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Decision 92933 APR 21 1981**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN CALIFORNIA EDISON)
 COMPANY, to issue and sell in one or more)
 series an aggregate amount of not to exceed)
 \$150,000,000 par or stated value of) Application No. 60331
 Cumulative Preferred Stock--\$100 Par Value,) (Filed March 9, 1981)
 Cumulative Preferred Stock--\$25 Par Value,)
 Preference Stock--\$100 Par Value, Preference)
 Stock--\$25 Par Value or any combination)
 thereof.)

O P I N I O N

Southern California Edison Company (Edison) requests authority, pursuant to Sections 816 through 818 and 851 of the Public Utilities Code, for the following:

1. To issue, sell and deliver within one year of the date hereof, in one or more series, an aggregate amount of up to \$150,000,000, par or stated value of its Cumulative Preferred Stock, \$100 par value; Cumulative Preferred Stock, \$25 par value; Preference Stock, \$100 par value; Preference Stock, \$25 par value; or any combination thereof referred to collectively as "New Stock" and
2. To use the net proceeds from the sale of the New Stock to reimburse Edison's treasury for capital expenditures.

Notice of the filing of the Application appeared on the Commission's Daily Calendar of March 11, 1981. No protests have been received.

Edison, a California corporation, engages primarily 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 calendar year 1980, Edison reported total operating revenues of \$3,661,117,000 and net income of \$317,536,000 shown as part of Exhibit A attached to the Application.

Edison's Balance Sheet as of December 31, 1980, attached to the Application as part of Exhibit A, is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$6,566,076,000
Net Other Property and Investments	106,511,000
Current Assets	1,021,954,000
Deferred Debits	<u>39,357,000</u>
Total	<u>\$7,733,898,000</u>
 <u>Liabilities and Equity</u>	
Common Equity	\$2,529,577,000
Preferred/Preference Stock	882,152,000
Long-Term Debt	2,945,824,000
Current Liabilities	1,074,280,000
Reserves and Deferred Credits	<u>302,065,000</u>
Total	<u>\$7,733,898,000</u>

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 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 offered 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.

Edison believes that, due to varying market conditions, it is not 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 the following:

1. A restrictive redemption provision, if any, which will reflect the requirements of the then existing preferred or preference stock market;
2. A dividend rate based upon market conditions existing at the time of negotiation of the terms;

3. A mandatory sinking fund provision, if any, providing for an average life of not less than seven years; and
4. 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's capital ratios reported as of December 31, 1980, and after giving effect to the following:

1. The proposed issuance of up to \$150,000,000, par or stated value of the New Stock;
2. The proposed issuance of \$100,000,000 of Eurobond financing (D.92376, dated November 4, 1980, in A.59939);
3. The proposed issuance of \$129,625,000 of Pollution Control Bond financing (D.92412, dated November 18, 1980, in A.59966);
4. The sale of 8,000,000 shares of Common Stock, \$8-1/3 par value, on January 29, 1981, at \$24.375 per share (D.92581, dated January 6, 1981, in A.60117);
5. The issuance of 503,364 shares of common stock under Edison's Dividend Reinvestment and Stock Purchase Plan (D.89463, dated October 3, 1978, in A.58268);
6. The issuance of 36,689 shares of common stock under Edison's Employee Stock Ownership Plan (D.87885, dated August 30, 1977, in A.57478 and D.91198, dated January 8, 1980, in A.59295);
7. The issuance of 21,749 shares of common stock due to conversion of 27,959 shares of Preference Stock, 5.20% Convertible Series;
8. The retirement of \$40,000,000 principal amount of First and Refunding Mortgage Bonds, Series G, due April 15, 1981 (D.52836, dated April 3, 1956, in A.37846);
9. The retirement of \$100,000,000 principal amount of First and Refunding Mortgage Bonds, Series EE, due November 1, 1981 (D.83680, dated October 16, 1974, in A.55175);
10. The retirement of 5-1/2% Promissory Notes, principal amount of \$3,548,000 due 1981; and

11. The proposed issuance of \$400,000,000 principal amount of First and Refunding Mortgage Bonds (D.92875, dated April 7, 1981, in A.60300)

are summarized in the following tabulation:

	<u>December 31, 1980</u>	<u>Pro Forma</u>
Mortgage Bonds	47.3%	48.6%
Other Long-Term Debt	.2	.1
Total Long-Term Debt	<u>47.5</u>	<u>48.7</u>
Preferred/Preference Stock	13.6	14.0
Common Stock Equity	<u>38.9</u>	<u>37.3</u>
Total	<u>100.0%</u>	<u>100.0%</u>

Edison reports that its unreimbursed capital expenditures as of December 31, 1980, were approximately \$1,065,799,000 and that its gross expenditures for its construction program for the years 1981 and 1982 will approximate \$1,721,000,000. Exhibit C, attached to the Application, sets forth in detail Edison's construction program, estimated as of December 31, 1980. Following is a summary of that exhibit:

<u>Purpose</u>	<u>1981</u>	<u>1982</u>	<u>Total</u>
	(Dollars in Thousands)		
Electric Generating Plant	\$ 831,000	\$629,000	\$1,460,000
Electric Transmission Lines and Substations	103,000	60,000	163,000
Electric Distribution Lines and Substations	213,000	239,000	452,000
Other Expenditures	<u>42,000</u>	<u>20,000</u>	<u>62,000</u>
Total	\$1,189,000	\$948,000	\$2,137,000
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>\$ 953,000</u>	<u>\$768,000</u>	<u>\$1,721,000</u>

The staff of the Commission's Revenue Requirements Division has reviewed Edison's 1981 and 1982 construction programs and has concluded that the estimated construction expenditures are reasonable. The staff has no objection to the proposed security issue(s) specified in the Application. 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 related to issuance and sale of the New Stock, Edison proposes to use the net proceeds to reimburse its treasury for capital expenditures.

The staff of the Commission's Revenue Requirements Division has analyzed Edison's cash requirements forecast for 1981 and 1982 attached to the Application as Exhibit D, and has concluded that internally generated funds will provide only 6% of capital expenditures estimated for 1981 and 1982. The Division concludes that the proposed issuance of New Stock will be necessary to help meet forecasted cash requirements.

Findings of Fact

1. Edison, a California corporation, operates under the jurisdiction of this Commission.
2. The New 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 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.
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. Edison'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 or 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 the value of the company's stock or properties or 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, in one or more series, an aggregate amount not to exceed \$150,000,000 par or stated value, of its Cumulative Preferred Stock, \$100 par value; Cumulative Preferred Stock, \$25 par value; Preference Stock, \$100 par value; Preference Stock, \$25 par value; or any combination thereof; upon the timing and conditions as set forth in the proceeding. This authorization is effective through April 30, 1982.

2. Southern California Edison Company shall apply the proceeds from the sale of the New Stock for the purposes referred to in the Application.

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 the New 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 \$81,000.

Dated APR 21 1981, at San Francisco, California.

John E. Guyon
President
Richard W. [unclear]
Francis W. [unclear]
Walter [unclear]
Maude C. [unclear]
Commissioners

