

Decision No. 57813

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 500,000 shares of Common Stock of the par value of \$25 per share and exempting such proposed issue from the requirements of the competitive bidding rule in Decision No. 38614, as amended by Decision No. 49941.

Application No. 40681

Rollin E. Woodbury, Harry W. Sturges, Jr., and Robert J. Cahall, by Robert J. Cahall, and O'Melveny & Myers and Harry L. Dunn, by William P. Martin, for applicant.
John F. Donovan and Sidney J. Webb, for Commission's staff.

O P I N I O N

This is an application for an order authorizing Southern California Edison Company to issue and sell 500,000 shares (\$12,500,000 par value) of its common stock exempt from the requirements of this Commission's competitive bidding rule.

A public hearing on the application was held before Examiner Cole in San Francisco on December 30, 1958, at which time the matter was taken under submission. The Commission has received no protests to the granting of the application.

The purpose of the proposed financing is to provide applicant with funds (1) to retire and discharge short-term promissory notes issued, or to be issued, to finance the acquisition of property or the construction, completion, extension or improvement of facilities, (2) to reimburse its treasury for moneys actually expended from income or

other moneys not secured by or obtained from the issue of securities, for the acquisition of property and the construction, completion, extension, or improvement of facilities, exclusive of maintenance of service and replacements, and (3) to enable it to continue its construction program. The company reports that its uncapitalized construction as of October 31, 1958, was \$107,527,063.

In Exhibit C applicant shows its estimated expenditures for the acquisition of property, and the construction, extension or improvement of its facilities for the years 1958 and 1959 as follows:

	<u>1958</u>	<u>1959</u>	<u>Total</u>
Steam production	\$ 53,121,044	\$ 27,270,691	\$ 80,391,735
Hydraulic production	21,224,041	24,149,837	45,373,878
Transmission lines	9,189,975	8,303,421	17,493,396
Transmission substations	9,942,754	7,349,943	17,292,697
Distribution lines	31,979,310	29,338,849	61,318,159
Distribution substations	18,363,735	9,682,428	28,046,163
Other additions	7,207,174	5,433,921	12,641,095
Engineering, administration, and interest during construction	<u>5,000,000</u>	<u>5,700,000</u>	<u>10,700,000</u>
Total	<u>\$156,028,033</u>	<u>\$117,229,090</u>	<u>\$273,257,123</u>

Applicant estimates that its 1958 and 1959 construction requirements will be financed from the following sources:

	<u>1958</u>	<u>1959</u>	<u>Total</u>
Salvage recoveries	\$ 6,063,953	\$ 10,310,711	\$ 16,374,664
Internal funds	66,016,642	54,918,379	120,935,021
Sale of bonds	58,975,950		58,975,950
Sale of preferred stock	24,971,488		24,971,488
Sale of common stock		28,750,000	28,750,000
To be financed	<u> </u>	<u>23,250,000</u>	<u>23,250,000</u>
Total	<u>\$156,028,033</u>	<u>\$117,229,090</u>	<u>\$273,257,123</u>

The record shows that applicant has as its objective the maintenance of a capital structure comprised of approximately 50% long-term debt, 15% preferred stock and 35% common stock equity. At this

time applicant desires to issue common stock, rather than some other form of security, in order to take advantage of what appears to be favorable market conditions for common stock and, at the same time, to improve its capital structure and to conserve its borrowing capacity. It reports its capital ratios as of November 30, 1958, and as adjusted to give effect to the proposed common stock offering, as follows:

	<u>Nov. 30, 1958</u>	<u>Pro Forma</u>
Bonds	51.2%	49.8%
Debentures	0.5	0.5
Cumulative preferred stock	13.8	13.4
Preference stock	1.0	1.0
Common stock equity	<u>33.5</u>	<u>35.3</u>
Total	<u>100.0%</u>	<u>100.0%</u>

With respect to the disposition of the shares of common stock, applicant has concluded that the sale can be made under more favorable terms by means of a negotiated underwriting than by competitive bidding. Applicant has previously come before the Commission for authorization to issue and sell common shares by negotiation and by competitive bidding. A review of the applications shows that, with the negotiated proceedings, it was possible for applicant to relate the sale price of its shares more closely to the market price at the time the transactions were closed than was the case with competitive bidding where, once the invitations for bids had been published and the dates set for opening the bids, no flexibility remained with the company to correlate the sale of stock with changes in market conditions.

Under market conditions presently prevailing it seems quite likely that a better price could be obtained by applicant in a negotiated sale and there seems to be no reason for now withholding from applicant the opportunity to proceed with its sale in the same manner

as it has used successfully in the past. The order herein will grant the exemption from competitive bidding and will give applicant preliminary authorization to proceed with the sale of its shares of common stock. At a later date, upon the filing by applicant of a supplemental application setting forth the price for the stock, the Commission will give consideration to entering a final order in this proceeding.

The approval herein given goes to exemption from competitive bidding and to the issue and sale of shares of common stock 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 the application should be granted, as herein provided, therefore,

IT IS HEREBY ORDERED as follows:

1. The issue and sale by Southern California Edison Company of not to exceed 500,000 shares of its common stock is exempted from the provisions of the Commission's competitive bidding rule set forth in Decision No. 38614, dated January 15, 1946, as amended by Decision No. 49941, dated April 20, 1954, provided that applicant obtain for said shares a price satisfactory to the Commission.

2. Southern California Edison Company, on and after the effective date hereof and on or before June 30, 1959, may issue and sell said 500,000 shares of common stock at a price to be fixed by the Commission in a supplemental order in this proceeding, it being

the opinion of the Commission that the money, property or labor to be procured or paid for by the issue and sale of said shares of common stock herein authorized is reasonably required by applicant for the purposes specified in the application, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

3. Southern California Edison Company shall use the net proceeds to be received from the issue and sale of such shares for the purposes set forth in this application.

4. Within 90 days after the issue and sale of said 500,000 shares of common 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 consideration received, and the expenses incurred incidental to the issue and sale of such shares.

5. The authority herein granted to issue and sell shares of common stock will become effective when the Commission, by supplemental order, has fixed the price at which said 500,000 shares may be sold. In other respects, this order is effective upon the date hereof.

Dated at San Francisco, California, this 10th day of January, 1959.

E. Lynn Fox President

Walter S. [unclear]

Michael [unclear]

Herbert [unclear]

Commissioners