

LEM

Decision No. 23311

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
SOUTHERN CALIFORNIA EDISON COMPANY, LTD.,  
a corporation, for authority to issue  
and sell 312,000 shares of its common  
capital stock of the total par value  
of \$7,800,000.00.

ORIGINAL

Application No. 17130

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

BY THE COMMISSION:

O P I N I O N

Southern California Edison Company, Ltd. has applied to the Railroad Commission for authority to issue and sell at the par value thereof, 312,000 shares of its common capital stock of the par value of \$25.00 a share and of the total par value of \$7,800,000.00. The company further asks permission to consolidate the proceeds from the sale of such stock with the proceeds received or to be received through the issue and sale of stock, both common and preferred, heretofore authorized by the Commission, and to use of such consolidated proceeds twenty-five cents per share to pay the cost of selling stock and to use the remainder to reimburse itself for capital expenditures made prior to December 31, 1930, reported at \$12,409,190.82, and to finance the cost of extensions, betterments and additions to its power system during 1931, estimated in Exhibit "G" at \$25,200,000.00.

In making this application the company has filed as Exhibit "A" its financial statement as of November 30, 1930, showing assets and liabilities as follows:

<u>A S S E T S</u>	
<u>INVESTMENTS:</u>	
Plant and equipment .....	\$331,663,517.27
Sinking and other special funds .....	480,558.82
Investments in affiliated companies .....	6,003,876.14
Miscellaneous investments .....	351,928.82
Total investments .....	\$338,499,881.05
Subscribers to capital stock .....	6,695,175.52
<u>CURRENT ASSETS:</u>	
Cash and deposits .....	3,979,637.49
Notes receivable .....	3,521,008.41
Accounts receivable .....	4,057,736.13
Materials and supplies .....	4,580,168.10
Jobbing accounts .....	318,356.67
Total current assets .....	16,456,906.80
Unamortized discount on securities and expense .....	11,995,961.58
Other deferred debits .....	3,386,811.66
Discount on capital stock .....	1,302,376.15
TOTAL ASSETS .....	<u>\$378,337,112.76</u>
<u>L I A B I L I T I E S</u>	
Capital stock .....	\$190,339,072.00
Funded debt .....	141,424,700.00
<u>CURRENT LIABILITIES:</u>	
Audited vouchers and wages unpaid \$ .....	1,373,181.06
Accounts payable .....	107,485.21
Consumers' deposits .....	461,389.74
Dividends declared .....	1,758,991.63
Consumers' advances .....	1,098,247.41
Accruals .....	5,782,634.20
Miscellaneous .....	64,604.60
Total current liabilities .....	10,646,533.85
Reserve for depreciation .....	17,160,354.73
Other reserves .....	1,569,525.86
Surplus * .....	17,196,926.32
TOTAL LIABILITIES .....	<u>\$378,337,112.76</u>

\*Before provision for depreciation in 1930.

The application shows that the company has an authorized capital stock of \$250,000,000.00, divided into 10,000,000 shares of the par value of \$25.00 each. The various classes of stock and the amounts of each class authorized and outstanding in the

hands of the public are reported as follows:

CLASS OF STOCK	AUTHORIZED	OUTSTANDING
Original preferred.....	\$ 4,000,000.	\$ 4,000,000.
Preferred-Series "A" 7 percent.....	27,000,000.	26,073,450.
Preferred-Series "B" 6 percent.....	53,000,000.	48,658,950.
Preferred-Series "C" 5-1/2 percent.....	66,000,000.	33,035,325.
Common .....	100,000,000.	69,924,172.
Subscribed preferred stock.....	-	4,147,700.
Subscribed common stock .....	-	4,499,475.
TOTAL.....	\$250,000,000.	\$190,339,072.

In addition the company reports \$10,836,628.00 of common stock held by Pacific Light and Power Corporation but controlled by applicant by reason of its ownership of the outstanding stock of that corporation.

Applicant alleges that during 1931 it will have need for \$30,659,000.00 to pay for the acquisition and construction of additional properties and refunding outstanding bonds. For the latter purpose the company intends to use \$5,659,000.00. The expenditures for the acquisition and construction of properties are summarized in the company's 1931 budget (Exhibit "G") as follows:

Fuel oil gas pipe line . . . . .	\$6,000,000.00
Hydro and steam power development	2,620,000.00
Completion of Edison building . . .	1,295,364.00
System betterments . . . . .	15,270,056.00
Subsidiary companies . . . . .	14,080.00
Total.....	<u>\$25,200,000.00</u>

To meet its financial requirements the company has available the following funds or securities, the issue of which the Commission has heretofore authorized:

a. Installment payments on present stock contracts, about . . . . .	\$2,000,000.00
b. Additional sales of preferred stock, the issue of which has heretofore been authorized by the Commission . . . . .	3,000,000.00
c. Sale of bonds now authorized by the Commission	5,847,000.00
d. Depreciation reserve . . . . .	2,500,000.00
Total .....	<u>\$13,347,000.00</u>

Deducting the \$13,347,000.00 from the \$30,659,000.00 leaves a balance of \$17,312,000.00 of estimated expenditures. No provision has been made to finance this expenditure.

There is included in the company's 1931 budget an item of \$6,000,000.00 for fuel oil gas pipe line and \$2,620,000.00 for hydro and steam power development. Neither the budget nor applicant's petition contain any information showing the necessity for this expenditure, or the nature of the property which will be acquired through such expenditure. Until such time as the Commission is furnished with more definite information regarding the \$8,620,000.00 we do not believe that any proceeds from the sale of securities should be used to finance any part of the \$8,620,000.00. When the information is submitted the Commission will consider to what extent, if at all, the order herein should be modified. Deducting the \$8,620,000.00 from the \$17,312,000.00 leaves a balance of \$8,692,000.00.

In addition, applicant reports that it has expended \$12,409,190.82 (Exhibits "I" and "J") against which it has not issued any securities. This expenditure was financed through incurring current liabilities, by consumers advances and using earnings offset by accruals, depreciation reserve and surplus. While the Commission has authorized the issue of securities on account of such expenditures, some of the securities have not been sold, while others have been sold on the installment payment basis and not yet fully paid for.

Applicant's 1931 construction and refinancing program justifies the issue of the \$7,800,000.00 of common stock. Applicant proposes to offer the \$7,800,000.00 of common stock to the holders of its common and original preferred stock at the rate of one share of such stock for every ten shares of common and/or original preferred stock now held by the stockholders. It intends to offer subscribers to the stock the option of paying for it either in full with the subscription not later than April 20, 1931, or in five equal installments of five dollars per share each payable on April 20, 1931,

June 20, 1931, August 20, 1931, October 20, 1931 and December 21, 1931, with the right to the subscriber to anticipate the payment of any or all installments. Applicant is of the opinion that the entire offering will be taken by the stockholders.

O R D E R

Southern California Edison Company, Ltd. having applied to the Railroad Commission for authority to issue and sell \$7,800,000.00 of common stock and the Railroad Commission being of the opinion that this is not a matter in which a public hearing is necessary, that the application should be granted as herein provided and that the money, property or labor to be procured or paid for through such issue and sale is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED, that Southern California Edison Company, Ltd. be, and it hereby is, authorized to issue and sell to its present stockholders, or their assigns, for cash, on or before January 31, 1932, at not less than \$25.00 a share, 312,000 shares of its common stock of the aggregate par value of \$7,800,000.00.

IT IS HEREBY FURTHER ORDERED, that Southern California Edison Company, Ltd. be, and it hereby is, authorized to consolidate the proceeds to be received through the issue and sale of the stock herein authorized, with the proceeds received, or to be received, from the sale of stock heretofore authorized to be issued, and to use of said consolidated proceeds an amount equivalent to not exceeding twenty-five cents per share of stock sold under the authority herein granted to pay the cost of selling said stock, and to use the remainder of said consolidated proceeds to reimburse

its treasury because of income expended to pay the cost of the additions and betterments referred to in Exhibits "I" and "J" and to finance in part the additions and betterments during 1931 described in Exhibit "G", provided that no part of such proceeds be used to finance the cost of the fuel oil/<sup>gas</sup> pipe line and hydro and steam power development, referred to in said Exhibit "G", and in the foregoing opinion; and provided further, that only such cost of the additions and betterments as is properly chargeable to fixed capital accounts under the uniform system of accounts prescribed or adopted by the Commission may be paid through the use of said proceeds.

IT IS HEREBY FURTHER ORDERED, that the authority herein granted to issue and sell stock and expend the proceeds will become effective upon the date hereof, and that for all other purposes this order will become effective twenty(20) days after the date hereof.

IT IS HEREBY FURTHER ORDERED, that applicant shall keep such record of the issue and sale of the stock 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 19th day of January, 1931.

C. S. Sawyer  
M. A. Carr  
M. B. Laine

Commissioners.