

Decision No. 31126

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SOUTHERN CALIFORNIA EDISON COMPANY LTD.,
a California corporation, for an order
of the Railroad Commission authorizing
it to borrow \$7,000,000. and to issue
its promissory notes therefor.

ORIGINAL

Application No. 22108

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

BY THE COMMISSION:

O P I N I O N

In this application Southern California Edison Company Ltd. asks permission to issue its unsecured promissory notes, to be dated August 29, 1938, in the total principal amount of \$7,000,000 for the purpose of providing in part the cost of redeeming on September 1, 1938, \$8,800,000. of its outstanding debentures.

The application shows that the company has made arrangements to issue its new notes as follows:-

To Bank of America National Trust and Savings Association:	
Payable one year from date, interest $1\frac{1}{2}\%$ per annum	\$1,750,000.
Payable on or before two years from date, interest $1\frac{1}{2}\%$ per annum	1,750,000.
To Security-First National Bank of Los Angeles:	
Payable one year from date, interest $1\frac{1}{2}\%$ per annum	750,000.
Payable on or before two years from date, interest $1\frac{1}{2}\%$ per annum	750,000.
To California Bank:	
Payable one year from date, interest $1\frac{1}{2}\%$ per annum	200,000.
Payable on or before two years from date, interest $1\frac{1}{2}\%$ per annum	200,000.
To Citizens National Bank of Los Angeles:	
Payable one year from date, interest $1\frac{1}{2}\%$ per annum	200,000.
Payable on or before two years from date, interest $1\frac{1}{2}\%$ per annum	200,000.
To Union Bank and Trust Company:	
Payable one year from date, interest $1\frac{1}{2}\%$ per annum	125,000.
Payable on or before two years from date, interest $1\frac{1}{2}\%$ per annum	125,000.

To Harris Trust and Savings Bank, Chicago:		
Payable one year from date, interest $1\frac{1}{4}$ % per annum		\$375,000.
Payable on or before two years from date, interest $1\frac{1}{2}$ % per annum		375,000.
To Farmers and Merchants National Bank of Los Angeles:		
Payable one year from date, interest $1\frac{1}{4}$ % per annum	100,000.	
Payable on or before two years from date, interest $1\frac{1}{2}$ % per annum		100,000.
		Total.....
		\$7,000,000.

The company proposes to use the proceeds realized on the issue of the notes, being the full face value thereof, together with cash on hand, to redeem the \$3,000,000. of its debentures, series of 1940, $3\frac{1}{2}$ %, at 101% of the principal amount, and \$5,800,000. of its debentures, series of 1945, $3\text{-}3/4\%$ at $102\frac{1}{2}$ % of the principal amount. The debentures to be thus redeemed are part of an original issue of \$27,500,000. sold in September, 1935, pursuant to authority granted by the Commission by Decision No. 28220, dated September 12, 1935, as amended. The amounts issued at that time and the amounts now outstanding are as follows:-

<u>Series</u>	<u>Issued</u>	<u>Price</u>	<u>Outstanding</u>
$2\frac{1}{2}$ % due Sept.1,1936	\$3,000,000.	101.489,398	-
$2\frac{1}{2}$ % due Sept.1,1937	2,000,000.	101.590,023	-
$2\frac{1}{2}$ % due Sept.1,1938	2,000,000.	99.391,641	\$ 2,000,000.
$3\frac{1}{2}$ % due Sept.1,1939	3,000,000.	100.871,481	-
$3\frac{1}{2}$ % due Sept.1,1940	3,000,000.	99.570,703	3,000,000.
$3\text{-}3/4\%$ due Sept.1,1945	<u>14,500,000.</u>	98.25	<u>14,500,000.</u>
	<u>\$27,500,000.</u>		<u>\$19,500,000.</u>

In the indenture, dated as of September 1, 1935, defining the terms under which the debentures were issued, the company agreed, among other things, that on or before September 1, 1941 and on or before September 1 in each year thereafter up to and including Sep-

tember 1, 1944, so long as any debentures, series of 1945, shall be outstanding, it would pay as and for a sinking fund for the retirement of the debentures, series of 1945, sums sufficient to retire \$2,000,000. of said debentures on September 1, 1941, \$2,000,000. on September 1, 1942, \$3,000,000. on September 1, 1943 and \$3,000,000. on September 1, 1944. In lieu of cash it may deliver debentures, series of 1945, or secure credit for such debentures redeemed otherwise than through the operation of the sinking fund.

The company further agreed in said indenture that it would not after the date thereof, declare or pay any dividend or make any other distribution on its common stock at a rate in excess of 6% per annum, unless and until it set aside cash in an amount sufficient for the payment of principal of and interest to maturity on all debentures maturing within twelve months from the date of such dividend payment or distribution on the common stock, and also sufficient to make all sinking fund payments provided to be made within such twelve month period.

With the payment of the \$2,000,000. of debentures, series of 1938, that becomes due on September 1, 1938, and with the conclusion of the refinancing program outlined in this application, the company will have outstanding, of the original issue of \$27,500,000. in 1935, only \$8,700,000. of debentures maturing September 1, 1945.

To call and redeem the \$8,800,000. of debentures as now proposed, will require the payment by the company of total premiums of \$175,000. at the call prices. In our opinion, such premiums, together with any balances now on the company's books representing unamortized discount and expense, applicable to the debentures to be called and redeemed, should be charged by the company to its surplus account upon such redemption. In the company's financial statement attached to the application its earned surplus as of May 31, 1938 is reported at \$10,902,800.85.

O R D E R

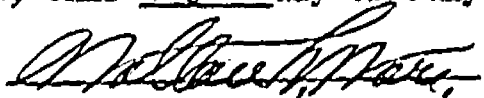
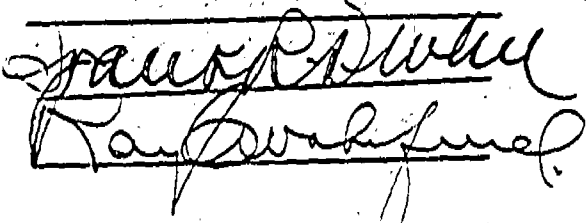
Southern California Edison Company Ltd. having applied to the Railroad Commission for permission to issue \$7,000,000. of unsecured notes, and the Commission being of the opinion that this is not a matter in which a public hearing is necessary, that the application should be granted, as herein provided, that the money, property or labor to be procured or paid for is reasonably required for the purpose specified herein and that the expenditures for such purpose 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, on or before September 15, 1938, \$7,000,000. principal amount of its unsecured promissory notes payable in the amounts and at the times and with the rates of interest set forth in the opinion preceding this order, and to use the proceeds to pay in part the cost of redeeming on September 1, 1938, \$3,000,000. of its debentures, series of 1940, and \$5,800,000. of its debentures, series of 1945, now outstanding.

IT IS HEREBY FURTHER ORDERED, that the authority herein granted shall become effective upon the date hereof.

IT IS HEREBY FURTHER ORDERED that applicant shall keep such record of the issue of the notes herein authorized and of the disposition of the proceeds as will enable it to file within thirty(30) days thereafter a verified report, as required by the Railroad Commission's General Order No. 24-A, which order insofar as applicable is made a part of this order.

DATED at San Francisco, California, this 25th day of July, 1938.

Commissioners

*No fee - referencing.
17711.*