

Decision No. 40228

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 SOUTHERN CALIFORNIA EDISON COMPANY LTD.,)
 a corporation, for authority to issue,)
 exchange and/or sell 1,653,429 shares of)
 Cumulative Preferred Stock and 1,653,429)
 shares of Preference Stock, of the)
 aggregate par value of \$82,671,450, and)
 1,653,429 shares of Common Stock of the)
 aggregate par value of \$41,335,725, and)
 for an Order exempting said securities)
 from the Competitive Bidding Rule,)
 Decision No. 38614.)
 -----)
 Application
 No. 28263

FIRST SUPPLEMENTAL OPINION

The Commission's order in Decision No. 40089, dated March 25, 1947, exempts the issue, exchange and/or sale of 1,653,429 shares of Cumulative Preferred Stock, 1,653,429 shares of Preference Stock and 1,653,429 shares of Common Stock of Southern California Edison Company Ltd. from the provisions of the order in Decision No. 38614, dated January 15, 1946. In said Decision No. 40089 the Commission refers to Applicant's plan to exchange or redeem its outstanding 1,907,256 shares (\$47,681,400 par value) of Preferred Stock, Series B, 6%, and 1,399,601 shares (\$34,990,025 par value) of Preferred Stock, Series C, 5½%. Applicant's First Supplemental application contains its specific proposals to effect the exchange or redemption of said shares of stock

Applicant asks permission to issue, at not less than \$28.75 per share or on a 3.757% yield basis, 1,653,429 shares (par value \$41,335,725) of Cumulative Preferred Stock, 4.32% Series, and at not less than \$28.75 per share or on a 3.896% yield basis, 1,653,429 shares (par value \$41,335,725) of Preference Stock, 4.48% Convertible Series. Each share of the new stock

has a par value of \$25.00. Each share of the Preference Stock is at the option of the holder, convertible into Applicant's Common Stock at the rate of four-fifths of a share of Common for each share of the Preference Stock. In order to be in a position to carry out the conversion of the Preference Stock into Common Stock, Applicant asks permission to issue at par 1,322,744 shares (par value \$33,068,600) of Common Stock.

As stated in Decision No. 40089, Applicant may, on twenty days' notice, redeem its Preferred Stock, Series B, 6%, and Series C, 5½%, at \$28.75 per share and accrued dividends.

Applicant will, as soon as practical after the becoming effective of its registration statement, offer its Cumulative Preferred Stock, 4.32% Series, and its Preference Stock, 4.48% Convertible Series, hereinafter sometimes referred to as New Stock, to the holders of its Preferred Stock, Series B, 6%, and Series C, 5½%, hereinafter sometimes referred to as the Old Stock, on the basis of one-half share of each class of New Stock for each share of Old Stock. The Exchange Offer will expire at 11 o'clock A. M. Pacific Standard Time May 26, 1947.

Applicant has entered into an agreement for the sale of all shares of its Cumulative Preferred Stock and Preference Stock not issuable pursuant to acceptances of the Exchange Offer. A copy of the agreement is on file in this application as Exhibit "G". It becomes effective upon the mailing by Applicant of the Exchange Offer to one or more holders of its Old Stock. Such shares of the New Stock as are not exchanged for outstanding shares of Old Stock will be sold to The First Boston Corporation, Harris, Hall & Company (Incorporated) and other Underwriters at \$28.75 per share,

and the proceeds used to redeem the unexchanged Old Stock. In the event that they sell the stock for more than \$28.75 per share, applicant will use the excess proceeds for the construction, completion, extension and improvement of its facilities in connection with its 1947 budget, a copy of which is on file in this application.

Applicant has agreed to pay the Underwriters for their commitment to purchase the unexchanged shares, 21.56 cents per share in respect of the 3,306,858 shares (total shares offered in exchange) plus 22 cents per share in respect of each unexchanged share actually purchased by them if the total number of unexchanged shares exceeds 413,357. If the Underwriters sell the stock for more than \$28.75 per share, Applicant will receive an amount per share so sold equal to the sum of (i) 50% of the amount by which such price exceeds \$28.75 per share but does not exceed \$29.25 per share, (ii) 75% of the amount by which such price exceeds \$29.25 per share but does not exceed \$30 per share, (iii) 100% of the amount by which such price exceeds \$30 per share.

Applicant has also entered into an agreement (Exhibit "F") with The First Boston Corporation and Harris, Hall & Company (Incorporated) referred to as "Dealer Managers" to compensate them for their services, and reimburse them for their expenses, and fees paid to Soliciting Dealers for obtaining acceptances of the Exchange Offer. In instances where the name of a Soliciting Dealer appears on the exchange form, Applicant will pay the following fees per share of Old Stock exchanged:

15 cents, if less than 80% of all the Old Stock is exchanged;

18 cents, if 80% or more, but less than 87½%, is exchanged;

21 cents, if 87½% or more, but less than 90%, is exchanged;

22 cents, if 90% or more, but less than 95%, is exchanged; and

23 cents, if 95% or more is exchanged;

provided, however, that the minimum and maximum aggregate Soliciting Dealers Fees payable with respect to the shares of Old Stock of any single exchanging stockholder shall be \$3 and \$300, respectively, except that such maximum shall not apply in the case of shares of Old Stock owned by a Soliciting Dealer depositing them for exchange, if such Soliciting Dealer acquired them, for exchange, during the Exchange Offer pursuant to the provisions of Section 7 of the Soliciting Dealers Agreement.

The "Dealer Managers" will be paid a sum equal to 12½% of the total amount of the "Soliciting Dealers" fees, plus out-of-pocket expenses in an amount not to exceed \$20,000.

Applicant estimates the aggregate fees that it will have to pay Underwriters, Dealer Manager's commission and Soliciting Dealer's fees if no stock is exchanged at 43.56 cents per share, and at 33.78 cents per share if 90% of the Old Stock is exchanged and 65% of such exchange effected through solicitation by Dealers, or at \$1,440,468 and \$1,117,212 respectively. In Exhibit "I" Applicant estimates its other expenses incident to the redemption of the Old Stock and the issue of the New Stock at \$650,000.

Applicant proposes to issue temporary stock certificates which will be exchangeable for definitive engraved certificates. A specimen temporary certificate of Cumulative Preferred Stock is filed in this application as Exhibit "J", and a specimen temporary certificate of Preference Stock as Exhibit "K".

Applicant does not propose to issue fractional shares in connection with the Exchange Offer. It will issue bearer's scrip certificates evidencing rights to half shares of the New Stock, which within the time specified on the certificates, together with other scrip certificates of like tenure, can be exchanged for full shares. Exhibit "L" on file in this application is a copy of the proposed scrip certificate for the Cumulative Preferred Stock, and Exhibit "M" is a copy of the proposed scrip certificate for the Preference Stock. Exhibit "N" is a copy of the proposed scrip certificate that Applicant will issue to represent fractional shares of Common Stock in the event holders of the Preference Stock convert such stock into Common Stock. The several scrip certificates define the rights of the holders of such certificates.

Applicant asks permission to deviate from the uniform system of accounts and record the premium it must pay upon the redemption of its Old Stock under Account 146--Other Deferred Debits, and amortize said amount by annual charges to Account 271--Earned Surplus, provided that the annual amortization is equal to the savings in annual dividend requirements resulting from the proposed refunding, and not less than \$1,100,000 a year.

FIRST SUPPLEMENTAL ORDER

The Commission has considered Applicant's first supplemental application and is of the opinion that this is not a matter on which a hearing is necessary, that the money, property or labor to be procured or paid for through the issue of the stock herein authorized is reasonably required by Southern California Edison Company Ltd. for the purposes herein stated, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that said first supplemental application should be granted, as herein provided, therefore,

IT IS HEREBY ORDERED as follows:

1. Southern California Edison Company Ltd. may issue and exchange 1,653,429 shares of Cumulative Preferred Stock, 4.32% Series, and 1,653,429 shares of Preference Stock, 4.48% Convertible Series, for its Preferred Stocks, Series B, 6%, and Series C, 5½%, said shares of Cumulative Preferred Stock and said shares of Preference Stock to be offered to the holders of Applicant's Preferred Stock, Series B, 6%, and Series C, 5½%, at the rate of one-half share of each of said Cumulative Preferred Stock and said Preference Stock for each share of said Preferred Stock, Series B, 6%, or Series C, 5½%. The company may issue temporary stock certificates to represent said shares of stock, such certificates to be in form substantially the same as those on file in this application as Exhibits "J" and "K".

2. Southern California Edison Company Ltd. may issue and sell at not less than \$28.75 per share all of the shares of stock referred to in the preceding paragraph which are not

issuable pursuant to acceptances of its Exchange Offer, said shares of stock to be sold under the conditions of the agreement on file in this application as Exhibit "G".

3. Southern California Edison Company Ltd. shall use the proceeds from the sale of said shares of stock to redeem its outstanding Preferred Stock, Series B, 6%, and Series C, 5½%, not exchanged for said Cumulative Preferred Stock and said Preference Stock. Any proceeds in excess of \$28.75 per share shall be used to pay in part the cost of additions and betterments described in the company's 1947 budget, on file in this application.

4. Southern California Edison Company Ltd. may issue not exceeding 1,322,744 shares of Common Stock upon conversion of shares of said Preference Stock on the basis of four-fifths of a share of Common Stock for each share of said Preference Stock.

5. Southern California Edison Company Ltd. may issue bearer's scrip certificates for one-half share of Cumulative Preferred Stock, bearer's scrip certificates for one-half share of Preference Stock, and bearer's scrip certificates for a fraction of one share of Common Stock, said certificates to be substantially in the same form as the certificates on file in this application as Exhibits "L", "M" and "N", respectively.

6. Southern California Edison Company Ltd. may execute the agreements on file in this application as Exhibits "F" and "G" and pay the commissions and fees referred to therein and expenses incident to the redemption of the Old Stock and the issue, exchange and/or sale of the New Stock.

7. Southern California Edison Company Ltd. may record under Account 146--Other Deferred Debits, redemption premiums paid

in connection with the redemption of its outstanding Preferred Stock, Series B, 6%, and Series C, 5½%, and amortize said amount by annual charges to Account 271--Earned Surplus, provided that the annual amortization is equal to the savings in annual dividend requirements resulting from the proposed refunding, and not less than \$1,100,000.

8. Southern California Edison Company Ltd. shall, on or before October 31, 1947, file with the Commission a statement showing the following:

a) Number of shares of Cumulative Preferred Stock and number of shares of Preference Stock exchanged, number of shares of each class of said stocks sold, price at which said shares were sold, and the purposes for which the proceeds were used.

b) The expenses, fees and commissions, in detail, incident to the issue, exchange and/or sale of said shares of stock.

9. The authority herein granted will become effective when Applicant's Articles of Incorporation have been amended as indicated in this application.

Dated at San Francisco, California, this 6th day of May, 1947.

Harold P. Kule
Robert P. Powell
A. J. [unclear]
[unclear]
Commissioners