

52582

Decision No. _____

ORIGINAL

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 not to exceed 1,200,000 shares of Cumulative Preferred Stock, _____ % Series, of the par value of \$25 per share.

Application
No. 37676

O P I N I O N

Southern California Edison Company has filed this application for authorization to issue and sell 1,200,000 shares of Cumulative Preferred Stock of the par value of \$25 each and of the aggregate par value of \$30,000,000.

Applicant reports that it has commenced negotiations looking toward the sale of its shares of stock to The First Boston Corporation and Dean Witter & Co.^{1/} If successful in disposing of them, it intends to use the proceeds to pay outstanding short-term notes and to reimburse its treasury for monies actually expended from income, or other monies not secured by or obtained from the issue of securities, for the acquisition of property, and the construction, completion, extension, and improvement of its facilities.

In this connection, applicant reports that as of December 31, 1955, it had outstanding short-term bank loans in the total amount of \$12,000,000 and that it anticipates further loans will

^{1/} By Decision No. 52468, dated January 16, 1956, in Application No. 37616, the Commission exempted the sale of said shares from competitive bidding.

bring the total up to \$18,000,000 by the time the proceeds from the sale of its preferred shares become available. It further reports that it has had capital expenditures up to the end of 1955 of \$95,904,614 for which it has not been reimbursed through the issue of securities, as shown in Exhibit B filed in this proceeding.^{2/}

As of the end of 1955, applicant's net investment in utility plant aggregated \$761,232,018 and in other properties \$1,815,654, a total of \$763,047,672. Its capital ratios as of that date are indicated in the following tabulation:

Long-term debt		\$365,069,600	50%
Preferred stock		90,291,775	12
Convertible preferred stock		16,071,325	2
Common stock equity -			
Common stock	\$183,508,097		
Premium on stock	27,565,955		
Surplus	<u>50,581,850</u>		
Total common stock equity		<u>261,655,902</u>	<u>36</u>
	Total	<u>\$733,088,602</u>	<u>100%</u>

It appears that the difference between the reported net investment in properties and the capital structure as stated above is represented primarily by current liabilities. A statement of applicant's current accounts as of the end of 1955 is as follows:

Current assets -			
Cash and deposits		\$ 9,755,023	
Notes and accounts receivable		14,914,305	
Materials and supplies		17,207,228	
Prepayments		<u>3,736,838</u>	
Total current assets			\$45,613,394
Current liabilities -			
Notes payable	\$12,000,000		
Accounts payable	16,404,859		
Customers' deposits	878,535		
Accrued liabilities	<u>42,340,866</u>		
Total current liabilities			<u>71,624,620</u>
Excess of current liabilities			<u>\$26,010,866</u>

^{2/} It appears upon analysis that the expenditures of \$95,904,614 for the most part were financed temporarily with earnings from operations and current accounts.

Although applicant predicates its application upon the reimbursement of its treasury, it has submitted to the Commission additional information indicating that it has need for additional funds from external sources for construction purposes. It asserts that during the last six months of 1955 its construction expenditures aggregated about \$8,500,000 a month and that in 1956 it is expected that they will range up to \$12,500,000 a month. In Exhibit C it reports its total estimated expenditures for 1956 at \$126,687,727, segregated as follows:

Steam Production	\$ 47,174,891
Hydraulic Production	13,396,873
Transmission Lines	4,743,540
Transmission Substations	11,508,585
Distribution Lines	31,361,472
Distribution Substations	8,572,361
Other	6,930,005
Engineering, Administration, and Interest During Construction	<u>3,000,000</u>
Total	(a) <u>\$126,687,727</u>

(a) It is estimated that usable material and equipment recovered from 1956 retirements in the amount of \$3,186,204 will reduce the 1956 cash requirements for plant expenditures to \$123,501,523.

From a review of this application and of the company's financial statements it is clear that it has made capital expenditures well in excess of the proposed stock issue for which it has not been reimbursed through the issue of securities, that it is entitled to reimburse its treasury because of such funds so expended, and that it will have need for the proceeds from the sale of the \$30,000,000 of stock, which are not needed to pay short-term notes, to replenish its treasury and to enable it to proceed with its construction activities. The issue of preferred stock will improve applicant's cash position and its capital structure. Upon completion of the financing applicant's debt ratio will have been reduced from 50% to approximately 47%.

Applicant has not completed its arrangements for the sale of its shares of preferred stock. At a later date it will file a supplemental application setting forth the dividend rate, redemption prices, and liquidation preferences, and the exact terms and conditions under which it proposes to dispose of its stock. At that time, the Commission will give further consideration to this application.

The approval herein given is for the issue and sale of shares of preferred stock only, and is not to be construed as indicative of amounts to be included in a future rate base for the purpose of determining just and reasonable rates,

O R D E R

The Commission having considered the above entitled matter and being of the opinion that a public hearing is not necessary, that the application should be granted, as herein provided, that the money, property or labor to be procured or paid for by the issue of the stock herein authorized 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; therefore,

IT IS HEREBY ORDERED as follows:

1. Southern California Edison Company, after the effective date hereof and on or before June 30, 1956, may issue and sell not to exceed 1,200,000 shares of Cumulative Preferred Stock 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 such shares of stock to pay

outstanding short-term bank loans and to reimburse its treasury for monies actually expended from income, or from monies not secured by or obtained from the issue of securities, for the purpose of acquiring properties or constructing, completing, extending, and improving its facilities.

3. Within 90 days after the issue and sale of said 1,200,000 shares of Cumulative Preferred Stock, Southern California Edison Company shall file with the Commission three copies of its prospectus and a report showing the names of the underwriters to whom said shares are sold, the number of shares sold to each underwriter, the compensation received, and the expenses incurred incidental to the issue and sale of such shares.

4. The authority herein granted will become effective when the Commission, by supplemental order, has fixed the price at which said 1,200,000 shares may be sold.

Dated at San Francisco, California, this 7th day of February 1956.

Walter E. Mitchell
President

Justin J. Calmes
Ralph L. Winterman
Thomas J. Kelly

Commissioners