

Decision No. 32112

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 Thirty Million Dollars
(\$30,000,000) face value of its First
& Refunding Mortgage Gold Bonds, Series
of 3½s, Due 1964.

ORIGINAL

Application No. 22628

BY THE COMMISSION:

O P I N I O N

Southern California Edison Company Ltd. asks permission to issue and sell at 104.37% of their face value \$30,000,000 of its First and Refunding Mortgage Gold Bonds "Series of 3½s" due 1964, and to use the proceeds to pay in part \$30,000,000 of First and Refunding Mortgage Gold Bonds "Series of 4s" due 1960.

Southern California Edison Company Ltd. has outstanding, stocks, bonds, debentures and notes as follows:

A. <u>Stock</u> -- Original Preferred	\$4,000,000.00
Preferred Series A, 7%	4,100.00
Preferred Series B, 6%	47,681,400.00
Preferred Series C, 5½%	34,990,025.00
Common	<u>79,570,125.00</u>
Sub-total	<u>\$166,245,650.00</u>
B. <u>Bonds</u> -- First and Refunding 3-3/4s due May 1, 1960	\$ 73,000,000.00
First and Refunding 3-3/4s due July 1, 1960	35,000,000.00
First and Refunding 4s due September 1, 1960	30,000,000.00
Pacific Light and Power Company 5s due July 1, 1942	<u>4,123,000.00</u>
Sub-total	<u>\$142,123,000.00</u>
C. <u>Debentures</u> -- 3-3/4s due Sept. 1, 1945	<u>\$ 6,700,000.00</u>
D. <u>Notes</u> -- 1-1/2s due August 29, 1940	<u>\$ 3,500,000.00</u>
GRAND TOTAL	<u><u>\$320,868,650.00</u></u>

The investment in the company's electrical properties including \$10,870,814.49 of intangible capital, is, as of May 31, 1939, reported at \$355,085,703.36. As of the same date the company's reserve for depreciation was \$49,253,531.63.

The company has concluded to redeem on September 1, 1939 its \$20,000,000 of 4% First and Refunding Mortgage Gold Bonds. These bonds are, at that time, redeemable at par, accrued interest and a premium of 8½%.

There is filed in this proceeding a copy of the resolution of the Board of Directors of Southern California Edison Company Ltd. creating a new series of First and Refunding Mortgage Gold Bonds. Such series will be designated as "Series of 3½s Due, 1964". The bonds will be dated September 1, 1939 and mature September 1, 1964. They will bear interest from September 1, 1939 at the rate of 3½% per annum, payable semi-annually on the first day of March and the first day of September of each year. They are, at the option of the company, redeemable on any interest date prior to maturity upon sixty (60) days' notice by payment of the principal thereof, the accrued interest to the date fixed for redemption and a premium determined as follows:

"If redeemed prior to or during the calendar year 1942, ten per centum (10%) of the principal thereof; if redeemed during the calendar years 1943, 1944 or 1945, nine per centum (9%) of the principal thereof; if redeemed during the calendar years 1946, 1947 or 1948, eight per centum (8%) of the principal thereof; if redeemed during the calendar years 1949, 1950 or 1951, seven per centum (7%) of the principal thereof; if redeemed during the calendar years 1952, 1953 or 1954, six per centum (6%) of the principal thereof; if redeemed during the calendar years 1955 or 1956, five per centum (5%) of the principal thereof; if redeemed during the calendar years 1957 or 1958, four per centum (4%) of the principal thereof; if redeemed during the calendar years 1959 or 1960, three per centum (3%) of the principal thereof; if redeemed during the calendar years 1961 or 1962, two per centum (2%) of the principal thereof; if redeemed during the calendar year 1963, one per centum (1%) of the principal thereof; and if redeemed on March 1, 1964, one half of one per centum (1/2 of 1%) of the principal thereof;"

Applicant requests permission to amortize over the life of the new bonds the unamortized discount, expense and premium associated with the issue and redemption of the 4% bonds due in 1960. Said unamortized discount, expense and premium is reported at \$2,686,083.44. This does not include the \$2,550,000 of premium that must be paid upon the redemption of the 4% bonds due 1960. The company will receive a premium of \$1,311,000 from the sale of its Series of 3 $\frac{3}{4}$ % bonds due 1964. The difference between the premium paid and the premium received is \$1,239,000 which added to the \$2,686,083.44 makes a total of \$3,925,083.44. For accounting purposes we have no objection to the company amortizing over the life of the new bonds the \$3,925,083.44 less the saving in taxes because of the said refunding. The Commission reserves the right, however, to determine whether the annual amortization charges should be included in the cost of money to the company.

O R D E R

Southern California Edison Company Ltd. having asked permission to issue \$30,000,000 of its First and Refunding Mortgage Gold Bonds, Series of 3 $\frac{3}{4}$ %, due 1964, for the purpose of refunding its outstanding 4% bonds due 1960; the Commission having considered applicant's request and it being of the opinion that this is not a matter in which a public hearing is necessary; that the money, property or labor to be procured or paid for by the issue of said bonds is reasonably required by applicant for the purpose herein stated and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income and that this application should be granted subject to the provisions of this order, therefore,

IT IS HEREBY ORDERED, that Southern California Edison Company Ltd. be, and it is hereby, authorized to issue and sell on or before September 15, 1939, at 104.37% of their face value, \$30,000,000 of its First

Applicant requests permission to amortize over the life of the new bonds the unamortized discount, expense and premium associated with the issue and redemption of the 4% bonds due in 1960. Said unamortized discount, expense and premium is reported at \$2,686,083.44. This does not include the \$2,550,000 of premium that must be paid upon the redemption of the 4% bonds due 1960. The company will receive a premium of \$1,311,000 from the sale of its Series of 3½% bonds due 1964. The difference between the premium paid and the premium received is \$1,239,000 which added to the \$2,686,083.44 makes a total of \$3,925,083.44. For accounting purposes we have no objection to the company amortizing over the life of the new bonds the \$3,925,083.44 less the saving in taxes because of the said refunding. The Commission reserves the right, however, to determine whether the annual amortization charges should be included in the cost of money to the company.

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IT IS HEREBY ORDERED, that Southern California Edison Company Ltd. be, and it is hereby, authorized to issue and sell on or before September 15, 1939, at 104.37% of their face value, \$30,000,000 of its First

and Refunding Mortgage Gold Bonds, "Series of 3 $\frac{1}{2}$ s" due 1964 and use the proceeds to pay in part \$30,000,000 of First and Refunding Mortgage Gold Bonds Series of 4s due 1960.

IT IS HEREBY FURTHER ORDERED, that Decision No. 30269 dated October 25, 1937, as amended by Decision No. 30339 dated November 15, 1937, is hereby modified so as to permit Southern California Edison Company Ltd. to amortize, on or before September 1, 1964, the bond discount, expense and premium of \$3,925,083.44 less the saving in taxes because of the redemption of its 4% bonds on September 1, 1939, referred to in the foregoing opinion, provided that the Commission reserves the right to determine hereafter whether the charges necessary to amortize said discount, expense and premium should be included in the cost of money to said Southern California Edison Company Ltd.

IT IS HEREBY FURTHER ORDERED, that applicant shall keep such record of the issue, sale and delivery of the bonds 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-A which order in so far as applicable is made a part of this order.

DATED at San Francisco, California this 27th day of June 1939.

Richard A. ...

Frank ...

Ray ...

H. ...

Justus F. Cramer

COMMISSIONERS