

ORIGINAL

Decision No. 44143

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 )  
 1,000,000 shares of Cumulative )  
 Preferred Stock, \_\_\_\_\_% Series, of )  
 the aggregate par value of \$25,000,000. )  
 ----- )

Application  
No. 31326

O P I N I O N

This is an application by Southern California Edison Company for permission to issue and sell 1,000,000 shares of cumulative preferred stock of the aggregate par value of \$25,000,000.

The issue and sale of said shares of preferred stock heretofore have been exempted by the Commission from the provisions of its competitive bidding rule. (Decision No. 44041, dated April 18, 1950, in Application No. 31192) Applicant now reports that it has commenced negotiations with underwriters with respect to the terms of such shares of preferred stock, the price to be paid by said underwriters and the price at which the shares will be offered to the public, and that at a later date it will submit such information to the Commission.

Applicant has an authorized capital stock of \$429,000,000, divided into 17,160,000 shares of the par value of \$25 each. The amounts and kinds of stock outstanding, as of March 31, 1950, are reported as follows:

	<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
4.88% Series	800,000	20,000,000.00	20,000,000.00
Preference stock:			
4.48% Convertible Series	1,595,632	39,890,800.00	39,890,800.00
4.56% Convertible Series	568,131	14,203,275.00	14,203,275.00
Common stock (1)	<u>4,245,550</u>	<u>106,138,750.00</u>	<u>97,985,347.02</u>
<b>Total</b>	<b><u>9,022,742</u></b>	<b><u>\$225,568,550.00</u></b>	<b><u>\$217,415,147.02</u></b>

Note: (1) Of the total authorized common stock, 1,884,588 shares are reserved for conversion of preference shares and outstanding common scrip.

In addition to the outstanding stock, applicant reports long-term debt in the aggregate principal amount of \$203,000,000. Its capitalization ratios, as of March 31, 1950, as reflected by the balance sheet and after giving effect to the issue at par of the additional shares of preferred stock as now requested, are as follows:

	<u>Mar. 31, 1950</u>	<u>Pro Forma</u>
Long-term debt	44%	41%
Preferred stock	18	23
Preference stock	12	11
Equity capital	<u>26</u>	<u>25</u>
<b>Total</b>	<b><u>100%</u></b>	<b><u>100%</u></b>

Applicant's assets and liabilities, in summary form, as of the end of March, 1950, are shown below:

<u>Assets</u>	
Utility plant	\$554,585,268.79
Other investments	4,643,106.32
Current assets -	
Cash and deposits	\$ 6,216,914.79
Notes and accounts (net)	4,862,671.99
Accrued revenues	2,862,000.00
Materials and supplies	11,543,843.00
Prepayments	<u>1,611,939.30</u>
Total current assets	27,097,369.08
Deferred debits	10,257,838.34
Capital stock expense	<u>2,661,481.04</u>
<b>Total</b>	<b><u>\$599,245,063.57</u></b>

Liabilities

Long-term debt		\$203,000,000.00
Current liabilities -		
Notes payable	\$ 6,500,000.00	
Accounts payable	5,356,588.64	
Dividends declared	2,731,469.29	
Customers' deposits	612,345.55	
Accrued taxes and interest	21,313,886.60	
Other items	<u>157,866.38</u>	
Total current liabilities		36,672,156.46
Deferred credits		1,288,364.12
Reserve for depreciation--electric plant		108,614,114.38
Other reserves		7,370,562.02
Contributions in aid of construction		2,117,064.16
Preferred stock		65,335,725.00
Preference stock		54,094,075.00
Common stock		97,985,347.02
Premium on stock		6,496,043.73
Surplus		<u>16,271,611.68</u>
	Total	<u>\$599,245,063.57</u>

Applicant reports that it finds it necessary to issue additional shares of stock at this time for the purpose of paying outstanding promissory notes, which it estimates will aggregate \$13,000,000 by the time the stock proceeds are available, to reimburse its treasury and to finance the cost of additions to its plants and properties. In Exhibit C attached to the application, it shows that as of March 31, 1950, it had expended for construction purposes the sum of \$36,777,129.89 which had not been paid or provided through the issue of securities, and in Exhibit D it shows estimated expenditures for the acquisition of property and the construction, extension or improvement of its facilities during 1950 in the aggregate amount of \$60,264,670, segregated as follows:

New Construction

Steam production	\$ 1,500,368
Hydraulic production	12,893,111
Transmission lines	6,525,042
Transmission substations	4,782,546
Distribution lines	10,479,900
Distribution substations	4,848,601
Other new construction	3,094,163
Engineering, administration, and interest during construction	1,877,119
Total new construction	<u>\$46,000,850</u>

Replacements

Steam production	\$ 611,440
Hydraulic production	951,960
Transmission lines	1,378,160
Transmission substations	872,973
Distribution lines	6,375,612
Distribution substations	2,753,460
Other replacements	897,334
Engineering, administration, and interest during construction	422,881
Total replacements	<u>\$14,263,820</u>

Total

\$60,264,670

It is estimated that \$2,309,647 of this amount will be provided through the issue of material to be recovered from plant retirements, that \$17,000,000 will become available from internal sources, and that approximately \$25,000,000 will be received through the proposed issue of shares of preferred stock, leaving a balance of \$15,955,023 of additional cash to be obtained from other sources at a later date.

It clearly appears that applicant has need for the funds to be obtained through the proposed issue of its shares of preferred stock to improve its cash position and to meet, in part, its construction requirements. A preliminary order accordingly will be entered at this time, authorizing applicant to issue and sell its shares of stock. In due time applicant should file a copy of the proposed underwriting agreement for the sale of its stock and a supplemental application showing the exact terms and conditions under which it proposes to sell its shares of stock and requesting

authority to dispose of such shares under those terms and conditions.

O R D E R

The Commission having considered the above entitled matter and being of the opinion that a public hearing thereon is not necessary, that the money, property or labor to be procured or paid for through the issue of said shares of preferred stock is reasonably required by applicant for the purposes specified herein and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that the application should be granted, as herein provided; therefore,

IT IS HEREBY ORDERED as follows:

1. Southern California Edison Company, after the effective date hereof and on or before July 31, 1950, may issue and sell 1,000,000 shares of its Cumulative Preferred Stock, \_\_\_\_\_% Series, at a price to be fixed by the Commission in a supplemental order in this proceeding.

2. Southern California Edison Company shall use the proceeds to be received from the issue and sale of said shares of preferred stock to pay expenses incident to the issue and sale, to retire promissory notes heretofore issued or to be issued for the purpose of paying the cost of acquiring property or constructing, completing, extending and improving its facilities, and to reimburse its treasury for moneys actually expended, for the aforesaid purposes, from income or from moneys not secured by or obtained from the issue of securities.

3. Within ninety (90) days after the issue and sale of said 1,000,000 shares of preferred stock, Southern California Edison Company shall file with the Commission two (2) copies of its prospectus and a report showing the names of the underwriters to whom said shares were sold, the number of shares sold to each underwriter, the consideration received, and the expenses incurred incident to the issue and sale of said shares of stock.

4. The authority herein granted will become effective when the Commission, by supplemental order, has fixed the price at which said 1,000,000 shares of preferred stock may be sold.

Dated at San Francisco, California, this 9<sup>th</sup> day of May, 1950.

R. E. Johnson  
Justice J. Craven  
Frank A. Powell  
Harold A. Kule  
Kenneth Pottier  
Commissioners