

LEB

Decision No. 16781.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SOUTHERN CALIFORNIA EDISON COMPANY,)
a corporation, for authority to issue)
and sell \$40,000,000. face value of) Application No. 12869
its refunding mortgage gold bonds,)
series of 5's, due 1951.)

Roy V. Reppy and Gail C. Larkin,
for applicant.

BY THE COMMISSION:

O P I N I O N

In this application Southern California Edison Company asks permission to issue and sell, at not less than 94 percent of face value, \$40,000,000. of refunding mortgage gold bonds, series of 5's, due 1951.

Applicant asks permission*to use the proceeds from the sale of said bonds to reimburse itself for (1) the redemption and retirement of Thirty-three Million Nine Hundred Nineteen Thousand Dollars(\$33,919,000.) face value of six percent. (6%) bonds of the 'series of 1919', issued under the terms and conditions of that certain trust indenture from Southern California Edison Company to Harris Trust and Savings Bank and Los Angeles Trust & Savings Bank, trustees, dated July 1, 1917, and the supplement thereto dated February 1, 1919, (2) the redemption and retirement of Three Hundred Forty-eight Thousand Dollars (\$348,000.) face value of Ventura County Power Company sinking fund 30-year six percent bonds issued under that certain indenture from Ventura County Power Company to

Title Insurance and Trust Company, Trustee, dated November 1, 1906, (3) the retirement of One Million Nine Hundred Forty-nine Thousand Four Hundred Dollars (1,949,400.) face amount of Southern California Edison Company 'seven percent gold debenture bonds', secured by a certain indenture between Southern California Edison Company and Bankers Trust Company, as Trustee, dated January 15, 1919, and that certain indenture from Southern California Edison Company to Harris Trust and Savings Bank, and Pacific-Southwest Trust & Savings Bank, Trustees, dated October 1, 1923, (4) the payment at maturity of bonds issued under that certain indenture dated July 1, 1916, from Santa Barbara Gas and Electric Company to Los Angeles Trust & Savings Bank, Trustee, of the face amount of Twenty Thousand Dollars (\$20,000.) (5) and for certain capital expenditures heretofore made and hereafter to be made for the acquisition of property, for the construction, completion, extension and improvement of its facilities?"

As of May 25, 1926 applicant reports (Exhibit No. 7) outstanding \$111,937,700.00 of bonds and debentures. The \$111,937,700. consists of the following issues:-

Refunding mortgage bonds, series of 6's due 1943.	\$26,500,000.
General & refunding 6% bonds, due 1944	33,919,000.
General & refunding 5-1/2 percent bonds, due 1944	10,225,000.
General & refunding 5% bonds, due 1944	10,000,000.
General mortgage 5% bonds, due 1939	13,360,000.
Pacific Light & Power Corp. 5% bonds, due 1951	6,070,000.
Pacific Light & Power Corp. 5% bonds, due 1942	5,903,000.
Mentone Power Co. 5% bonds, due 1931	37,000.
Mt. Whitney Power & Electric Co. 6% bonds, due 1939	3,248,000.
Santa Barbara Gas & Electric Co. 5% bonds, due 1941	710,700.
Debentures, 7%, due 1927 and 1928	<u>1,965,000.</u>
Total.....	<u>\$111,937,700.</u>

If applicant is permitted to issue the \$40,000,000. of 5 percent refunding mortgage gold bonds due July 1, 1951, it will call for redemption on August 1, 1926, the \$33,919,000. of 6 percent general and refunding bonds due 1944. These bonds are redeemable at par plus a premium of five percent. The premium which the company will have to pay amounts to \$1,695,950., which, added to the

principal of \$33,919,000. aggregates \$35,614,950. It is of record that the company has agreed, subject to the approval of the Railroad Commission, to sell the \$40,000,000. of 5 percent refunding mortgage gold bonds at 94-1/2 percent of their face value and accrued interest. To obtain \$35,614,950. applicant will have to sell approximately \$37,688,000. of its five percent bonds., While the refunding will result in an increase of \$3,769,000. in applicant's bonded indebtedness, the saving in annual fixed charges is reported, (Exhibit No. 6) at \$55,297.40. The \$55,297.40 is determined as follows:-

Annual Fixed Charges on General & Refunding 6's:

Amortization of Bond Discount and Expense	
Balance Unamortized Bond Discount and Expense as of August 1, 1926	\$3,226,358.10
Annual amortization over 17 1/2 yrs	\$184,363.32
Interest on \$33,919,000. @ 6% per annum	2,035,140.00
Total	\$2,219,503.32

Annual Fixed Charges on Refunding 5's:

Amortization of Bond Discount and Expense	
Balance Unamortized Bond Discount on General & Refunding 6's	3,226,358.10
Premium to be paid on General & Refunding 6's	1,695,950.00
Discount on \$37,688,000. 5's @ 94 1/2	2,072,840.00
Total Bond Discount & Expense to be amortized	6,995,148.10
Annual Amortization over 25 years	279,805.92
Interest on \$37,688,000. @ 5% per annum	1,884,400.00
Total	\$2,164,205.92

Saving in annual fixed charges \$55,297.40

Considering only the annual interest charge the annual saving amounts to \$150,740.00.

As stated above, applicant now has outstanding \$111,937,700. of bonds and debentures. Of this amount \$28,465,000., or 25.43%, is secured by applicant's trust indenture of October 1, 1923, securing the payment of its refunding mortgage gold bonds, while \$83,472,700., or 74.57%, is secured by mortgages or deeds of trust which are a

prior lien on applicant's properties. After the refunding of the \$33,919,000. of 6 percent general and refunding bonds, as herein stated, \$66,153,000., or 57.17% of applicant's bonds will be secured by its trust indenture of October 1, 1923 and \$49,553,700. or 42.83% by mortgages or deeds of trust which are a prior lien. The refunding will thus improve the lien position of applicant's refunding mortgage gold bonds and should result in it obtaining a better price for its bonds in the future.

It is of record (Exhibit No. 3) that applicant has paid the following bonds and debentures:-

Jan. 15, 1925 Southern California Edison Company,	
7 percent debenture bonds	\$977,100.00
Jan. 15, 1926 Southern California Edison Company,	
7 percent debenture bonds	972,300.00
July 1, 1924, Santa Barbara Gas & Electric Company	
5 percent bonds	10,000.00
July 1, 1925 Santa Barbara Gas and Electric Company	
5 percent bonds	10,000.00
Nov. 1, 1925 Ventura County Power Company 6 percent	
bonds	348,000.00
Total	<u>\$2,317,400.00</u>

The testimony shows that the money necessary to pay the bonds was not obtained from the issue of bonds and stock heretofore authorized by the Commission.

Applicant further reports (Exhibit No. 10) that up to April 30, 1926 it expended for new construction \$9,311,779.12, against which no securities have been issued. It is a fact, however, that some of the expenditures have been financed temporarily through the issue of notes or obtaining credit represented by accounts payable. As of May 24, 1926 applicant reports (Exhibit No. 12) \$7,000,000. of short term notes outstanding. Its reserves and surplus as of March 31, 1926 are reported (Exhibit No. 2) as follows:-

Reserves for injuries and damages and insurance	\$57,127.07
Miscellaneous reserves	238,069.09
Reserve for depreciation	10,643,570.00
Appropriated surplus	564,632.18
Surplus	2,828,436.19
Total	<u>\$14,331,834.53</u>

Applicant asks the Commission to permit it to amortize the unamortized discount and expense (\$3,226,358.10) on the \$33,919,000.00 of general and refunding six percent bonds and the premium (\$1,695,950.00) that must be paid on the redemption of such bonds, on or before July 1, 1951, the maturing date of the \$40,000,000. of five percent refunding mortgage gold bonds. In view of the savings that can be effected by the refunding and the general financial condition of applicant, we believe that such request should be granted.

We do not believe that the record justifies the Commission to authorize applicant to issue \$40,000,000.00 of five percent refunding mortgage gold bonds to reimburse itself for the expenditures to which reference has been made. We are of the opinion that applicant should be permitted to issue \$33,919,000. of its five percent refunding mortgage gold bonds to pay or refund \$33,919,000. of six percent general and refunding bonds and \$6,081,000. to reimburse itself because of moneys expended for the redemption of bonds and debentures, or because of moneys expended for the construction, completion, extension and improvement of its facilities or to finance the cost of constructing, completing, extending or improving its facilities.

ORDER

Southern California Edison Company, having applied to the Railroad Commission for permission to issue \$40,000,000.00 of refunding mortgage gold bonds, Series of 5's, due July 1, 1951, a public hearing having been held before Examiner Fankhauser and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is

reasonably required by applicant and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income and that this application should be granted, as herein provided, therefore,

IT IS HEREBY ORDERED as follows:-

1. Southern California Edison Company may issue and sell on or before September 1, 1926, at not less than 94-1/2 percent of their face value and accrued interest, \$40,000,000. of its refunding mortgage gold bonds, Series of 5's, due July 1, 1951.
2. The proceeds, other than accrued interest, obtained from the sale of \$33,919,000. of said bonds may be used by applicant to pay in part its outstanding \$33,919,000. of general and refunding six percent bonds referred to in the foregoing opinion.
3. The proceeds, other than accrued interest, obtained from the sale of \$6,081,000. of said bonds may be used by applicant to reimburse its treasury on account of moneys expended for the payment of the \$2,317,400. of bonds and debentures referred to in the foregoing opinion or to reimburse its treasury on account of moneys expended for the construction, completion, extension and improvement of its facilities, described in applicant's Exhibit No. 10 and No. 11 filed in this proceeding, or to finance the cost of constructing, completing, extending and improving its facilities described in Applicant's Exhibit 8(1926 budget), Application No. 11802, provided that not more than \$3,561,495. of the proceeds from said \$6,081,000. of refunding mortgage bonds be used to pay in part the said \$33,919,000.

of general and refunding bonds, and that \$2,185,050. of the proceeds from the sale of said \$6,081,000. of refunding mortgage bonds be used to finance in part the cost of the extensions, additions, betterments and improvements to applicant's facilities described in Applicant's Exhibits No. 10, and No. 11 filed in this proceeding and Exhibit No. 8(1926 budget) filed in Application No. 11802.

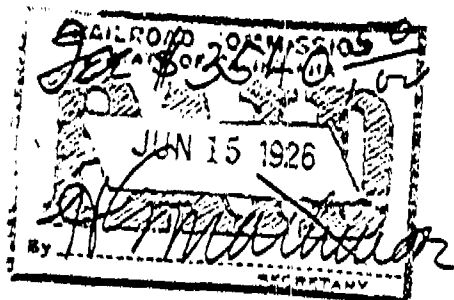
4. The accrued interest obtained from the sale of said \$40,000,000. of refunding mortgage gold bonds, Series of 5's, due July 1, 1951, may be used for general corporate purposes.
5. Decision No. 11353, dated December 13, 1922, is hereby modified so as to permit Southern California Edison Company to amortize the unamortized discount on said \$33,919,000. of general and refunding bonds and the premium which must be paid upon the redemption of said bonds on or before July 1, 1951.
6. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act.
7. Southern California Edison Company shall keep such record of the issue, sale and delivery of the bonds herein authorized and of the disposition of the proceeds as will enable it to file on or before the 25th day of each month a verified report, as required by the Railroad Commission's General

Order No. 24, which order insofar as applicable
is made a part of this order.

DATED at San Francisco, California, this 27th day
of May, 1926.

H. B. Sandiger
O. S. Sweeney
E. J. Sweeney
Leon Whitell

Commissioners.



Paid in full under
protest May 28. 1926
Protest refused. H.M.