

ORIGINAL

Decision No. 51335

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	:	
Decision No. 38614, as amended by)	Application
Decision No. 49941, the proposed issu-	:	No. 36826
ance and sale of a new issue of Con-)	
vertible Debentures of an aggregate	:	
principal amount of approximately)	
\$40,000,000.	:	
-----)	

Bruce Renwick and Rollin E. Woodbury, by
Rollin E. Woodbury, and O'Melveny & Myers,
by Harry L. Dunn, for applicant.

O P I N I O N

In this application Southern California Edison Company seeks an order of the Commission exempting from competitive bidding a proposed issue of approximately \$40,000,000 of convertible debentures.

The application was filed on March 26, 1955. A public hearing in the matter was held before Examiner Coleman in San Francisco on April 12, 1955, at which time it was taken under submission. The Commission has received no protests in the proceeding.

The evidence shows that applicant is undertaking a construction program for 1955 and 1956 involving expenditures of approximately \$170,000,000, that it estimates it will be required to obtain \$100,000,000 of the amount from external sources, and that in the opinion of its management its capital ratios call for the issue

of additional equity capital.^{1/} Applicant has concluded that it can best meet its requirements for additional capital through the issue and sale at this time of approximately \$40,000,000 of debentures which will be convertible into shares of common stock.

Applicant desires to accord to the present holders of its outstanding shares of common stock and original preferred stock the opportunity to acquire the debentures and ultimately, through conversion, to acquire the additional shares of common stock. In the absence of preemptive privileges in its articles of incorporation, it seeks from this Commission an order exempting the proposed offering from competitive bidding so as to enable it to proceed with its financing program. Applicant reports that it has received requests from the shareholders for rights offerings. It further reports that in excess of 36,500 of its 60,000 common shareholders live in California and in excess of 23,000 in southern California, and it is of the opinion that a subscription offering of the type here proposed will provide an avenue through which local ownership will tend to be maintained.

The proposed offering would be limited to the existing shareholders. Any debentures not subscribed will be canceled. There will be no public offering of such unsubscribed debentures. The transaction is designed to obtain additional equity capital from the shareholders through the rights offering. In effect, it is not unlike those which are specifically exempted from the application of the Commission's competitive bidding rule, by the terms of the

^{1/} As of December 31, 1954, the capital ratios of the company were as follows:

Bonds	47.6%
Preferred stock	13.1
Equity capital, including convertible issues	<u>39.3</u>
Total	<u>100.0%</u>

decisions which imposed the rule, where securities are offered pro rata to existing security holders pursuant to a preemptive right or privilege.

Under the circumstances set forth in the application and in the oral testimony given at the hearing, we are of the opinion that applicant should be granted exemption from competitive bidding in order to enable it to proceed with the preparation of its financing along the lines indicated in this proceeding. Applicant reports that the terms of the convertible debentures, that is, the price, interest rate, maturity, conversion privileges, redemption prices and other provisions will be determined at a later date and that it will file a further application with the Commission when these matters are determined, seeking authorization to issue and sell its debentures.

The order herein shall not be construed to be one authorizing the issue and sale of the debentures.

O R D E R

A public hearing having been held in the above entitled matter, and the Commission having considered the evidence and being of the opinion that applicant's request should be granted, therefore,

IT IS HEREBY ORDERED as follows:

1. The issue by Southern California Edison Company of approximately \$40,000,000 of convertible debentures hereby is exempted from the competitive bidding rule set forth in Decision No. 38614, dated January 15, 1946, as amended, provided that

applicant make arrangements to sell said debentures at a price and under terms and conditions satisfactory to the Commission.

2. The authority herein granted will become effective on the date hereof.

Dated at San Francisco, California, this 19th day of April, 1955.

John E. Mitchell
President

Justus D. Cassel
Paul L. Linterise

William J. Dealy

Commissioners