

Decision No. 55038

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. 39059

O P I N I O N

Southern California Edison Company has filed this application for authorization to issue and sell not to exceed 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 net proceeds to retire and discharge certain promissory notes which are outstanding or to be outstanding as of the date of the receipt of proceeds from the issue and sale of the stock and to reimburse its treasury for moneys actually expended from income, or other moneys in its treasury, which have not been secured by or obtained from the issue of stock or stock certificates or other evidences of

^{1/} By Decision No. 54940, dated May 7, 1957, in Application No. 39006, the Commission exempted the issue of 1,200,000 shares of Cumulative Preferred Stock from competitive bidding.

interest or ownership, or bonds, notes or other evidences of indebtedness, for the acquisition of property and the construction, completion, extension or improvement of its facilities. Applicant reports that it intends to use an amount at least equal to the amount of the above reimbursement of its treasury to finance, in part, its continuing construction program.

Applicant reports no outstanding short-term bank loans as of March 31, 1957. Since that date it has borrowed \$2,000,000 from banks and anticipates that further borrowings will be necessary so that at the time the proceeds from the sale of stock will have been received such loans will aggregate an amount which will not exceed \$4,500,000. It further reports that it has had capital expenditures up to March 31, 1957, of \$78,221,194.11 for which it has not been reimbursed through the issue of securities, as shown in Exhibit "B" filed in this proceeding.

In Exhibit "C", it shows its estimated expenditures for the acquisition of property, and the construction, extension or improvement of its facilities for the years 1957 and 1958 as follows:

	<u>1957</u>	<u>1958</u>	<u>Total</u>
Steam production	\$ 43,437,304	\$ 90,091,590	\$133,528,894
Hydraulic production	12,746,586	16,392,346	29,138,932
Transmission lines	7,316,016	4,449,997	11,766,013
Transmission substations	13,562,808	5,626,860	19,189,668
Distribution lines	33,623,788	32,975,815	66,599,603
Distribution substations	19,910,858	9,180,988	29,091,846
Other additions	6,676,470	2,819,024	9,495,494
Engineering, administration, and interest during construction	<u>4,000,000</u>	<u>4,000,000</u>	<u>8,000,000</u>
Total	<u>\$141,273,830</u>	<u>\$165,536,620</u>	<u>\$306,810,450</u>

Applicant estimates that its 1957 construction requirements will be financed from the following sources:

Salvage recoveries		\$ 4,196,665
Internal funds including those resulting from accelerated depreciation		39,577,165
Sale of Series "H" bonds	\$37,500,000	
Less: Bank loans outstanding 12/31/56	<u>5,000,000</u>	32,500,000
Sale of preferred stock		30,000,000
To be financed		<u>35,000,000</u>
Total		<u>\$141,273,830</u>

In financing the cost of its properties, applicant has executed a trust indenture, dated October 1, 1923, and pursuant to the terms of said indenture and amendatory and supplemental indentures subsequently executed, has issued and sold bonds of several series, of which \$405,500,000 presently are outstanding. In addition, it has issued and sold debentures and shares of preferred, preference and common stock. Its capital ratios, as of March 31, 1957, and as adjusted to give effect to the proposed preferred stock financing are shown in the following tabulation:

	<u>March 31,</u> <u>1957</u>	<u>Pro</u> <u>Forma</u>
Bonds	47%	45%
Debentures	3	3
Preferred stock	14	17
Preference stock	1	1
Common stock equity	<u>35</u>	<u>34</u>
Total	<u>100%</u>	<u>100%</u>

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. This 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 47 per cent to 45 per cent.

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 October 31, 1957, 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 net 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 moneys actually expended from income, or from moneys 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 Los Angeles, California, this 17th day of MAY, 1957.

[Signature]
President
[Signature]
[Signature]
[Signature]
Commissioners