

ORIGINAL

Decision No. 44041

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
SOUTHERN CALIFORNIA EDISON COMPANY,	:	
a corporation, for an order exempting)	
from the competitive bidding rule in	:	Application
Decision No. 38614 the proposed issuance)	No. 31192
and sale of 1,000,000 shares of a new	:	
series of Cumulative Preferred Stock.)	
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Bruce Renwick, and O'Melveny & Myers, by
Harry L. Dunn, of counsel, for applicant.

O P I N I O N

Southern California Edison Company has filed this application for an order of the Commission exempting the issue and sale of 1,000,000 shares of cumulative preferred stock, of the aggregate par value of \$25,000,000, from the Commission's competitive bidding rule set forth in Decision No. 38614, dated January 15, 1946.

A public hearing was held in this proceeding on April 10, 1950. No protest has been received by the Commission to the granting of the application.

Applicant reports that the issue and sale of the shares of stock are necessary to enable it to proceed with its construction program. The record shows that presently it has an authorized construction budget for the years 1950 to 1952 of \$67,180,000, (1) of which it is estimated that approximately \$17,000,000 will be

(1) The testimony indicates that additional construction expenditures will be authorized by applicant's management during this period.

secured from internal sources, leaving a balance of approximately \$50,000,000 to be obtained through the issue of securities. At this time applicant plans to issue and sell the \$25,000,000 par value of cumulative preferred stock, as proposed in this application, and to sell additional securities in 1951.

The testimony shows that applicant has concluded that it is to its advantage and is in the public interest for it to dispose of the proposed new issue of cumulative preferred stock by means of a negotiated underwriting. Its executive vice president testified that in his opinion a negotiated sale, in contrast to a sale under competitive bidding, would allow flexibility in timing the offering and fixing the price to meet changing market conditions, would result in a stronger underwriting group and would permit a better local distribution of its stock. He stated that the company in the past has secured better results in disposing of its stock under negotiated sales than when offering the same at competitive bidding, although he stated that competitive bidding has adequately served applicant's needs when disposing of bonds.

Applicant indicates that in its opinion the size of the proposed issue does not lend itself to a competitive offering. It filed in this proceeding, as Exhibit 1 and Exhibit 2, tabulations of the preferred stock issues by utility companies in the United States during the last 12 months, showing the amounts offered, the yields to purchasers and the costs to the issuing companies. Exhibit 1 shows 17 offerings under competitive bidding, of which one issue was in the principal amount of \$15,000,000 and one in the principal amount of \$10,000,000, with the remaining 15 issues being in the principal amount of \$7,000,000 or less. Exhibit 2 lists 18

sales of preferred stock under negotiated arrangements, of which five were in the principal amount of \$10,000,000 each, one in the principal amount of \$25,000,000 and two in the principal amount of \$40,000,000 each. In the light of these exhibits, applicant has concluded that the largest sales of public utility preferred stocks have been negotiated, and that in general the prices received have been favorable compared with the prices for the generally much smaller competitively offered issues. Applicant's presently outstanding 4.32% cumulative preferred stock is reported selling on the market on a basis of approximately 4.02%.

The testimony herein warrants an order of the Commission granting applicant's request. Applicant in due time will file an application for permission to issue and sell said 1,000,000 shares of cumulative preferred stock. In that application, or in a supplement thereto, it will set forth the dividend rate, redemption prices and other specific terms and conditions of said shares of stock, and the price at which it proposes to sell the same. At that time the Commission will give further consideration to the company's request to issue and sell stock.

O R D E R

The Commission having considered the evidence submitted at the hearing had on this application, and being of the opinion that the issue and sale of 1,000,000 shares of cumulative preferred stock by Southern California Edison Company should be exempt from the provisions of the Commission's competitive bidding rule; therefore,

IT IS HEREBY ORDERED that the issue and sale of said 1,000,000 shares of cumulative preferred stock by Southern California Edison Company be exempted from the provisions of the order in Decision No. 38614, dated January 15, 1946, provided applicant obtain for said shares a price satisfactory to the Commission.

IT IS HEREBY FURTHER ORDERED that the Commission retain jurisdiction over the issue and sale of said 1,000,000 shares of cumulative preferred stock.

IT IS HEREBY FURTHER ORDERED that this order is effective upon the date hereof.

Dated at San Francisco, California, this 18th day of April, 1950.

R. B. Johnson
Justin J. Casner
Wesley D. Dwyer
Harold P. Hills
Elizabeth Potter
Commissioners