

Decision No. 33576

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 One Hundred Eight Million Dollars (\$108,000,000) aggregate principal amount of its First and Refunding Mortgage Bonds, Series of 3s, Due 1965.

ORIGINAL

Application No. 23740

BY THE COMMISSION:

O P I N I O N

Southern California Edison Company Ltd. asks permission to issue and sell at not less than 102% of the principal amount thereof, \$108,000,000 of its First and Refunding Mortgage Bonds, Series of 3s, due 1965 (due September 1, 1965), and use the proceeds together with other funds to pay the expenses of the issue of said bonds, estimated at \$383,940, and to redeem \$108,000,000 of its First and Refunding Mortgage Gold Bonds, Series of 3-3/4s, due 1960, and its First and Refunding Mortgage Gold Bonds, Series B 3-3/4s, due 1960.

Southern California Edison Company Ltd. had on July 31, 1940, outstanding stocks, bonds and notes as follows:

A. Stocks:

Original Preferred	\$ 4,000,000	
Preferred, Series B 6%	47,681,400	
Preferred, Series C 5 $\frac{1}{2}$ %	34,990,025	
Common	<u>79,570,125</u>	
Subtotal		\$166,241,550

B. Bonds:

First and Refunding, Series of 3-3/4s, due May 1, 1960	\$ 73,000,000	
First and Refunding, Series B 3-3/4s, due July 1, 1960	35,000,000	
First and Refunding, Series of 3-1/4s, due Sept. 1, 1964	30,000,000	
Pacific Light & Power Co. 5s, due July 1, 1942	<u>4,175,000</u>	
Subtotal		\$142,175,000

C. Notes payable

\$ 1,750,000

Grand Total- Stocks, Bonds and Notes \$310,166,550

The record shows that since July 31, 1940, applicant paid the \$1,750,000 of notes.

On July 31, 1940, applicant reports reserves for depreciation of \$55,089,045.66; capital surplus of \$1,044,844.03, and earned surplus of \$15,499,701.16.

It is of record that Southern California Edison Company Ltd. has concluded to redeem on January 1, 1941 its \$108,000,000 of First and Refunding Mortgage Gold Bonds, Series of 3-3/4s, due May 1, 1960, and Series B 3-3/4s, due July 1, 1960. On that date the bonds are redeemable upon the payment of the principal thereof, accrued interest and a premium equal to five per cent of the principal amount of bonds redeemed. The redemption of these bonds will call for a total expenditure of \$113,400,000. In addition, the company estimates expenses incidental to the issue and sale of said 3% bonds at \$383,940.

To obtain some of the funds necessary to redeem said First and Refunding Mortgage Gold 3-3/4% bonds, Southern California

Edison Company Ltd. asks permission to issue and sell at not less than 102% of the principal amount thereof, \$108,000,000 of First and Refunding Mortgage Bonds, Series of 3s, due 1965. These bonds will be dated September 1, 1940 and mature September 1, 1965. They will bear interest at the rate of 3% per annum, payable semi-annually, and are subject to redemption at the option of the company at any time prior to maturity, after four weeks' notice, upon payment of the principal amount thereof, the accrued interest plus a premium as follows:

- If redeemed on or before March 1, 1941, a premium of 8½%;
- If redeemed thereafter and on or before March 1, 1942, a premium of 8%;
- If redeemed thereafter and on or before March 1, 1943, a premium of 7½%;
- If redeemed thereafter and on or before March 1, 1944, a premium of 7%;
- If redeemed thereafter and on or before March 1, 1945, a premium of 6½%;
- If redeemed thereafter and on or before March 1, 1946, a premium of 6%;
- If redeemed thereafter and on or before March 1, 1947, a premium of 5½%;
- If redeemed thereafter and on or before March 1, 1948, a premium of 5%;
- If redeemed thereafter and on or before March 1, 1949, a premium of 4½%;
- If redeemed thereafter and on or before September 1, 1950, a premium of 4%;
- If redeemed thereafter and on or before September 1, 1951, a premium of 3-3/4%;
- If redeemed thereafter and on or before September 1, 1952, a premium of 3½%;
- If redeemed thereafter and on or before September 1, 1953, a premium of 3¼%;
- If redeemed thereafter and on or before September 1, 1954, a premium of 3%;
- If redeemed thereafter and on or before September 1, 1955, a premium of 2-3/4%;
- If redeemed thereafter and on or before September 1, 1956, a premium of 2½%;
- If redeemed thereafter and on or before September 1, 1957, a premium of 2¼%;
- If redeemed thereafter and on or before September 1, 1958, a premium of 2%;
- If redeemed thereafter and on or before September 1, 1959, a premium of 1-3/4%;
- If redeemed thereafter and on or before September 1, 1960, a premium of 1½%;
- If redeemed thereafter and on or before September 1, 1961, a premium of 1¼%;
- If redeemed thereafter and on or before September 1, 1962, a premium of 1%;
- If redeemed thereafter and on or before September 1, 1963, a premium of 3/4 of 1%;
- If redeemed thereafter and on or before March 1, 1964, a premium of ½ of 1%;
- If redeemed thereafter and on or before September 1, 1964, a premium of 3/8 of 1%;
- If redeemed thereafter and on or before March 1, 1965, a premium of ¼ of 1%;
- If redeemed thereafter and on or before August 31, 1965, a premium of 1/8 of 1%.

The additional funds that applicant needs to redeem said 3-3/4% bonds and pay expenses will, other than cash on hand, be obtained from banks through the issue of unsecured 1-1/2% notes, payable in twelve months or less.

The bond purchase contract filed with the Commission shows that the underwriters are paying 102-1/4% of the principal amount plus accrued interest from September 1, 1940 to date of delivery for said \$108,000,000 of First and Refunding Mortgage Bonds, Series of 3s, due 1965.

Southern California Edison Company Ltd. estimates that through the proposed bond redemption it will effect a net estimated saving before excess profits tax of at least \$259,000 per annum.

Southern California Edison Company Ltd. asks permission to amortize over a period of nineteen years beginning January 1, 1941, all unamortized discounts, expenses and call premiums associated with the issue and redemption of said two series of bonds, to-wit: Series of 3-3/4s, due 1960 and Series B 3-3/4s, due 1960, excluding all unamortized debt, discounts, expenses and call premiums associated with the company's issues refunded in 1926, 1927, 1928 and on December 1, 1935, all of which, amounting on June 30, 1940, to \$6,438,753.73 less the proportion thereof in the amount of \$160,993.39 currently amortized from June 30, 1940 to January 1, 1941, the company proposes on December 31, 1940 to charge to its earned surplus account. The company will further credit to unamortized bond discounts, expenses and premiums, its income tax savings which are estimated at \$2,725,000. It estimates that its net annual charge for amortization of bond discounts, expenses and premiums will be, under its plan, \$627,019.17

as compared with about \$657,000 per annum at present. For accounting purposes, we have no objection to the company's plan of amortizing bond discounts, expenses and premiums. The Commission, however, reserves the right to determine whether the annual amortization charges should be included in the cost of money to the company.

#### ORDER

Southern California Edison Company Ltd. having asked permission to issue \$108,000,000 of its First and Refunding Mortgage Bonds, Series of 3s, due 1965, for the purpose of redeeming its outstanding \$108,000,000 of First and Refunding Mortgage Gold Bonds, Series of 3-3/4s, due 1960, and Series B 3-3/4s, due 1960, and to pay expenses incident to the issue of said Series of 3s, due 1965, and the Commission having considered applicant's request, and it being of the opinion that this is not a matter on 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 for the purposes specified herein, and that the expenditures for said purposes, except the payment of expenses incident to the issue of said bonds, and the payment of interest thereon, 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 January 1, 1941 at not less than 102 $\frac{1}{2}$ % of the principal

amount thereof plus accrued interest, \$108,000,000 of its First and Refunding Mortgage Bonds, Series of 3s, due 1965, and use the proceeds, other than accrued interest, to pay in whole or in part the expenses incident to the issue of said bonds and to redeem, retire and pay in whole or in part said \$108,000,000 of First and Refunding Mortgage Gold Bonds, Series of 3-3/4s, due 1960, and Series B 3-3/4s, due 1960. The accrued interest may be used to discharge lawful obligations.

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 bond discounts, expenses and premiums as indicated in the foregoing opinion, provided that the Commission reserves the right to determine hereafter whether the charges necessary to amortize the said bond discounts, expenses and premiums shall be included in the cost of money to said Southern California Edison Company Ltd.

IT IS HEREBY FURTHER ORDERED that Southern California Edison Company Ltd. 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 with the Railroad Commission 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 insofar as applicable is made a part of this order.

IT IS HEREBY FURTHER ORDERED that within thirty (30) days after the effective date of the Registration Statement filed with the Securities and Exchange Commission, Southern California

Edison Company Ltd. shall file with the Railroad Commission a complete copy of said Registration Statement.

IT IS HEREBY FURTHER ORDERED that on or before January 1, 1941, Southern California Edison Company Ltd. shall file with the Commission a statement showing in detail the expenses incurred by it because of the issue of said First and Refunding Mortgage Bonds, Series of 3s, due 1965.

Dated at San Francisco, California, this 8<sup>th</sup> day of October, 1940.

W. H. Riley  
James D. Miller  
Ralph W. Johnson  
J. H. Kelly  
Justus J. Guemes  
Commissioners.