those estimated in 1980. The Revenue Requirements Division has concluded that the proposed preferred stock issue will therefore be necessary to help Edison meet its forecasted cash requirements.

The new stock issue would consist of not exceeding 750,000 shares of \$100 par value preferred stock. The offering would be underwritten by a nationwide group of investment banking firms represented by The First Boston Corporation and Merrill Lynch, Pierce, Fenner & Smith Incorporated. Negotiations would include the underwriters' compensation, the final form of the Underwriting Agreement, the price, the dividend rate, the redemption provisions, the voluntary liquidation provisions, and the sinking fund provisions, if any. The utility anticipates restrictions upon redemption prior to September 30, 1984.

Findings of Fact

1. Southern California Edison Company is a California Corporation operating under the jurisdiction of this Commission.
2. Southern California Edison has need for external funds for the purposes set forth in the application.
3. The proposed stock issue is for proper purposes.
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.
5. There is no known opposition and no reason to delay granting the application.

Conclusions 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.

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 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.

Edison is hereby placed on further notice that if the Commission should believe the negotiated price, dividend rate, underwriters' compensation, redemption and sinking fund provisions would result in excessive effective costs, it would take into consideration in future rate proceedings only that which it deems reasonable.

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, in accordance with terms and provisions consistent with the application, not exceeding 750,000 shares of its \$100 par value Cumulative Preferred Stock at a price of not less than the par value thereof.
2. Southern California Edison Company shall apply the net proceeds from the sale of said stock to the purpose set forth in the application.
3. Promptly after Southern California Edison Company ascertains the price, dividend rate, underwriters' compensation, redemption provisions, and sinking fund provisions pertaining to the preferred 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 said stock.

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 \$43,500.

Dated at San Francisco, California this 28th day of AUGUST, 1979.

John E. Cooper
President
Richard D. ...
Lionel M. ...
Commissioners

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

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
PAID
96000
AUG 28 1979
43,500.
By *[Signature]*