

Decision No. 28220

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 execute)
and deliver a debenture agreement and) Application No. 20143
to issue and sell \$27,500,000. face)
value of its debentures.)

Roy V. Reppy, B. F. Woodard and Gail C. Larkin,
for applicant.

ORIGINAL

BY THE COMMISSION:

O P I N I O N

In this proceeding Southern California Edison Company Ltd. asks permission to execute and deliver an indenture substantially in the form filed in this proceeding as Exhibit "B" and to issue and sell \$27,500,000. of debentures to discharge or refund in part its obligations to the holders of its preferred, Series "A", 7% capital stock, and to reimburse its treasury on account of income heretofore used to redeem outstanding bonds.

The Southern California Edison Company Ltd. as of July 31, 1935, had stock outstanding as follows:-

	No. of Shares	Per Value
Original preferred stock	160,000	\$4,000,000.00
Preferred-Series A 7%	995,150	24,878,750.00
Preferred-Series B 6%	1,921,554	48,038,850.00
Preferred-Series E 5 $\frac{1}{2}$ %	1,425,892	35,647,300.00
Common stock	3,182,805	79,570,125.00
Subscribed preferred stock	4	100.00
Total.....	<u>7,685,405</u>	<u>\$192,135,125.00</u>

In the above entitled application Southern California Edison Company Ltd. reports that it has issued and now outstanding 958,029

shares of its preferred, Series "A" 7% capital stock of the par value of \$25.00 per share and of the aggregate par value of \$23,950,725.00. Under applicant's articles of incorporation said preferred, Series "A" 7% stock is subject to retirement at the option of applicant, in whole or in part from time to time, by vote of its board of directors, by paying to the holders thereof at the rate of \$28.75 per share, plus any accumulated dividends due thereon.

It is of record that the Company, on September 12, 1935, adopted, through action taken at a meeting held by its board of directors, resolutions calling for retirement and redemption, all of its issued and outstanding preferred, Series "A" 7% stock of record at the close of business on September 25, 1935, at the rate of \$28.75 per share, plus accrued dividends since the end of the last quarterly dividend period, September 1, 1935 to October 1, 1935. By the exercise of its option to retire said stock it appears that applicant is under obligation to pay to the holders of said stock the sum of \$28.75 per share plus the amount of the unpaid dividends accumulated thereon to October 1, 1935 in the amount of 15¢ per share.

The application and reports heretofore filed with the Commission show that applicant has actually expended the sum of \$6,331,700. out of its income, or from other moneys in its treasury not secured by or obtained from the issue of stock or of other securities, for the purpose of retiring a like aggregate principal amount of its bonds heretofore issued and outstanding, and that no new securities have been issued or are proposed to be issued by applicant to reimburse itself for these expenditures for bond retirement except \$700,000. aggregate principal amount of its first and refunding mortgage gold bonds, Series of 4's, due 1960, referred to in Application No. 20142, and except, in part, the debentures hereinafter referred to.

To raise the funds necessary to discharge or refund its obligations to the holders of its preferred Series "A" 7% stock upon the retirement and redemption of the latter, applicant proposes to issue and sell for not less than \$27,250,000.00, plus accrued interest, \$27,500,000. of its debentures, to be dated as of September 1, 1935, to be issued in series as follows:-

Three Million(\$3,000,000.) Dollars aggregate principal amount, to be designated as "Debentures, Series of 1936," to bear interest at the rate of two and one-half percent ($2\frac{1}{2}\%$) per annum and to mature September 1, 1936;

Two Million(\$2,000,000.) Dollars aggregate principal amount, to be designated as "Debentures, Series of 1937", to bear interest at the rate of two and one-half percent ($2\frac{1}{2}\%$) per annum and to mature September 1, 1937;

Two Million (\$2,000,000.) Dollars aggregate principal amount, to be designated as "Debentures, Series of 1938," to bear interest at the rate of two and one-half percent ($2\frac{1}{2}\%$) per annum and to mature September 1, 1938;

Three Million(\$3,000,000.) Dollars aggregate principal amount, to be designated as "Debentures, Series of 1939", to bear interest at the rate of three and one-half percent ($3\frac{1}{2}\%$) per annum and to mature September 1, 1939;

Three Million (\$3,000,000.) Dollars aggregate principal amount, to be designated as "Debentures, Series of 1940", to bear interest at the rate of three and one-half percent ($3\frac{1}{2}\%$) per annum and to mature September 1, 1940;

Fourteen Million Five Hundred Thousand(\$14,500,000.) Dollars aggregate principal amount, to be designated as "Debentures, Series of 1945", to bear interest at the rate of three and three-fourths percent ($3\text{-}3/4\%$) per annum and to mature September 1, 1945.

The debentures are to be unsecured but will be issued pursuant to the terms of an indenture dated as of September 1, 1935, between the company as party of the first part and Harris Trust and Savings Bank and California Trust Company as trustees, parties of the second part. A copy of the proposed form of this indenture is filed in this proceeding as Exhibit "B". The terms and conditions under which applicant proposes to issue the debentures appear in said indenture. We have no objection to such terms and conditions.

It appears from the statements filed by applicant in connection with its application that through the retirement of the preferred, Series "A", 7% capital stock and the issuance of the proposed debentures, the company will effect substantial savings in its annual fixed financing charges. These savings are estimated at \$912,827.75 per year over the entire life of the debenture issue.

It also appears that the proposed transaction, insofar as the capital structure of the company is concerned, will result in a substitution of the debentures for the preferred, Series "A", 7% capital stock which applicant reports was originally issued for the purpose of retiring by purchase the company's second preferred stock formerly issued against property acquisitions and capital, and in part for additional acquisitions and capital expenditures, at least to the extent of an amount of debentures equal to the aggregate par value of the outstanding Series "A" preferred stock. As to the balance of the proposed debentures, it appears that the company is entitled to issue the same for the purpose of reimbursing itself for moneys which were expended from income or sources other than the sale of securities for the purpose of retiring applicant's outstanding bonds.

Had the financing referred to in Application No. 20142 and in this application (No. 20143) been completed as of July 31, 1935, applicant would have had outstanding stock and bonds as follows:-

<u>A. STOCK:</u>	
Original preferred	\$4,000,000.
Pfd. Series "B" (Inc. \$100. subscribed)	47,581,400.
Pfd. Series "C" 5 $\frac{1}{2}$ %	34,990,025.
Common	79,570,125.
Total stock	<u>\$186,241,550.</u>
<u>B. BONDS:</u>	
First and refunding Mtge gold bonds, Series of 5s, due 1954	-
Do Series of 4 $\frac{1}{2}$ s, due 1955	3,303,500,000.
Do Series of 3-3/4s, due 1960	73,000,000.
Do Series B 3-3/4s, due 1960	35,000,000.
Pacific Light & Power Co. 5s of 1942	4,750,000.
New debentures	27,500,000.
New issue 4s, due 1960	30,000,000.
Total bonds	<u>\$173,250,000.</u>

It is reported that the bonds and debentures represent 52.34% of the investment in applicant's tangible capital.

O R D E R

Southern California Edison Company Ltd., having applied to the Railroad Commission for authority to issue and sell \$27,500,000. aggregate principal amount of its debentures and for authority to execute and deliver an indenture, pursuant to which the debentures are to be issued, and the Commission having considered applicant's requests and being of the opinion that this is not a matter on which a hearing is necessary, and that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes hereinafter specified, and that such purpose or purposes 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 that Southern California Edison Company Ltd. be, and it is hereby, authorized to issue and sell, on or before December 1, 1935, for cash, for a total aggregate sum of not less than \$27,250,000.00, plus accrued interest, under the terms of the indenture hereinafter referred to, \$27,500,000. aggregate principal amount of its debentures substantially in the form of the debentures set forth in the copy of the said proposed indenture filed as Exhibit "B" with its application and/or in temporary form, as permitted in said indenture, for the following purposes:-

- (a) For the discharge or refunding of applicant's obligations incurred or to be incurred to the holders of its preferred, Series "A", 7%, capital stock in connection with the retirement and redemption thereof, to the extent of \$23,950,725.00, said amount being the total aggregate par value of said stock outstanding; and

(b) For the reimbursement to the extent of \$3,549,275., being the balance of the face amount of the debentures, of a like amount heretofore actually expended by applicant from its income or other general funds in retiring applicant's outstanding bonds.

IT IS HEREBY FURTHER ORDERED that Southern California Edison Company Ltd. be, and it is hereby, authorized to execute and deliver to Harris Trust and Savings Bank and California Trust Company, as trustees, an indenture substantially in the same form as the indenture filed in this proceeding as Exhibit "B", provided that the authority herein granted to execute said indenture is for the purpose of this proceeding only, and is granted insofar as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said indenture as to such other legal requirements to which said indenture may be subject.

The authority herein granted is subject to further conditions as follows:-

1. Applicant shall apply or cause to be applied to the discharge of its obligations incurred or to be incurred in connection with the retirement of its preferred, Series "A", 7%, capital stock, all of the proceeds, other than accrued interest, to be realized by applicant from the issuance and sale of the debentures, or so much thereof as may be necessary for the purpose, or if such proceeds be not sufficient, then also such other moneys from its treasury as may be required for the purpose. The accrued interest may be used for general corporate purposes, or may be applied to the discharge of said obligation.
2. Applicant shall keep such record of the issue and sale of the debentures 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.

3. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Nine Thousand Eight Hundred and Seventy-five(\$9,875.00) Dollars.

IT IS HEREBY FURTHER ORDERED that if Southern California Edison Company Ltd. issues and sells said \$27,500,000. of debentures it shall file with the Commission within Thirty(30) days after the date of said debentures-

- a. A copy of the contract between said Southern California Edison Company Ltd. and the underwriters; and
- b. A copy of the prospectus under which said debentures are being distributed by the underwriters.

IT IS HEREBY FURTHER ORDERED that Southern California Edison Company Ltd. shall, on or before April 1, 1936, file with the Railroad Commission a statement showing in detail the expenses incurred by it because of the issue and sale of said \$27,500,000. of debentures.

DATED at San Francisco, California, this 12th day of September, 1935.

Leon C. Whittell

William H. ...

James R. ...

Commissioners.

\$
Fee 9,875.00
W. H. ...
Fee # 31613