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Decision No. 92581 JAN 6 1981**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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

Application No. 60117  
(Filed December 4, 1980)

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, sell and deliver not exceeding 8,000,000 shares of its Common Stock, \$8-1/3 par value.

Notice of the filing of the application was published on the Commission's Daily Calendar of December 7, 1980. No protests have been received.

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 ended September 30, 1980, Edison reports in its income statement as part of Exhibit A, attached to the application, total operating revenues of \$3,401,142,000 and net income of \$339,578,000.

Edison's Balance Sheet as of September 30, 1980, attached to the application as part of Exhibit A, is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$6,415,691,000
Other Property and Investments	109,166,000
Current Assets	1,061,824,000
Deferred Debits	<u>40,684,000</u>
Total	<u>\$7,627,365,000</u>
 <u>Liabilities and Equity</u>	
Common Stock Equity	\$2,492,743,000
Preferred/Preference Stock	808,752,000
Long-Term Debt	2,901,047,000
Current Liabilities	1,134,290,000
Reserves and Deferred Credits	<u>290,533,000</u>
Total	<u>\$7,627,365,000</u>

Edison is engaged in an extensive construction program and estimates that the gross expenditures required for its construction program during the years 1981 and 1982 will approximate \$1,542,000,000. Exhibit C, attached to the application, sets forth in detail the company's construction program, estimated as of October 16, 1980. Following is a summary of that exhibit.

	(Thousands of Dollars)		
	<u>1981</u>	<u>1982</u>	<u>Total</u>
Electric Generating Plant	\$ 783,000	\$602,000	\$1,385,000
Electric Transmission Lines and Substations	105,000	56,000	161,000
Electric Distribution Lines and Substations	179,000	188,000	367,000
Other Expenditures	<u>31,000</u>	<u>14,000</u>	<u>45,000</u>
Total	1,098,000	860,000	1,958,000
Less: Allowance for Funds Used During Construction	<u>236,000</u>	<u>180,000</u>	<u>416,000</u>
Funds Used or Required for Construction Expenditures	<u>\$ 862,000</u>	<u>\$680,000</u>	<u>\$1,542,000</u>

The staff of the Commission's Revenue Requirements Division has reviewed Edison's 1981 and 1982 construction program, which is attached as Exhibit C to the application, and believes that the estimated construction expenditures are reasonable. The staff has no objection to the proposed issue of common stock but reserves the right, however, to reconsider the reasonableness of any construction expenditures in future rate proceedings.

Edison reports that as of September 30, 1980, its unreimbursed construction expenditure amounted to \$971,511,000 as set forth in the application as part of Exhibit B and summarized as follows:

<u>Additions</u>	<u>Amount</u>
Uncapitalized Construction as of July 1, 1980, filed with Application No. 59712	\$ 749,889,000
Expenditures: July 1 through September 30, 1980:	
Net Utility Plant Construction	\$209,933,000
Principal Amount of Bonds, Debenture, Notes and Stocks Retired	<u>949,057,000</u>
Total Expenditures	<u>1,158,990,000</u>
Total	1,908,879,000
<u>Deductions</u>	
Proceeds: Sale of Bonds, Debentures, Notes, and Stock Issued	\$898,329,000
Depreciation	<u>39,039,000</u>
Total Deductions	<u>937,368,000</u>
Total Uncapitalized Construction as of September 30, 1980	<u><u>\$ 971,511,000</u></u>

Edison seeks authority (a) to issue and sell 8,000,000 shares of common stock or (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 or prior to 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 was filed with the Commission on December 17, 1980. 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 Edison by the underwriters would be the initial public offering price less an agreed upon amount per share for compensation of the underwriters. The initial public 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.

After payment and discharge of obligations incurred for expenses incidental to the issuance and sale of stock, Edison proposes to use the proceeds from the proposed issue and sale of common stock for the purposes specified in Public Utilities Code, Section 817 and no others.

Edison's capital ratios as of September 30, 1980, and as adjusted to give effect to (a) the proposed sale of 8,000,000 shares of the new common stock at an assumed price of \$27 per share; (b) the issuance of \$150,000,000 of First and Refunding Mortgage Bonds, Series 00, Due 2010, on November 26, 1980;<sup>1/</sup> (c) the sale of 232,510 and 24,672 shares of common stock issued on October 1, 1980, under Edison's Employee Stock Purchase Plan;<sup>2/</sup> and Employee Stock Ownership Plan,<sup>3/</sup> respectively; (d) the sale of 538,227 and 22,116 shares of common stock issued on November 3, 1980, under Edison's Dividend Reinvestment and Stock Purchase Plan;<sup>4/</sup> and Employee Stock Ownership Plan,<sup>5/</sup> respectively; (e) the conversion of 8,150 shares of 5.20% Preference Stock into 6,264 shares of common stock, and (f) the issuance of 750,000 shares of 12% Series, \$100 Cumulative Preferred Stock on October 22, 1980,<sup>5/</sup> are as follows:

	<u>September 30, 1979</u>	<u>Pro Forma</u>
Mortgage Bonds	47.0%	45.9%
Other Long-Term Debt	<u>0.2</u>	<u>0.2</u>
Total Long-Term Debt	47.2	46.1
Preferred/Preference Stock	12.9	13.1
Common Stock Equity	<u>39.9</u>	<u>40.8</u>
Total	<u>100.0%</u>	<u>100.0%</u>

<sup>1/</sup> Decision No. 92189, dated September 3, 1980, in Application No. 59836.

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

<sup>3/</sup> Decisions Nos. 87885 and 91198, dated August 30, 1977 and January 8, 1980, in Applications Nos. 57478 and 59295, respectively.

<sup>4/</sup> Decision No. 89463, dated October 3, 1978, in Application No. 58268.

<sup>5/</sup> Decision No. 92026, dated July 15, 1980, in Application No. 59712.

Edison's cash requirements for 1981 and 1982, estimated as of November 24, 1980, are as follows: (Thousands of Dollars)

	<u>1981</u>	<u>1982</u>	<u>Total</u>
Funds Used or Required for Construction Expenditures	\$ 862,088	\$679,727	\$1,541,815
Maturities of Long-Term Debt:			
First and Refunding Mortgage Bonds:			
Series G, Due 4/15/81	40,000	-	40,000
Series EE, Due 11/01/81	100,000	-	100,000
Series H, Due 2/15/82	-	37,500	37,500
Series I, Due 7/1/82	-	40,000	40,000
Series J, Due 9/1/82	-	40,000	40,000
5-1/2% Promissory Notes	3,548	3,525	7,073
Estimated Short-Term Debt Outstanding as of Beginning-of-Year	<u>112,000</u>	<u>-</u>	<u>112,000</u>
Total	\$1,117,636	\$800,752	\$1,918,388
Less: Estimated Cash Available from Internal Sources	<u>34,000</u>	<u>170,000</u>	<u>204,000</u>
Additional New Funds Required from Outside Sources	<u>\$1,083,636</u>	<u>\$630,752</u>	<u>\$1,714,388</u>
To be Provided as Follows:			
(1) Estimated Proceeds from Sale of Common Stock:			
Dividend Reinvestment and Stock Purchase Plan	52,000	52,000	104,000
Employee Stock Purchase Plan	28,000	28,000	56,000
(2) Estimated Proceeds from Sale of 8,000,000 Shares of Common Stock	216,000	-	216,000
(3) Estimated Proceeds from Sale of First and Refunding Mortgage Bonds*	50,000	-	50,000
(4) Estimated Proceeds from Sale of Preferred/Preference Stock*	50,000	-	50,000
(5) Estimated Proceeds from Sale of Eurobonds*	100,000	-	100,000
(6) Additional Cash Requirements	<u>587,636</u>	<u>550,752</u>	<u>1,138,388</u>
Total	<u>\$1,083,636</u>	<u>\$630,752</u>	<u>\$1,714,388</u>

\*Based on existing or pending applications.

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 4% of the capital expenditures estimated for 1981 and 25% of those estimated for 1982. The Division has concluded that the proposed common stock issue will be necessary to help meet Edison's forecasted cash requirements.

Findings of Fact

1. Edison is a California corporation operating under the jurisdiction of this Commission.
2. The proceeds of the proposed stock issuance would be used 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 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.
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. The authorization herein granted is not to be construed as a finding of value of Edison'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, may issue, sell and deliver, in accordance with terms and provisions consistent with the application and documents filed in connection therewith, not to exceed 8,000,000 shares of its Common Stock, \$8-1/3 par value, at the initial public offering price less an underwriting discount, each to be determined as provided in an Underwriting Agreement in substantially the form filed with the Commission in connection with this proceeding.

2. Southern California Edison Company shall use the proceeds from the issuance and 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.



A.60117 RR/1q

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 \$114,000.

Dated JAN 6 1981, at San Francisco, California.

John E. Gurnea  
President  
Richard D. Wolfe  
Samuel M. Smith  
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Commissioners

