

ORIGINAL

Decision No. 91199 JAN 8 - 1980

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN CALIFORNIA
EDISON COMPANY to issue and sell
not exceeding 7,000,000 shares of
Common Stock of the par value of
\$8-1/3 per share.

Application No. 59297
(Filed November 23, 1979)

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 7,000,000 shares of its common stock having a par value of \$8-1/3 per share. Notice of the filing of the application was published 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 electric energy 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.

Edison seeks authority (a) to issue and sell 7,000,000 shares of common stock and (b) to issue and sell any number of shares below that amount if it seems advisable to do so in light of market conditions at the time of such issuance and sale. 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 underwriting agreement, will agree to purchase the new shares of common stock. A proposed form of this underwriting agreement is attached to the application

as Exhibit "E". The proposed agreement describes in substance the terms and conditions by which Edison currently contemplates the purchase price and the initial offering price of the new shares 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 an agreed upon amount per share for compensation of the underwriters. The initial offering price would be determined on the basis of reported prices or quotations of Edison'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.

As of September 30, 1979, Edison's uncapitalized construction expenditures amounted to approximately \$1,097,050,000. 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 1980 and 1981 will approximate \$1,258,787,000. Exhibit "C", attached to the application, sets forth in detail the company'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 Plans	\$619,418	\$415,124	\$1,034,542
Electric Transmission Lines and Substations	65,400	104,395	169,795
Electric Distribution Lines and Substations	148,968	156,100	305,068
Other Expenditures	<u>20,291</u>	<u>7,091</u>	<u>27,382</u>
Total	\$845,077	\$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 Edison's 1980 and 1981 construction program, which is attached as Exhibit "C" to the application, and believes that the estimated construction expenditures are reasonable and has no objection to the proposed issue of common stock. 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 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, 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, commercial paper and bankers' acceptances that are expected to aggregate approximately \$205,000,000 at the time of such repayment.

Edison's capital ratios as of September 30, 1979, and as adjusted to give effect to (a) the proposed sale of 7,000,000 shares of the new common stock at an assumed price of \$25 per share;

(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 the company'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; and (f) the proposed issuance of 2,000,000 shares of common stock under Edison's Employee Stock Ownership Plan;^{5/} are as listed below:

	<u>September 30, 1979</u>	<u>Pro Forma</u>
Mortgage Bonds	44.3%	44.3%
Convertible Debentures	1.3	1.2
Other Long-Term Debt	<u>1.2</u>	<u>1.1</u>
Total Long-Term Debt	46.8%	46.6%
Preferred Stock	12.9	11.9
Preference Stock	1.6	1.5
Common Stock Equity	<u>38.7</u>	<u>40.0</u>
Total	<u>100.0%</u>	<u>100.0%</u>

^{1/} Authorized by Decision No. 90793, dated September 12, 1979, in Application No. 59048.

^{2/} Authorized by Decision No. 90059, dated March 13, 1979, in Application No. 58606.

^{3/} Authorized by Decision No. 89463, dated October 3, 1978, in Application 58268.

^{4/} Authorized by Decision No. 87785, dated August 30, 1977, in Application No. 57478.

^{5/} Subject of Application No. 59295, filed November 23, 1979, currently before the Commission for decision.

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

	<u>(Thousands of Dollars)</u>		
	<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>
	778,621	708,258	1,486,879
Less: Estimated Cash Available from 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
Tax Reduction Act 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 Series LL 1/	50,000	-	50,000
3) Estimated proceeds from sale of 7,000,000 shares of common stock	175,000	-	175,000
4) Additional cash requirements	<u>311,757</u>	<u>576,258</u>	<u>888,015</u>
	<u>\$594,621</u>	<u>\$633,258</u>	<u>\$1,227,879</u>

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

The Revenue Requirements 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 24% of the capital expenditures estimated for 1980 and only 11% of those estimated for 1981. The Revenue Requirements Division has concluded that the proposed common stock issue will, therefore, 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 stock would be for proper purposes.
3. Edison has need for external funds for the purposes set forth in the application.
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 specified in the application, which purposes are 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 authority requested.

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 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.

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, 1980, may issue, sell and deliver, in accordance with terms and provisions consistent with the application, not exceeding 7,000,000 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.

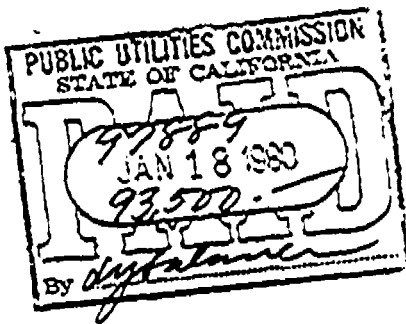
3. Promptly after Southern California Edison Company ascertains the underwriting commission and the price to be paid to the company for the common stock herein authorized, the company shall notify the Commission of each in writing.

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(b) of the Public Utilities Code, which fee is \$93,500.

Dated JAN 8 - 1980, at San Francisco, California.



John E. Gurnea President
William L. Peterson
Richard D. Howard
Charles J. DeLoach
Donald J. Dennis Commissioners