

Bonds under this trust deed are to be issued in series and each series, except that designated as of 1917, shall mature at a ^{date} and bear interest at a rate to be determined by resolution of the Board of Directors of the Company. The maturity of the 1917 series is fixed in the trust deed as July 1, 1919 and the interest rate is fixed at 6 per cent.

No two series of bonds can be outstanding at the same time and before issuing a new series all preceding issues must be retired.

In effect, an amortization of \$4,000,000 of the \$10,000,000 presently to be issued is provided for because upon any refunding of this issue \$2,000,000 plus approximately \$2,000,000 of outstanding debentures must be provided for by means other than the issuance of bonds.

The Company agrees to pay any income tax levied against these bonds up to 4 per cent.

The holders of the \$10,000,000 face value of 1917 series are given the privilege of exchanging their bonds at maturity for a like face value of bonds issued to redeem or retire the same plus an amount of cash which will result in a return to the holder of the new bond annual earnings of 5.7 per cent.

It is proposed to immediately sell the \$10,000,000 face value of bonds of the series of 1917, and applicant has entered into an agreement with a syndicate of financiers whereby this issue of bonds is underwritten so as to net applicant not less than 95.62 per cent of face value, it being agreed with the underwriting syndicate that the managers of such syndicate shall receive from the proceeds of the sale of these bonds above the net amount to applicant $2\frac{1}{2}$ per cent and $\frac{1}{2}$ per

cent respectively. This results, considering the two year term of these bonds, the discount at which they are sold and the interest rate, in a cost of this money to applicant of 8.4.

Applicant insists that this is an abnormally high price for it to pay for money and that this price in no wise measures or sets the standard for the credit of this Company. Representatives of applicant make a convincing showing that the condition of the financial market at the present time is such that it is difficult to sell high class securities of any kind, and impossible to sell such securities except they are made attractive both as to price and security. Furthermore, applicant urges that while the charges for this particular money are high, nevertheless when these charges are averaged with the total cost of money to applicant the result makes a very favorable showing.

A showing has been made that there is urgent need of the money which will be realized from the issuance of these bonds. Primarily, and of first importance, is the necessity for additions to what is called the Big Creek hydro-electric development which will cost approximately \$1,495,000 less such expenditures as have been made in 1917, and an additional amount for a transmission line and additions and betterments which will bring the total expenditure for all these purposes up to approximately \$3,000,000.

The remainder of the money realized from the sale of these bonds is needed by applicant to pay pressing obligations created in the acquisition of \$5,000,000 face value of bonds of Pacific Light and Power Corporation and of the stock representing about 60 per cent of the property of Mt. Whitney Power and Electric Company. These obligations total \$4,983,287.44. In addition,

applicant has outstanding its own notes, maturing in the next few months, in the total of \$3,250,000 and there are outstanding Pacific Light and Power Corporation notes in a total of \$2,304,891.80, payment of which has been assumed by applicant. These notes also mature in the next few months of 1917.

As to the last mentioned notes of itself and Pacific Light and Power Corporation, representatives of applicant stated that the money derived therefrom was used for capital purposes, but no detail has been supplied as to the use of this money and before these notes are paid from the proceeds of bonds applicant should be required to file such detail.

Applicant has made a very convincing showing that the use of a part of the proceeds of these bonds, proposed to be sold, for increasing production of electric energy at its hydro-electric plant on Big Creek will result in a saving which will more than off-set the price being paid for the money about to be obtained. We are shown that because of the increasing business of applicant, accompanied by the increasing cost of oil necessary in the production of electricity by steam, that the production of electric energy through the hydro-electric plants would result in a saving, if market cost of oil is considered, of approximately \$700,000 per year, or if the price now paid by applicant under contract is considered, the saving will be approximately \$350,000 per year. Furthermore, unless money is obtained immediately, the present organization for additions to plant at Big Creek must be disbanded with a consequent serious loss or increase of the final expense of such additions.

Under all the circumstances, I recommend that this application be granted. From the showing made herein, it is apparent that the high price being paid for this money by ap-

plicant is due entirely to the abnormal condition of the money market, and while ordinarily it would be wise to wait until this abnormal condition had passed, I do not see how applicant can avoid its immediate necessities for money. Furthermore, with a part of the money obtained a saving will be made in the vigorous prosecution of the Big Creek hydro-electric development and the substitution of this power for steam generated power which will more than off-set the difference between a normal price and the price here being paid for this money.

Herewith form of order.

O R D E R .

SOUTHERN CALIFORNIA EDISON COMPANY having applied to this Commission for authority to execute a deed of trust upon its properties and to issue and sell \$10,000,000 face value of first and refunding bonds thereunder, and a hearing having been held and it appearing to this Commission that applicant's request is reasonable and should be granted and that the money, property or labor to be procured or paid for by such issue is reasonably required for the purposes specified in the order, which purposes are not reasonably chargeable in whole or in part to operating expenses or to income,

IT IS HEREBY ORDERED that Southern California Edison Company be and it is hereby authorized to execute deed of trust of its properties as security for an issue of general and refunding mortgage bonds. Such deed to be in form substantially the same as the draft of such deed on file herein marked Exhibit "A".

IT IS HEREBY FURTHER ORDERED that Southern California Edison Company be and it is hereby authorized to issue \$10,000,000 face value of bonds under said deed of trust.

The authority herein granted is granted upon the following conditions and not otherwise:

1. The bonds herein authorized to be issued shall not be issued until applicant has submitted to this Commission a copy of the proposed deed of trust in substantially final form and has secured this Commission's approval thereof evidenced by supplemental order herein.

2. The bonds herein authorized to be issued shall be sold at a price to net applicant in cash not less than 95.62 per cent of the face value thereof and accrued interest. Provided, applicant may pay out of any amount received in excess of such price commissions to underwriters or managers of not to exceed a total of 3 per cent of the face value of said bonds.

3. The proceeds from the sale of the bonds herein authorized shall be used by applicant for the following purposes only, unless otherwise ordered by this Commission:

(a) \$3,000,000 of the proceeds of said bonds, or so much thereof as may be necessary, shall be used by applicant to defray the cost of adding to its Big Creek hydro-electric plant and the transmission line connecting said plant with the City of Los Angeles and for other additions and betterments to its plant and system. Said moneys shall only be expended under supplemental orders from this Commission upon the filing of detailed statements of the work done or to be done.

(b) \$983,287.44 of the proceeds of said bonds, or so much thereof as may be available, may be expended

by applicant in paying the following obligations incurred in purchase of stock of the Mt. Whitney Power and Electric Corporation:

<u>Date of Issue</u>	<u>In Favor of</u>	<u>Rate of Interest</u>	<u>Date of Maturity</u>	<u>Amount</u>
9/1/16	First National Bank, Los Angeles	5%	5/28/17	\$100,000.00
9/1/16	First National Bank, Los Angeles	5%	5/28/17	150,000.00
9/29/16	Los Angeles Trust & Savings Bank	5%	6/29/17	100,000.00
11/3/16	Los Angeles Trust & Savings Bank	5%	6/ 3/17	100,000.00
4/3/17	Security Trust & Savings Bank	5%	7/ 3/17	175,000.00
4/3/17	" " " "	5%	7/ 3/17	75,000.00
4/3/17	Los Angeles Trust & Savings "	5%	7/ 3/17	248,843.75
Due H. E. Huntington for money advanced in purchase of Mt. Whitney Power & Electric Corporation stock				11,759.93
Due J. B. Miller for money advanced in purchase of Mt. Whitney Power & Electric Corporation stock				22,683.76

(c) \$4,000,000 of the proceeds of said bonds, or so much thereof as may be available, may be expended by applicant in paying the following obligations incurred in the purchase of \$5,000,000 of first and refunding bonds of Pacific Light and Power Corporation:

<u>Date of Issue</u>	<u>In Favor of</u>	<u>Rate of Interest</u>	<u>Date of Maturity</u>	<u>Amount</u>
2/26/17	Harris Trust & Savings Bank	5%	8/26/17	\$100,000.00
2/26/17	" " " "	5%	8/26/17	100,000.00
2/26/17	" " " "	5%	8/26/17	100,000.00
2/26/17	" " " "	5%	8/26/17	100,000.00
2/26/17	Illinois Trust & Savings "	5%	8/26/17	100,000.00
2/26/17	" " " "	5%	8/26/17	100,000.00
2/26/17	Continental & Commercial Natl. Bank	5%	8/26/17	100,000.00
2/26/17	Continental & Commercial Natl. Bank	5%	8/26/17	100,000.00
2/26/17	First Natl. Bank, Chicago	5%	8/26/17	100,000.00
2/26/17	" " " "	5%	8/26/17	100,000.00
5/15/17	First Trust & Savings Bank, Chicago	5%	8/27/17	100,000.00
5/15/17	First Trust & Savings Bank, Chicago	5%	8/27/17	100,000.00
5/15/17	Illinois Trust & Savings "	5%	8/27/17	100,000.00

<u>Date of Issue</u>	<u>In Favor of</u>	<u>Rate of Interest</u>	<u>Date of Maturity</u>	<u>Amount</u>
5/15/17	Harris Trust & Savings Bank	5%	8/27/17	\$100,000.00
5/15/17	" "	5%	8/27/17	100,000.00
5/16/17	Security Trust & Savings Bank	5%	11/16/17	500,000.00
Payment on account of Pacific Light & Power Corporation bonds, due August, 1917				1,000,000.00
Payment on account of Pacific Light & Power Corporation bonds, Due November, 1917				1,000,000.00

(d) \$5,554,891.80 of the proceeds of said bonds, or so much thereof as may be available, may be expended by applicant in paying the following outstanding notes of Southern California Edison Company and Pacific Light and Power Corporation, provided that applicant shall first have filed with this Commission a detailed statement as to the purposes for which said notes were originally issued and have received an approval thereof in a supplemental order:

<u>Date of Issue</u>	<u>In Favor of</u>	<u>Rate of Interest</u>	<u>Date of Maturity</u>	<u>Amount</u>
<u>Southern California Edison Company Notes</u>				
4/9/17	Ourselves	4 3/4%	10/9/17	\$200,000.00
4/9/17	Ourselves	4 3/4%	10/9/17	200,000.00
4/16/17	Ourselves	4 3/4%	10/16/17	500,000.00
5/15/17	Bankers Trust Company	5%	5/1/18	1,500,000.00
6/1/17	H. E. Huntington	5%	12/1/17	450,000.00
6/1/17	Ourselves		12/1/17	400,000.00
<u>Pacific Light & Power Corporation Notes</u>				
5/17/17	Bank of Italy, Fresno	6%	8/15/17	50,000.00
5/15/17	First National Bank, Fresno	6%	8/15/17	25,000.00
5/15/17	The Farmers' Natl. Bank, Fresno	6%	8/15/17	25,000.00
8/3/16	Security Trust & Savings Bank	5%	6/4/16	35,000.00
1/15/17	Ourselves	4 3/4%	7/15/17	500,000.00
1/20/17	Ourselves	4 3/4%	7/20/17	100,000.00
2/26/17	Bankers' Trust Company	5 1/2%	8/26/17	1,500,000.00
5/1/17	Riverside Portland Cement Company	6%	7/31/17	3,602.40
5/1/17	" " " "	6%	7/31/17	1,900.00
5/16/17	" " " "	6%	8/14/17	2,477.60
1/23/17	" " " "	None	8/1/17	33,082.50
2/15/17	" " " "	None	8/1/17	13,200.00
4/2/17	" " " "	None	8/1/17	4,603.50
5/15/17	" " " "	6%	8/13/17	6,900.80
5/1/17	" " " "	None	8/1/17	4,125.00

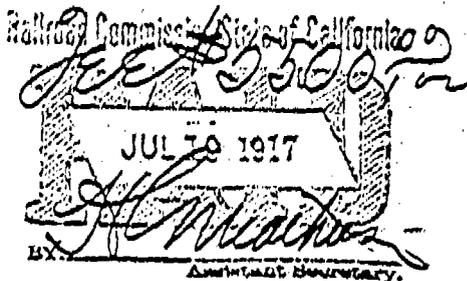
4. The authority herein given to issue bonds is contingent upon the payment of the fee specified in Section 57 of the Public Utilities Act, as amended.

5. Southern California Edison Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the bonds hereby authorized to be issued, and on or before the twenty-fifth day of each month the Company shall make verified reports to the Commission stating the sale or sales of said bonds during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

6. The authority herein granted shall apply only to such bonds as shall have been issued on or before July 1, 1918.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 19th day of July, 1917.



Manuel J. Hillen

H. B. Bourland

Edwin A. Edgerton

Francis P. Wilson

Commissioners.