

ORIGINAL

Decision No. 40953

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 SOUTHERN CALIFORNIA EDISON COMPANY,)
 a corporation,)
 for authority to issue and sell)
 1,600,000 shares of Cumulative)
 Preferred Stock _____% Series,)
 of the aggregate par value of)
 \$40,000,000.)
 -----)

Application
No. 28832
(Amended Application)

O P I N I O N

In this application as amended, Southern California Edison Company applies to the Public Utilities Commission for an order (1) authorizing it to issue and sell at competitive bidding, 800,000 shares of its Cumulative Preferred Stock, _____% Series, of a total par value of \$20,000,000, (2) authorizing it to accept the best bid received within the time prescribed by the Commission but not less than five days after the first publication of its invitation for bids, the applicant reserving the right to reject all bids, and (3) authorizing it to use the net proceeds received through the issue of such shares of stock to pay outstanding notes in the amount of \$16,000,000 and to reimburse its treasury for capital expenditures heretofore made.

In Exhibit "A" attached to the application, applicant reports its assets and liabilities as of September 30, 1947, as follows:

Assets

Utility plant		\$415,139,752.21
Other investment accounts		3,884,166.67
Current assets -		
Cash and deposits	\$ 9,139,272.48	
Notes and accounts receivable	4,897,238.24	
Accrued reserves	2,285,000.00	
Materials and supplies	11,314,434.34	
Prepayments	<u>4,966,786.21</u>	
Total current assets		32,602,731.27
Unamortized debt discount and expense		8,605,086.46
Other deferred debits		9,664,187.30
Capital stock expense		<u>2,387,970.57</u>
	Total	<u>\$472,283,894.48</u>

Liabilities

Capital stock		\$157,415,147.02
Premium on stock		1,576,043.73
Bonds		138,000,000.00
Current liabilities -		
Notes and accounts payable	\$30,036,444.97	
Accrued liabilities	19,715,082.61	
Dividends declared	1,656,519.01	
Customers' deposits	<u>563,178.25</u>	
Total current liabilities		51,971,224.84
Deferred credits		3,648,882.66
Reserves for depreciation		103,771,695.38
Other reserves		5,884,414.66
Contributions in aid of construction		1,528,240.82
Surplus		<u>8,488,245.37</u>
	Total	<u>\$472,283,894.48</u>

The following statement shows the segregation of applicant's outstanding stock on September 30, 1947:

	<u>Shares</u>	<u>Par Value</u>	<u>Stated Value</u>
Original Preferred Stock	160,000	\$ 4,000,000.00	\$ 4,000,000.00
Cumulative Preferred Stock, 4.32% Series	1,653,429	41,335,725.00	41,335,725.00
Preference Stock, 4.48% Convertible Series	1,653,071	41,326,775.00	41,326,775.00
Common Stock	<u>3,183,091</u>	<u>79,577,275.00</u>	<u>70,752,647.02</u>
Total	<u>6,649,591</u>	<u>\$166,239,775.00</u>	<u>\$157,415,147.02</u>

Applicant desires to issue 800,000 shares of a new series of preferred stock of the par value of \$25 a share, to be

known as "Cumulative Preferred Stock, _____% Series", (hereafter sometimes referred to as the New Preferred Stock) and to offer the same for sale at competitive bidding, applicant reserving the right to reject all bids. Each bid shall specify the price per share to be paid to applicant for the shares of the New Preferred Stock, which shall not be less than \$25, and shall also specify the annual dividend rate therefor expressed as a percentage of par value, which shall be a multiple of $\frac{4}{100}$ of 1% (but not 4.32%). The redemption prices of the New Preferred Stock will be determined by applicant, as soon as practical after the acceptance of a bid for the purchase of the New Preferred Stock in accordance with the following formula:

(a) If redeemed prior to January 1, 1963, the redemption price per share shall be the initial offering price (adjusted to the nearest cent) (i) plus 75¢ per share if redeemed before January 1, 1953, (ii) plus 50¢ per share if redeemed thereafter and before January 1, 1958, (iii) plus 25¢ per share if redeemed thereafter and before January 1, 1963; and

(b) If redeemed after January 1, 1963, the redemption price per share shall be the initial public offering price (adjusted as aforesaid) plus in each case, an amount equal to the accumulated and unpaid dividends thereon to and including the date of redemption. For the purpose of determining the redemption prices of the New Preferred Stock, the initial public offering price for the New Preferred Stock shall be the price per share (exclusive of accrued dividends) at which the New Preferred Stock is initially offered for sale to the public, as specified by the successful bidder or bidders for the New

Preferred Stock at the time of the acceptance of the successful bid and as set forth in the post-effective amendment to the registration statement to be filed following the acceptance of the successful bid, provided, however, that in the event such successful bidder or bidders shall specify at the time of the acceptance of the successful bid that it or they do not intend to make a public offering of the New Preferred Stock, the initial public offering price of the New Preferred Stock shall be deemed to be the price per share to be paid to applicant by the successful bidder or bidders.

Applicant's Board of Directors has adopted a resolution stating the policy of applicant to be that it will use its best efforts to purchase each year, commencing with 1949, on the open market or at private sale, at least 16,000 shares of the New Preferred Stock at prices not exceeding as to any shares so purchased the initial public offering price thereof, or if there shall be no public offering by the several purchasers, then at not exceeding the price received by applicant for the New Preferred Stock plus accrued dividends. The policy further contemplates that to the extent such purchases are not effected prior to November 5 of any year, applicant will invite tenders from all holders of the New Preferred Stock of record on that date, and will accept on December 20 such tenders received prior to December 10 at the lowest tendered prices (not exceeding the applicable price above mentioned) in the order of their receipt by applicant. All shares purchased by applicant pursuant to this policy shall be retired and canceled, and shall be subject to reissue only in accordance with applicant's Articles of Incorporation. This policy with respect to each such purchase is subject

to the applicable provisions of law regarding the right of applicant to make such purchase at the time and is conditioned on there being no default at the time in the payment of dividends on applicant's cumulative preferred stock or on any parity stock.

Applicant proposes to use the net proceeds from the sale of the New Preferred Stock to pay \$16,000,000 of short-term 1½% notes which have been issued pursuant to authority granted by Decision No. 40580, (1) dated August 5, 1947, and to reimburse its treasury for moneys heretofore actually expended by it from income or from other moneys in its treasury not secured by nor obtained from the issue of stock, bonds or notes. It reports that as of September 30, 1947, its uncapitalized construction amounted to \$20,390,761.02.

It is applicant's intention, after reimbursement of its treasury, to use such moneys to finance in part expenditures proposed to be made for additions and betterments to its plants and properties. In Exhibit "E" attached to the application, it shows its approved construction estimates for 1947 and its estimated additions for 1948 and 1949 as follows:

(1) To November 18, 1947, applicant borrowed \$30,000,000 under the credit agreement executed pursuant to the authority granted by Decision No. 40580, dated August 5, 1947.

	<u>1947</u>	<u>1948-1949</u>
Steam production	\$17,465,990	\$22,700,000
Hydro production	2,322,557	6,555,000
Transmission lines	2,014,775	3,000,000
Transmission substations	7,460,410	3,000,000
Distribution lines	13,182,911	16,000,000
Distribution substations	6,307,927	7,000,000
Intangibles	307	---
Other new construction	7,395,697	3,650,000
Contingencies	125,000	---
Engineering, administration and interest	1,000,000	2,000,000
Replacements	<u>17,032,632</u>	<u>21,565,000</u>
Total	<u>\$74,308,207</u>	<u>\$85,470,000</u>

It is reported that of the \$74,308,207 approved for plant additions in 1947, the sum of \$35,140,122 has been added to electric plant as gross plant additions during the nine months ended September 30, 1947, and it is estimated that an additional amount of approximately \$19,000,000 will be added to electric plant during the last three months of the year. The other items budgeted for 1947 will not be completed due principally to the lack of materials. These items will be carried forward and added to the electric plant in 1948, the carry-over increasing the estimated plant additions for the years 1948 and 1949 from \$85,470,000, as reported in the tabulation, to approximately \$105,470,000. Details of the estimated and proposed expenditures for the three years are set forth in Exhibit "E".

A review of this application and of applicant's financial statements clearly indicates that it is in need of additional funds from outside sources to improve its cash position and to meet, in part, its capital requirements.

O R D E R

Southern California Edison Company having applied to the Public Utilities Commission for permission to issue and sell 800,000 shares of Cumulative Preferred Stock, _____% Series, and the Commission having considered the matter and being of the opinion that a public hearing is not necessary, that the request of applicant should be granted, as herein provided, that the money, property or labor to be procured or paid for through the issue of said stock is reasonably required for the purposes specified herein and that the expenditures for such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED as follows:

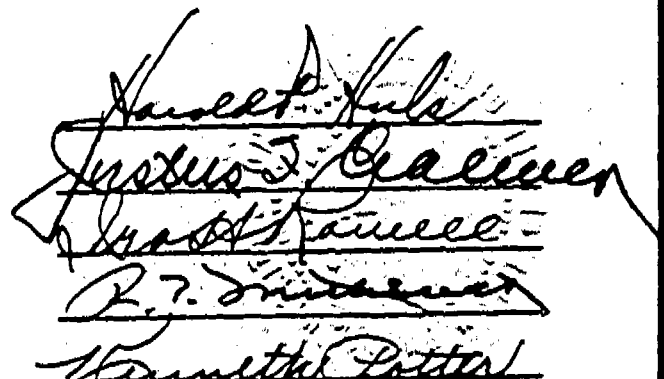
1. Southern California Edison Company, after the effective date hereof and on or before February 1, 1948, may issue and sell not exceeding 800,000 shares of its Cumulative Preferred Stock, _____% Series, of a total par value of \$20,000,000 at a price to be fixed by the Commission in a supplemental order in this proceeding.
2. Southern California Edison Company shall invite the submission of written sealed bids for the purchase of said shares of stock, such invitation for bids to be published at least five (5) days prior to the date set for the opening of the bids. The authority to invite bids is effective immediately.
3. Southern California Edison Company shall use the proceeds received through the issue and sale of said shares of stock to pay the expenses incident to the issue and sale of said

shares, to pay \$16,000,000 of outstanding notes, and to reimburse its treasury in part for moneys heretofore actually expended from income and other moneys in the treasury of applicant not secured by or obtained from the issue of stocks or stock certificates, or other evidences of interest or ownership, or bonds, notes, or other evidences of indebtedness, for the acquisition of property, construction, completion, extension or improvement of its facilities.

4. Southern California Edison Company shall file with the Commission, on or before February 28, 1948, a report showing the number of shares of stock issued under the authority herein granted, the name or names of those to whom the stock was sold, the price at which said shares were sold, together with a statement showing the purposes for which the proceeds were used, and in some detail the expenses incident to the issue and sale of said shares of stock.

5. The authority herein granted to issue said shares of stock will become effective when the Commission by a supplemental order has fixed the price at which the said shares of stock may be sold.

Dated at San Francisco, California, this 25th day of November, 1947.


Commissioners