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Decision No. 92026 JUL 15 1980

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

Application of SOUTHERN CALIFORNIA EDISON COMPANY, to issue and sell in one or more series an aggregate amount of not to exceed \$125,000,000, par or stated value, of not to exceed 1,250,000 shares of \$100 Cumulative Preferred Stock, \$100 Par Value, 5,000,000 shares of Cumulative Preferred Stock, \$25 Par Value, 1,250,000 shares of \$100 Preference Stock, \$100 Par Value, 5,000,000 shares of Preference Stock, \$25 Par Value or any combination thereof.

Application No. 59712 (Filed June 9, 1980)

O P I N I O N

Southern California Edison Company (Edison) seeks authority to (a) issue, sell and deliver one or more series of an aggregate amount not to exceed \$125,000,000, par or stated value, of preferred and/or preference stock consisting of not to exceed either 1,250,000 shares of Edison's \$100 Cumulative Preferred Stock, of the par value of \$100 per share, 5,000,000 shares of Edison's Cumulative Preferred Stock, of the par value of \$25 per share, 1,250,000 shares of Edison's \$100 Preference Stock, of the par value of \$100 per share, 5,000,000 shares of Edison's Preference Stock, of the par value of \$25 per share, or any combination thereof, (collectively, the New Stock); and (b) to use the net proceeds from the sale of the New Stock to reimburse its treasury for capital expenditures.

Edison requests this authority pursuant to Sections 816, 817, 818 and 851 of the Public Utilities Code. Notice of the filing of the application appeared on the Commission's Daily Calendar of June 10, 1980. The Commission has not received any protests in the proceeding.

Edison is a corporation organized and existing under the laws of the State of California, and is 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 a public utility subject to the jurisdiction of the Commission. For the twelve months ended March 31, 1980, the utility reported total operating revenues of \$2,765,187,000 and net income of \$344,227,000.

Edison proposes to issue and sell the New Stock through either a negotiated private or public offering or offerings. Edison also proposes to issue one or more series of the New Stock at such time or times as Edison deems appropriate, if it would be in Edison's best interests and that of its ratepayers to negotiate more than one offering.

Edison, as of the date hereof, has not entered into any contract or contracts for the purchase and sale of the New Stock. Edison envisions that a private offering or offerings would involve entering into purchase agreement(s) for the sale of the New Stock with institutional purchaser(s) (Purchasers). The purchase agreement(s) would set forth the terms and the structure of the issuance and sale of the New Stock.

Edison contemplates that a public offering or offerings of the New Stock would be underwritten by a nationwide group(s) of investment banking firms (Underwriters) who, under the terms and conditions of an agreement(s) with Edison, would agree to purchase all of the shares of the New Stock. Included in the terms which would be negotiated are: (a) the amount of compensation for the Underwriters' commitments and services in connection with the issuance and sale of the New Stock; (b) the form of the underwriting agreement; and (c) the purchase price to be paid by the Underwriters for the purchase of the New Stock.

Edison proposes that the offering or each offering of the New Stock will bear such terms and conditions as shall be approved by its Board of Directors at or immediately prior to the date or dates of their negotiation in light of market conditions that may

exist at that time or times. The rights, preferences and privileges applicable to the New Stock would be fixed by resolution(s) of Edison's Board of Directors, and a certificate of determination of preferences (Certificate) or Certificates which include the content of such resolution(s) would be filed with the California Secretary of State.

Because of recent unstable market conditions, Edison does not believe that it is in its best interest or in the best interest of its ratepayers to determine the definitive terms of the New Stock at this time. Therefore, Edison proposes to offer, issue and sell the New Stock at one or more offerings with terms and conditions which will provide for: (a) a restrictive redemption provision, if any, which will reflect the requirements of the then existing preferred or preference stock market; (b) a dividend rate based upon market conditions existing at the time of negotiation of the terms; (c) a sinking fund provision, if any, providing for an average life of not less than 7 years; and (d) such other provisions as Edison shall deem appropriate in connection with its issuance and sale of the New Stock that are not inconsistent with its Articles of Incorporation.

Edison reports that its unreimursed capital expenditures as of March 31, 1980 were approximately \$841,565,000 and that its gross expenditures for its construction program for the years 1980 and 1981 will approximate \$1,555,866,000. After payment and discharge of obligations incurred for expenses related to issuance and sale of the New Stock, Edison proposes to use the net proceeds to reimburse its treasury for capital expenditures.

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Edison's capital ratios as of March 31, 1980, and as adjusted to give effect to: (a) the proposed issuance of the New Stock; (b) the sale of 242,770 shares of Common Stock issued under Edison's Employee Stock Purchase Plan on April 1, 1980;^{1/} (c) the sale of 388,925 shares of Common Stock issued under Edison's Dividend Reinvestment and Stock Purchase Plan on May 1, 1980;^{2/} (d) the sale of 18,240 shares of Common Stock issued under Edison's Employee Stock Ownership Plan on May 1, 1980;^{3/} (e) the issuance of 19,485 shares of Common Stock due to conversion of 25,380 shares of Preference Stock, 5.20% Convertible Series between March 31, 1980 and May 21, 1980; and (f) the sale of \$200,000,000 First and Refunding Mortgage Bonds, Series NN, Due 2005 on April 9, 1980;^{4/} are as follows:

	<u>March 31, 1980</u>	<u>Pro Forma</u>
Mortgage Bonds	44.4%	45.1%
Convertible Debentures	1.2	1.2
Other Long-Term Debt	<u>1.0</u>	<u>1.0</u>
Total Long-Term Debt	46.6	47.3
Preferred and Preference Stock	13.4	14.6
Common Stock Equity	<u>40.0</u>	<u>38.1</u>
Total	<u>100.0%</u>	<u>100.0%</u>

^{1/} Authorized by Decision No. 90059, dated March 13, 1979, in Application No. 58606.

^{2/} Authorized by Decision No. 89463, dated October 3, 1978, in Application No. 59268.

^{3/} Authorized by Decisions Nos. 87885 and 91198, dated August 30, 1977 and January 8, 1980, in Applications Nos. 57478 and 59295, respectively.

^{4/} Authorized by Decision No. 91383, dated March 4, 1980, in Application No. 59386.

Edison's construction expenditures for the years 1980 and 1981 will approximate \$1,555,866,000. Exhibit C, attached to the application, sets forth in detail Edison's construction program, estimated as of April 17, 1980. The following is a summary of that exhibit:

	(Thousands of Dollars)		
	<u>1980</u>	<u>1981</u>	<u>Total</u>
Electric Generating Plants	\$600,596	\$ 773,613	\$1,374,209
Electric Transmission Lines and Substations	75,277	107,934	183,211
Electric Distribution Lines and Substations	185,247	173,029	358,276
Other Expenditures	<u>31,386</u>	<u>13,784</u>	<u>45,170</u>
Total	\$892,506	\$1,068,360	\$1,960,866
Less: Allowance for Funds Used During Construction	<u>169,000</u>	<u>236,000</u>	<u>405,000</u>
Funds Used or Required for Construction Expenditures	<u>\$723,506</u>	<u>\$ 832,360</u>	<u>\$1,555,866</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 security issue specified in the application. The Division reserves the right, however, to reconsider the reasonableness of any construction expenditures in future rate proceedings.

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Edison's cash requirements for 1980 and 1981, estimated as of May 27, 1980, are as follows:

	<u>1980</u>	<u>1981</u>	<u>Total</u>
Funds Used or Required for Construction Expenditures	\$ 723,506	\$832,360	\$1,555,866
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	3,642	3,548	7,190
Short-Term Debt Outstanding as of Beginning-of-Year	<u>204,180</u>	<u>-</u>	<u>204,180</u>
	<u>\$1,012,230</u>	<u>\$975,908</u>	<u>\$1,988,138</u>
Less: Estimated Cash Available from Internal Sources	<u>126,000</u>	<u>119,000</u>	<u>245,000</u>
Additional New Funds Required from Outside Sources	<u>\$ 886,230</u>	<u>\$856,908</u>	<u>\$1,743,138</u>
<u>New Funds from Outside Sources</u>			
To Be Provided As Follows:			
(1) Estimated Proceeds from Sale of Common Stock:			
Dividend Reinvestment and Stock Purchase Plan <u>1/</u>	40,000	40,000	80,000
Employee Stock Purchase Plan <u>2/</u>	23,000	23,000	46,000
Tax Reduction Act Stock Ownership Plan <u>3/</u>	10,000	-	10,000
(2) Proceeds from Sale of First and Refunding Mortgage Bonds, Series LL <u>4/</u>	50,000	-	50,000
(3) Estimated Proceeds from Sale of 7,000,000 Shares of Common Stock <u>5/</u>	156,975	-	156,975
(4) Estimated Proceeds from Sale of First and Refunding Mortgage Bonds, Series NN <u>6/</u>	197,022	-	197,022
(5) Estimated Proceeds from Sale of New Stock	125,000	-	125,000
(6) Additional Cash Requirements	<u>284,233</u>	<u>793,908</u>	<u>1,078,141</u>
Total	<u>\$ 886,230</u>	<u>\$856,908</u>	<u>\$1,743,138</u>

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3/ Authorized by Decisions Nos. 87885 and 91198, dated August 30, 1977 and January 8, 1980, in Application Nos. 57478 and 59295, respectively.

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

5/ Authorized by Decision No. 91119, dated January 8, 1980, in Application No. 59297.

6/ Authorized by Decision No. 91383, dated March 4, 1980, in Application No. 59386.

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 only provide 12 percent of the capital expenditures estimated for 1980 and 12 percent of those estimated for 1981. The Revenue Requirements Division has concluded that the proposed stock issue will therefore be necessary to help meet forecasted cash requirements.

Findings of Fact

1. Southern California Edison Company is a California corporation operating under the jurisdiction of this Commission.
2. The New Stock would be for proper purposes.
3. Southern California Edison Company has need for external funds for the purposes set forth in the application.
4. There is no known opposition and no reason to delay granting the authority requested.
5. The money, property, or labor to be procured or paid for by the proposed New Stock herein authorized 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.

Conclusions of Law

1. A public hearing is not necessary.
2. Southern California Edison Company's proposed procedure with regard to the issuance and sale of the New Stock is in the public interest.
3. 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 may issue, sell and deliver in a manner consistent with this opinion, one or more series of an aggregate amount not to exceed \$125,000,000, par or stated value, of preferred and/or preference stock consisting of not to exceed either 1,250,000 shares of Edison's \$100 Cumulative Preferred Stock, of the par value of \$100 per share, 5,000,000 shares of Edison's Cumulative Preferred Stock, of the par value of \$25 per share, 1,250,000 shares of Edison's \$100 Preference Stock, of the par value of \$100 per share, 5,000,000 shares of Edison's Preference Stock, of the par value of \$25 per share, or any combination thereof; upon the timing and conditions as set forth in the proceeding.
2. Southern California Edison Company shall apply the proceeds from the sale of the stock for the purposes referred to in the application.

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3. As soon as available, Southern California Edison Company shall file with the Commission forms of Agreement(s) with the Underwriters or Purchasers, certificate(s) of determination of preferences and/or copies of its final prospectus pertaining to said stock.

4. 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.

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 \$68,500.

Dated JUL 15 1980, at San Francisco, California.

John E. Snyer
President
Veronica L. Stinson
Richard W. Howell
Clair J. Dedejile
Lawrence M. Smith
Commissioners

