

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

ORIGINAL

In the matter of the application of Southern California Edison Company, a corporation, for an order of the Railroad Commission of the State of California, authorizing it to issue, sell and deliver 30,000 shares of its common capital stock of the par value of \$100 each.

Application No. 526

H. H. Trowbridge for applicant.

EDGERTON, Commissioner.

O P I N I O N

This is an application by Southern California Edison Company for an order authorizing the issue of 30,000 shares of its common capital stock of the par value of \$100 each.

The condition of the capitalization of applicant is as follows:

STOCK

Preferred stock

Authorized	\$4,000,000.00
Issued	4,000,000.00

Common stock

Authorized	26,000,000.00
Issued	8,400,000.00

BONDS OF APPLICANT

Authorized	30,000,000.00
Issued	10,717,000.00

Underlying bonds

Authorized	12,825,000.00
Issued	3,903,000.00

All of the underlying issues have been closed.

Applicant is engaged in the business of producing, generating, transmitting and distributing electricity and gas for light, heat and power. It owns and operates gas plants in the

City of Pomona, the City of Venice and a portion of the City of Los Angeles, and the electric energy generated at its various plants is distributed and used for light, heat and power in various cities and towns and in unincorporated territory outside of cities, within the counties of Kern, Los Angeles, Orange, Riverside and San Bernardino. For the purpose of furnishing such electric energy, applicant owns and operates various hydro-electric and steam-electric generating plants with transmission systems connecting such plants with its distributing systems.

It is impossible to determine at this time the value of applicant's plant, but it is evident from the statement of the earnings of applicant that it is in a very prosperous condition.

For the fiscal year ending December 31, 1912, its net revenues, not including depreciation deductions, were \$2,011,414.90, deducting for interest and fixed charges \$708,796.10, leaves \$1,302,618.80. Five per cent on the dividends of the outstanding stock amounting to \$620,000.00 was paid, which leaves \$682,618.80 surplus.

The purposes to which the money derived from the sale of the stock herein asked to be authorized are to be put are:

1. For the payment and discharge of debentures of the par value of \$332,000.00.
2. For the payment and discharge of certain of its floating unsecured indebtedness, which is specified in Exhibit C, amounting to the sum of \$1,289,511.52.
3. From time to time for the purpose of paying 25 per cent of the cost of acquisition and installation of betterments and additions to applicant's plant and facilities, as shown in the order of this Commission made in application No. 350; said 25 per cent being the difference between the cost of said betterments and additions and the proportion of said cost for which applicant is entitled to have bonds issued and

certified under the trust indenture dated November 1, 1909.

The proceeds from the sale of the debentures mentioned in the first-named purpose were used for acquiring property and adding extensions, additions and permanent improvements to plant of applicant.

The floating indebtedness mentioned in the second of the purposes hereinabove stated, is represented by promissory notes totaling \$1,010,000.00, and accounts payable of \$279,511.52. All of the money represented by this floating indebtedness was used for the purpose of acquiring property and the additions, extensions and improvements of applicant's plant.

The third purpose represents the difference between the property or money produced by applicant and the face value of bonds certified by the trustee under the indenture upon which bonds are issued. Where applicant is only permitted to issue bonds representing 75 per cent of the additions to property there remains 25 per cent of money expended in property which cannot be obtained from the sale of bonds and it becomes necessary to provide this sum from some other source. The request here is that this money be provided by the sale of stock and in effect the granting of this request would result in the production of \$1000.00 of property, and the issuance against said \$1000.00 of property of \$750.00 of bonds, and assuming that the stock is sold at 80, of approximately \$300.00 of stock.

This is a proper method of supplying money with which to make up the difference between the amount of bonds permissible under applicant's trust deed and the property added to plant. Clearly to take such a sum from income would either reduce the net income of applicant below a reasonable figure or would burden the consumers with an amount which is really not properly chargeable against income, but is a capital charge. Hence, to produce such money from the sale of stock and thus capitalize it, is proper.

Applicant requests that as to 20,000 of the 30,000 shares of stock herein asked to be authorized, it be allowed to pay an underwriting fee or commission of \$2.50 per share. It is proposed that a syndicate agree to purchase all of said 20,000 shares of stock at \$80 per share, or so much of said stock as is not subscribed for by the present stockholders of applicant. For this purpose it is proposed to pay such syndicate \$2.50 per share and this commission seems to me reasonable. Under present conditions a sale of applicant's stock at \$80 per share is a good sale and to bring this about \$2.50 per share is not an unreasonable sum, as it may be that the syndicate will be compelled to take all, or a large part of such issue.

As to the remaining 10,000 shares, applicant requests that it be allowed to sell them at 80 without paying a commission.

I recommend that the application be granted, and submit herewith the following form of order:

O R D E R

Application having been made to the Railroad Commission of the State of California by Southern California Edison Company for an order authorizing the issue by said company of 30,000 shares of its common capital stock, par value \$100 per share,

And a hearing having been duly held and it appearing to the Commission that the money to be secured by the issue of said stock is necessary and reasonably required by said company for the discharge of its obligations and for the construction, completion, extension and improvement of its facilities, and that the purposes for which the proceeds of the sale of said stock are to be used, are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that the Railroad Commission of the State of California does hereby authorize the issue by Southern California Edison Company of 30,000 shares of its common

capital stock of the par value of \$100, or so much thereof as may be necessary for the purposes set out herein.

Said stock is to be issued upon the following conditions, not otherwise:

1. Southern California Edison Company shall sell the stock hereby authorized so as to net said company not less than 80 per cent of the par value thereof, provided that if an agreement be entered into whereby 20,000 shares of said stock shall be underwritten, that is to say, that an agreement be made by responsible parties that they will take all of said 20,000 shares of stock at 80 per cent of their par value, or so much thereof as may not be subscribed for at such price by the stockholders of applicant, then applicant may pay such persons entering into such agreement the sum of \$2.50 per share as commission, said commission to be paid when said stock is purchased.

2. The proceeds from the sale of said stock shall be used for the following purposes only:

a. For the payment of the floating indebtedness of applicant, consisting of promissory notes in the total sum of \$1,010,000.00, said promissory notes being the following:

Favor of	Amount	Date due
First Nat. Bank of Los Angeles	\$175,000.00	Aug. 29, 12
1st Nat. Bank of Santa Barbara	15,000.00	Nov. 28, 12
General Electric Company	30,000.00	On or before May 20, 13.
General Electric Company	40,000.00	On or before June 20, 13.
Los Angeles Tr. & Savings Bank	125,000.00	May 25, 13.
Los Angeles Tr. & Savings Bank	25,000.00	May 25, 13.
Ourselves	250,000.00	June 26, 13.
General Electric Company	30,000.00	On or before July 20, 13.
General Electric Company	20,000.00	On or before Aug. 21, 13.
Continental & Commercial Nat. Bank	100,000.00	Oct. 22, 13.
Bankers Trust Company	100,000.00	Sept. 1, 13.
The National Bank of The Republic	30,000.00	Nov. 5, 13.
First Trust & Savings Bank	70,000.00	Nov. 4, 13.
	<u>\$1,010,000.00</u>	

and accounts payable in the sum of \$279,511.52,

b. For the payment and discharge of debentures of applicant in the amount of \$332,000. Said debentures having

been issued under an agreement dated April 1, 1911, between Southern California Edison Company and Los Angeles Trust and Savings Bank, trustee, a copy of said agreement being on file with the application herein.

c. From time to time for the purpose of paying 25 per cent of the cost of the acquisition and installation of betterments and additions to applicant's plant and facilities as shown in detail in the order made by this Commission, dated January 27, 1913, in application No. 350; said 25 per cent being the difference between the cost of said betterments and additions and the proportion of said cost for which applicant is entitled to have bonds issued and certified, under the trust indenture dated November 1, 1909.

3. Said company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of said stock hereby authorized to be issued and on or before the 25th day of each month the company shall make a verified report to the Commission in accordance with the Commission's General Order No. 24, stating the sale or disposition of such stock during the preceding month, the terms and conditions of such sale or other disposition, the moneys realized therefrom and the use and application of such moneys.

4. The effectiveness of this order is conditioned on the prior payment of the fee specified in section 57 of the Public Utilities Act.

5. The authority hereby given to issue such stock shall apply only to stock issued by said company on or before the 30th day of June, 1914.

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 *2nd* day of
July, 1913.

John M. Washburn

John Gordon

Edwin C. Edgerton

Commissioners.