

Decision No. 91198 JAN 8 - 1980**ORIGINAL**

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)	Application No. 59295
Stock Ownership Plan not exceeding)	(Filed November 23, 1979)
2,000,000 shares of Common Stock)	
of the par value of \$8-1/3 per share.))	

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 2,000,000 additional shares of its \$8-1/3 par value common stock in accordance with its Employee Stock Ownership Plan and Trust Agreement (Plan) amended and attached to the application as Exhibit "E". Notice of the filing of the application appeared on the Commission's Daily Calendar of November 27, 1979.

Edison is a California corporation primarily engaged in the business of generating, purchasing, transmitting, distributing and selling energy for light, heat and power in portions of Central and Southern California as a public utility subject to the jurisdiction of this Commission. For the twelve-month period ending September 30, 1979, the utility reported total operating revenues of \$2,455,624,000 and net income of \$339,137,000.

By Decision No. 87785, dated August 30, 1977, in Application No. 57478 as amended, Edison was authorized to issue and sell 1,000,000 shares of its common stock under Edison's former, non-contributory plan funded solely through the utilization of an investment tax credit authorized by the Internal Revenue Code for the funding of employee stock ownership plans. The present application adds a feature to the Employee Stock Ownership Plan whereby eligible

employees of Edison (Participants) may elect to contribute to the proposed Plan. These contributions are to be matched by funds from an additional investment tax credit. All Participants' and Edison's contributions to the proposed Plan will be used to purchase Edison's common stock. Dividends on these stocks will, in turn, be utilized to purchase additional common stock. Stock in any Participant's account cannot be withdrawn until the Participant retires, dies, becomes disabled, or otherwise terminates employment with Edison.

Within 30 days after filing its federal income tax return on which the investment tax credit is allowed, Edison will issue common stock to the Trust equal to the amount of the investment tax credit utilized for purposes of funding the Plan. The prescribed price for the shares purchased with Edison contributions is the average of the closing prices of the common stock as reported on the New York Stock Exchange for the 20 consecutive trading days immediately preceding the date of transfer of the common stock.

Employee contributions are transferred to the Trustee on a monthly basis. As of the end of each calendar quarter, the Trustee will use the employee contributions, which it holds, to purchase common stock from Edison at a value equal to the average closing price as reported for the New York Stock Exchange composite quotations as published in any newspaper of general circulation in the State of California for the five consecutive trading days preceding the end of the calendar quarter. Purchases of Edison's common stock may also be made on the open market if it is unavailable from the utility. Such quarterly purchases of Edison's common stock shall also include any interest paid on funds held by the Trustee and any dividends paid during the quarter on common stock previously issued to the Trustee.

As of September 30, 1979, uncapitalized construction expenditures totaled \$1,097,050,000. Edison plans to use the net proceeds, after payments in discharge of obligations incurred for expenses incidental to the sale of the common stock from funds derived

from the investment tax credit claimed under Section 46(a)(2)(B)(1) of the Internal Revenue Code, to reimburse its treasury for capital expenditures. Edison 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.

Edison is engaged in an extensive construction program and estimates that the gross expenditures required for its construction program during the years 1980 and 1981 will approximate \$1,258,787,000. Exhibit C, attached to the application, sets forth in detail Edison's construction program, estimated as of October 18, 1979. Following is a summary of that exhibit:

	<u>(Thousands of Dollars)</u>		
	<u>1980</u>	<u>1981</u>	<u>Total</u>
Electric Generating Plants	\$619,418	\$415,124	\$1,034,542
Electric Transmission Lines and Substations	65,400	104,395	169,795
Electric Distributions Lines and Substations	148,968	156,100	305,068
Other Expenditures	<u>20,291</u>	<u>7,091</u>	<u>27,382</u>
Total	\$854,077	\$682,710	\$1,536,787
Less: Allowance for Funds Used During Construction	<u>160,000</u>	<u>118,000</u>	<u>278,000</u>
Funds Used or Required for Construction Expenditures	<u>\$694,077</u>	<u>\$564,710</u>	<u>\$1,258,787</u>

The staff of the Commission's Revenue Requirements Division has reviewed the above program, believes that the estimated construction expenditures are reasonable, and has no objection to the proposed common stock issue. The Division reserves the right, however, to reconsider the reasonableness of any construction expenditures in future rate proceedings.

After payment and discharge of obligations incurred for expenses incidental to the issuance and sale of Edison's common stock, Edison proposes to use the proceeds to reimburse its treasury for moneys expended from income or from other moneys in Edison's treasury not secured by or obtained from the issue of common stocks or common stock certificates or other evidence 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 amounts so reimbursed will become a part of Edison's general treasury funds.

Edison's capital ratios as of September 30, 1979, and as adjusted to give effect to (a) the proposed issuance of 2,000,000 shares of common stock under the Edison's Employee Stock Ownership Plan at an assumed price of \$25 per share, estimated to produce proceeds of \$50,000,000; (b) the sale of \$200,000,000 of First and Refunding Mortgage Bonds, Series MM, Due 2004, on October 18, 1979^{1/}; (c) the sale of 190,015 shares of common stock issued on October 1, 1979, under Edison's Employee Stock Purchase Plan^{2/}; (d) the sale of 361,372 and 8,081 shares of common stock issued on November 16, 1979, under Edison's Dividend Reinvestment and Stock Purchase Plan^{3/} and Employee Stock Ownership Plan^{4/}, respectively; (e) the conversion of 17,151 shares of 5.20% Preference Stock to 12,604 shares of common stock; (f) and the proposed sale of 7,000,000 shares of the common stock at an assumed price of \$25 per share assuming proceeds of \$175,000,000^{5/} are listed below:

1/ Decision No. 90793, dated September 12, 1979 in Application No. 59048.

2/ Decision No. 90059, dated March 13, 1979, in Application No. 58606.

3/ Decision No. 89463, dated October 3, 1978, in Application No. 58268.

4/ Decision No. 87785, dated August 30, 1977, in Application No. 57478.

5/ Subject of Application No. 59297, filed November 23, 1979, currently before the Commission for decision.

Mortgage Bonds	44.3%	44.3%
Convertible Debentures	1.3	1.2
Other Long-Term Debt	1.2	1.1
Total Long-Term Debt	<u>46.8</u>	<u>46.6</u>
Preferred Stock	12.9	11.9
Preference Stock	1.6	1.5
Common Stock Equity	38.7	40.0
Total	<u>100.0%</u>	<u>100.0%</u>

Edison's cash requirements for 1980 and 1981, estimated as of November 9, 1979, are as follows: (Thousands of Dollars)

	<u>1980</u>	<u>1981</u>	<u>Total</u>
Funds Used or Required for Construction Expenditures	\$694,077	\$564,710	\$1,258,787
Maturities of Long-Term Debt:			
First and Refunding Mortgage Bonds:			
Series G, Due 4/15/81	-	40,000	40,000
Series EE, Due 11/1/81	-	100,000	100,000
First Mortgage Bonds (CEP):			
Series of 2-7/8, Due 6/1/80	6,000	-	6,000
Convertible Debentures, Due 8/15/80	74,902	-	74,902
5-1/2% Promissory Notes	<u>3,642</u>	<u>3,548</u>	<u>7,190</u>
	<u>778,621</u>	<u>708,258</u>	<u>1,486,879</u>
Less: Estimated Cash Available for Internal Sources	<u>184,000</u>	<u>75,000</u>	<u>259,000</u>
Additional New Funds Required from Outside Sources	<u>\$594,621</u>	<u>\$633,258</u>	<u>\$1,227,879</u>
To Be Provided as Follows:			
1) Estimated proceeds from sale of common stock under:			
Dividend Reinvestment and Stock Purchase Plan authorized by Decision No. 89463, dated October 3, 1978, in Application No. 58268	35,000	35,000	70,000
Employee Stock Purchase Plan authorized by Decision No. 90059, dated March 31, 1979, in Application No. 58606	22,000	22,000	44,000
Employee Stock Ownership Plan authorized by Decision No. 87785, dated August 30, 1977 in Application No. 57478	864	-	864
2) Proceeds from sale of First and Refunding Mortgage Bonds, Series II 1/	50,000	-	50,000
3) Estimated proceeds from sale of 7,000,000 shares of common stock 2/	175,000	-	175,000
4) Additional cash requirements	<u>311,757</u>	<u>576,258</u>	<u>888,015</u>
Total	<u>\$594,621</u>	<u>\$633,258</u>	<u>\$1,227,879</u>

See next page for footnotes:
1/ and 2/

The Revenue Requirements Division of the Commission's staff has analyzed the above cash requirement forecast attached to the application as Exhibit "D" and has determined that internally generated funds will provide only 24 percent of the capital expenditures estimated for 1980 and 11 percent of those estimated for 1981. The Division has concluded that the issue of common stock under the proposed Plan will be necessary to help meet forecasted cash requirements.

Findings of Fact

1. Edison is a California corporation operating under the jurisdiction of this Commission.
2. The proposed common stock would be for a proper purpose.
3. Edison has need for external funds for the purpose set forth in this proceeding.
4. The Plan as amended, fulfills the purposes of Decision No. 87785, authorizing the issuance and sale of 1,000,000 shares of stock under Edison's former Plan.
5. The Plan would not be adverse to the public interest.
6. 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.
7. There is no known opposition and no reason to delay granting the application.

1/ Decision No. 90791, dated September 13, 1979 in Application No. 59009.

2/ Subject of Application No. 59297, filed November 13, 1979, which is currently before the Commission for decision.

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 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 Edison'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 2,000,000 shares of its common stock of 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 as amended and attached to the application as Exhibit "E".

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

3. Southern California Edison Company's authorization under Decision No. 87785, dated August 30, 1977, in Application No. 57478 as amended for the issuance and sale of common stock under its Employee Stock Ownership Plan, continues to be effective as to the issuance and sale of its common stock at the prices and in the manner substantially as set forth in this application.

4. 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, 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.

5. 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 \$51,000.00.

Dated JAN 8 - 1960, at San Francisco, California.

John E. Gynn
President
James L. St. Pierre
Hubert D. Howell
Charles T. Phipps
James D. Green
Commissioners

