

Decision No.

OFFICIAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SOUTHERN CALIFORNIA EDISON COMPANY,
& corporation,

for authority to issue and sell
800,000 shares of Preference Stock,
 % Convertible Series, of the
aggregate par value of \$20,000,000.

Application
No. 29282

O P I N I O N

This is an application by Southern California Edison Company for authority to issue and sell at \$25.10 per share, 800,000 shares of Preference Stock, 4.56% Convertible Series, of the aggregate par value of \$20,000,000 and to issue such number of shares of common stock as may be required upon conversion into common shares of said shares of preference stock now proposed to be issued, and also of shares of Preference Stock, 4.48% Convertible Series, now outstanding. The company proposes to use the proceeds received from the issue of said 800,000 shares for which application now is made to pay expenses (estimated at \$100,000) incident to the issue and sale of said 800,000 shares of stock, to reimburse its treasury and to finance in part its construction program.

The Commission by Decision No. 41492, dated April 19, 1948, exempted the issue of the 800,000 shares of Preference Stock from the provisions of the order in Decision No. 38614, dated January 15, 1946.

Applicant's authorized capital stock of \$429,000,000 is divided into 17,160,000 shares of the par value of \$25 each. The

various classes of stock and the amounts of each class outstanding as of February 29, 1948, are reported as follows:

<u>Class</u>	<u>Shares Authorized</u>	<u>Outstanding Shares Number</u>	<u>Stated Value</u>
Common	8,000,000	3,183,091	\$ 70,752,647
Original Preferred	160,000	160,000	4,000,000
Cumulative Preferred	6,000,000	2,453,429	61,335,725
Preference Stock	<u>3,000,000</u>	<u>1,653,071</u>	<u>41,326,775</u>
Total	<u>17,160,000</u>	<u>7,449,591</u>	<u>\$177,415,147</u>

The respective classes of stock of the company rank in respect to assets and dividends as follows: first, original preferred stock (except as to participating rights with the other classes); second, cumulative preferred stock; third, preference stock, and fourth, common stock.

The holders of the original preferred stock are entitled to receive, when and as declared by the Board of Directors, yearly dividends at the rate of 5% per annum in preference to the holders of other classes of stock, and are entitled to participate in any distribution to the holders of the cumulative preferred stock or the preference stock to the extent that such distribution shall, as to any series of cumulative preferred stock or preference stock, be greater than 5% per annum. After dividends have been declared or paid on the common stock for any year in an amount per share equal to the higher of (i) the highest annual dividend rate payable with respect to any series of cumulative preferred stock or preference stock then outstanding, or (ii) 5% per annum, the remainder of any funds legally available therefor are then to be applicable to the payment of further dividends for such year, equally per share, upon the original preferred stock and common stock.

The cumulative preferred stock now outstanding consists of 1,653,429 shares (\$41,335,725 par value) bearing cumulative dividends at the rate of 4.32% per annum, and 800,000 shares (\$20,000,000 par value) bearing cumulative dividends at the rate of 4.88% per annum. The presently outstanding preference stock, which is designated as Preference Stock, 4.48% Convertible Series, bears cumulative dividends at the rate of 4.48% per annum and is convertible, at the option of the holders thereof, at the conversion price then in effect. The price at which shares of common stock are now deliverable upon conversion is \$35.9375 per share of common stock. Said Preference Stock, 1,653,071 shares, was issued pursuant to the authority granted by Decision No. 40228, dated May 6, 1947. That decision also authorized applicant to issue 1,322,744 shares of common stock to place applicant in a position to carry out the conversion of the Preference Stock should it be called upon to do so.

As to said shares of preference stock, applicant's Articles of Incorporation provide that they may be issued from time to time in one or more series and that applicant's Board of Directors, subject to the limitations and restrictions stated in said Articles, may fix or alter, from time to time, the dividend rate, conversion rights, voting rights, redemption price and/or the liquidation preferences of any wholly unissued series of preference stock, and fix the number of shares constituting any unissued series.

Applicant's Board of Directors has determined the preferences and other rights of the 800,000 shares of Preference Stock, 4.56% Convertible Series, as follows:

1. Dividend Rate:

4.56% of the par value.

2. Redemption Prices:

\$27.00 per share, if redeemed on or before January 1, 1953; \$26.75 per share, if redeemed thereafter and on or before January 1, 1958; \$26.50 per share, if redeemed thereafter and on or before January 1, 1963; and \$26.25 per share, if redeemed thereafter; plus, in each case, an amount equal to all accumulated and unpaid dividends thereon to and including the date of redemption.

3. Voluntary Liquidation Preferences:

Amounts equal to the redemption prices, including accrued dividends, current at the time of such liquidation.

4. Conversion Price and Conversion Rate:

For the purposes of conversion into common stock, each share of Preference Stock, 4.56% Convertible Series, is taken at \$26.25 per share (the proposed initial public offering price) and the common stock is initially taken at the price of \$28.50 per share, thus giving an initial conversion rate of \$0.921 of one share of common stock for each share of such Preference Stock surrendered for conversion.

In making this application for permission to issue said 800,000 shares of Preference Stock, 4.56% Convertible Series, applicant reports, in Exhibit "D", that as of February 29, 1948, it had received from the sale of securities \$2,079,701.39 in excess of its actual expenditures for construction but that it is engaged in an extensive construction program and that since February 29, 1948, it has expended more than \$2,079,701.39 for capital purposes. In Exhibit "E" it reports its total estimated expenditures to be made for the acquisition of property and for the completion, construction, extension and improvement of its facilities during 1948 and 1949 at \$114,448,151, segregated as follows:

<u>New Construction</u>	<u>1948</u>	<u>1949</u>	<u>Total</u>
Steam Production	\$17,451,201	\$11,700,000	\$ 29,151,201
Hydraulic Production	2,214,333	5,300,000	7,514,333
Transmission Lines	2,799,975	1,000,000	3,799,975
Transmission Substations	7,169,310	1,500,000	8,669,310
Distribution Lines	9,153,815	8,000,000	17,153,815
Distribution Substations	6,243,434	4,000,000	10,243,434
Other New Construction	3,316,403	1,710,000	5,026,403
Engineering, Administra- tion, and Interest during Construction	<u>1,021,512</u>	<u>700,000</u>	<u>1,721,512</u>
Total New Construction	\$49,369,983	\$33,910,000	\$ 83,279,983
<u>Replacements</u>	<u>20,643,168</u>	<u>10,525,000</u>	<u>31,168,168</u>
	<u>\$70,013,151</u>	<u>\$44,435,000</u>	<u>\$114,448,151</u>

In Exhibit "F" applicant estimates its cash requirements and its cash available and to be provided. For the year 1948 these figures may be summarized as follows:

Cash Required

Estimated expenditures	\$70,013,151	
Less-payments prior to January 1	<u>3,490,014</u>	
Balance	66,523,137	
Accounts paid in January	<u>3,624,516</u>	
Notes paid in January	<u>22,000,000</u>	
Total		\$92,147,653

Cash Available and to be Provided

Cash on hand less working cash	\$ 1,734,741	
Notes issued in January	6,000,000	
Proceeds from bonds sold in January	40,810,000	
From reserves and surplus	10,500,000	
From proposed sale of preference stock	20,000,000	
Additional cash required	<u>13,102,912</u>	
Total		\$92,147,653

It clearly appears that applicant is in need of additional funds from outside sources to carry on its construction program.

To carry out the conversion of the 800,000 shares of Preference Stock, 4.56% Convertible Series, into common stock, applicant asks permission to issue 736,800 shares of common stock.

The fixing of the conversion rate of the Preference Stock, 4.56% Convertible Series, as indicated, results by operation of the provisions relating to the outstanding Preference Stock, 4.48% Convertible Series, in changing the conversion price of common stock issuable upon conversion of said 4.48% Convertible Series from \$35.9375 per share to \$34.28 per share (the latter being taken at a value of \$28.75 per share), and in changing the conversion rate of approximately 4/5ths of one share of common for each share of said 4.48% Convertible Series to \$0.338681446 of one share of common stock for each share of said Preference Stock. The total number of shares of common stock issuable upon conversion of said 4.48% Convertible Series is thus increased by 66,122 shares.

O R D E R

The Public Utilities Commission has considered this application and is of the opinion that a public hearing thereon is not necessary, that the money, property or labor to be procured or paid for by Southern California Edison Company through the issue of 800,000 shares of Preference Stock, 4.56% Convertible Series, is reasonably required by applicant for the purposes herein stated, which purposes 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 as follows:

1. Southern California Edison Company may issue and sell, on or before June 30, 1948, at \$25.10 per share, flat, 800,000 shares of its Preference Stock, 4.56% Convertible Series, such sale to be made pursuant to the terms of the underwriting agreement

attached as Exhibit "A" to the supplemental application.

2. Southern California Edison Company shall use the proceeds from the sale of said 800,000 shares of Preference Stock, 4.56% Convertible Series, to pay its expenses (estimated at \$100,000) incident to the issue of said shares of stock, to reimburse applicant for certain expenditures heretofore made for the acquisition of property and for the construction, completion, extension or improvement of its facilities, and to finance in part applicant's construction program referred to in the foregoing opinion.

3. Southern California Edison Company may issue such number of shares of common stock upon conversion of shares of said Preference Stock, 4.56% Convertible Series, and said Preference Stock, 4.48% Convertible Series, as may be required from time to time for such purposes under the terms of Certificates of Determination of Preferences with respect to each of said Convertible Series of Preference Stock.

4. Southern California Edison Company shall file with the Commission, within six (6) months after the issue and sale of said 800,000 shares of Preference Stock, 4.56% Convertible Series, a statement showing:

- (a) The price at which said shares of stock were sold,
- (b) The names of those to whom applicant sold said shares and the number of shares sold to each underwriter,
- (c) The purposes for which applicant expended the proceeds from said shares of stock,
- (d) In detail, applicant's expenditures incident to the issue and sale of said 800,000 shares of stock.

5. The authority herein granted is effective upon the date hereof.

Dated at San Francisco, California, this 11th day of May, 1948.

R. Z. Indurana
James I. Calver
Graydon Powell
Harold F. Kuls
Benjamin D. Potter
Commissioners