

Decision 93677 NOV 3 1981

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN CALIFORNIA)
EDISON COMPANY to issue, sell and)
deliver in one or more issues an)
aggregate amount of not to exceed)
8,000,000 shares of common stock)
of the par value of \$8-1/3 per)
share.)

Application 60926
(Filed September 23, 1981)

O P I N I O N

Southern California Edison Company (Edison) requests authority, under Public Utilities (PU) Code Sections 816 through 818 for the following:

1. To issue, sell, and deliver in one or more issues, at any time or times within two years of the date of authorization, an aggregate amount of up to 8,000,000 shares of its Common Stock, \$8-1/3 par value (New Stock) and
2. To use the net proceeds from the sales of the New Stock to reimburse its treasury for capital expenditures.

Notice of the filing of the application appeared on the Commission's Daily Calendar of September 25, 1981. No protests have been received.

Edison, a California corporation, engages 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 12-month period ending June 30, 1981, Edison reports in its Income Statement, shown in the application as part of Exhibit A, that it generated operating revenues of \$3,920,505,000 and net income of \$373,028,000.

Edison's Balance Sheet as of June 30, 1981, also shown as part of Exhibit A, is summarized as follows:

| <u>Assets</u> | <u>Amount</u> |
|-----------------------------------|------------------------|
| Net Utility Plant | \$7,035,038,000 |
| Other Property and Investments | 119,483,000 |
| Current Assets | 1,124,609,000 |
| Deferred Debits | 33,610,000 |
| Total | <u>\$8,312,740,000</u> |
| <u>Liabilities and Equity</u> | |
| Common Equity | \$2,809,170,000 |
| Preferred/Preference Stock | 878,211,000 |
| Long-Term Debt | 3,178,163,000 |
| Current Liabilities | 1,132,678,000 |
| Reserves and Deferred Credits | 314,518,000 |
| Total | <u>\$8,312,740,000</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 \$1,802,000,000. Exhibit C, attached to the application, sets forth in detail the company's construction program, estimated as of July 16, 1981. Following is a summary of that exhibit:

| | (Thousands of Dollars) | | |
|---|------------------------|----------------|----------------|
| | <u>1981</u> | <u>1982</u> | <u>Total</u> |
| Electric Generating Plant | \$ 875,000 | \$ 690,000 | \$1,565,000 |
| Electric Transmission Lines and Substations | 109,000 | 60,000 | 169,000 |
| Electric Distribution Lines and Substations | 213,000 | 241,000 | 454,000 |
| Other Expenditures | <u>42,000</u> | <u>22,000</u> | <u>64,000</u> |
| Total | \$1,239,000 | \$1,013,000 | \$2,252,000 |
| Less: Allowance for Funds Used During Construction | <u>230,000</u> | <u>220,000</u> | <u>450,000</u> |
| Funds Used or Required for Construction Expenditures | \$1,009,000 | \$ 793,000 | \$1,802,000 |

NOTE: Estimated usable material to be recovered from retirements in the amounts of \$10,000,000 for 1981 and \$10,500,000 for 1982 have been credited to the appropriate categories.

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 concludes that the estimated construction expenditures are necessary. The Division has no objection to the proposed issue of New Stock but reserves the right to reconsider the reasonableness of any ^{specific} construction expenditures in future rate proceedings. RN

Edison reports that as of June 30, 1981, its unreimbursed construction expenditures amounted to \$981,453,000 as set forth in the application as part of Exhibit B. After payment and discharge

of obligations incurred for expenses related to issuances and sales of the New Stock, Edison proposes to use the net proceeds to reimburse its treasury for capital expenditures.

Edison seeks authority to issue, sell, and deliver the New Stock, in one or more issues, at any time or times within two years from the date of the authorization. Edison's present plans contemplate that one or more issues of the New Stock may be underwritten by a nationwide group of investment banking firms which, under the terms and conditions of an underwriting agreement or underwriting agreements, would agree to purchase shares of the New Stock. Edison undertakes to file proposed forms of underwriting agreements with the Commission in substantially the forms proposed to be used in connection with each issuance and sale of the New Stock. The underwriting agreements will describe the means by which the purchase price and the initial public offering price of each issue of the New 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. Edison also contemplates that under certain market conditions one or more issues of the New Stock may be offered by direct private placement or through agents in either a private placement or a

public offering. In such cases, Edison expects the purchase price to be determined by an agreed upon formula or by negotiation. Edison undertakes to file proposed forms of offering or purchase agreements in connection with these offerings.

Edison further contemplates that, if regulations proposed by the Securities and Exchange Commission (SEC) are adopted, Edison may sell one or more issues of the New Stock on a delayed or continuous basis under these proposed new regulations. The SEC has proposed the adoption of new Rule 462A which would permit the registration of securities to be offered and sold on a delayed or continuous basis during a period of two years. (A copy of the SEC Release in the Federal Register describing the proposed Rule is attached to the application as Exhibit E.) The SEC has noted that the proposed Rule "would provide issuers with the flexibility to take advantage of favorable conditions in a changing market and that it would facilitate the development of innovative techniques for raising capital, thus reducing burdens and costs." (46 Fed. Reg. 42002-03 (August 18, 1981).) Issues of stock under the proposed SEC rule would be required to be made through a named underwriter. Edison undertakes to transmit to the Commission forms of any agreements proposed to be entered into with the underwriter.

Edison's capital ratios as of June 30, 1981 adjusted to give effect to the following:

1. The proposed issuance and sale of 8,000,000 shares of the New Stock at an assumed price of \$26 per share estimated to produce net proceeds of \$208,000,000;
2. The sale of 258,385 shares of Common Stock, \$8-1/3 par value, issued under Edison's Employee Stock Purchase Plan on July 1, 1981 (Decision (D.)90059, dated March 13, 1979 in Application (A.)58606);
3. The sale of 39,185 and 37,901 shares of Common Stock, \$8-1/3 par value, issued under Edison's Employee Stock Ownership Plan and Trust Agreement on July 1, 1981 and August 1, 1981, respectively, (D.91198, dated January 8, 1980 in A.59295);
4. The sale of 461,580 shares of Common Stock, \$8-1/3 par value, issued on August 1, 1981 under Edison's Dividend Reinvestment and Stock Purchase Plan (D.91434, dated March 18, 1980 in A.59441);
5. Funds drawn from the Construction Fund in July and August for the New Mexico Pollution Control Revenue Bonds, 1981 Series A (D.92412, dated November 18, 1980 in A.59966);
6. The proposed issuance of authorized but unissued First and Refunding Mortgage Bonds (D.92875, dated April 7, 1981 in A.60300);
7. The issuance in July of a 14-3/4% Promissory Note in the principal amount of \$50,000,000 (D.92376 and D.92755, dated November 4, 1980 and March 3, 1981, respectively, in A.59939);
8. Funds drawn from the Construction Fund in August for the 10-3/4% First and Refunding Mortgage Bonds, Series QQP (D.92412, dated November 18, 1980 in A.59966);

9. The issuance of 35,008 shares of common stock due to conversion of 44,829 shares of Preference Stock, 5.20% Convertible Series;
10. 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); and
11. The retirement of 5-1/2% Promissory Notes, due August 31, 1981 in the principal amount of \$1,762,000

are as follows:

| | <u>June 30, 1981</u> | <u>Pro Forma</u> |
|-------------------------------|----------------------|------------------|
| Long-Term Debt | 47.4% | 47.0% |
| Preferred/Preference Stock | 12.5 | 11.9 |
| Common Equity | 40.1 | 41.1 |
| Total | <u>100.0%</u> | <u>100.0%</u> |

The following authorized issues have been excluded from the pro forma ratios because the timing of these proposed issues is uncertain:

1. The proposed issuance of up to \$200,000,000 of New Mexico Pollution Control evidences of indebtedness (D.93319, dated July 21, 1981 in A.60652);
2. The proposed issuance of up to \$150,000,000 of Preferred/Preference Stock (D.92933, dated April 21, 1981 in A.60331); and
3. The proposed issuance of up to \$200,000,000 of Debt Securities (D.93486, dated September 2, 1981 in A.60773).

The Commission's Revenue Requirements Division has analyzed Edison's cash requirement forecast for 1981 and 1982, attached to the application as Exhibit D, and has determined that

internally generated funds will provide 10% of the capital expenditures estimated for 1981 and 1982. The Division has concluded that the proposed issuance of the New Stock will be necessary to help meet Edison's forecasted cash requirements.

Findings of Fact

1. Edison, a California corporation, operates as a public utility 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 proposed issue(s) of New Stock is reasonably required for the purposes specified in the application.
5. There is no known opposition to the application 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 order which follows.

The proposed security issue is for lawful purposes and the money, property, or labor to be obtained by it is required for these purposes. Proceeds from the security issue may not be charged to operating expenses or income.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company (Edison) may issue, sell, and deliver an aggregate amount of up to 8,000,000 shares of its Common Stock, \$8-1/3 par value, in one or more issues at any time or times within two years from the effective date of this order in the manner and upon the terms and provisions as provided in, or contemplated by, the application and documents filed with the Commission in connection with this proceeding.

2. Edison shall use the proceeds from the issuance and sale of its New Stock, for the purposes set forth in the application.

3. Promptly after Edison ascertains the pricing terms relating to the New Stock, including the price to be paid to the company, underwriting commissions (if any) and public offering prices (if applicable), the company shall notify the Commission of each in writing.

4. As soon as available, Edison shall file with the Commission three copies of its final prospectus pertaining to its New Stock.

5. Edison shall file the reports required by General Order Series 24.

6. The authority granted by this order to issue common stock will become effective when Edison pays \$110,000, the fee set by PU Code Section 1904.1. In all other respects, this order becomes effective 30 days from today.

Dated NOV 3 1981, at San Francisco, California.

JOHN E. BRYSON
President
RICHARD D. GRAVELLE
LEONARD M. GRIMES, JR.
VICTOR CALVO
PRISCILLA C. CREW
Commissioners

I certify that this decision was approved by the above Commissioners today.

John E. Bryson

