

ORIGINAL

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Decision No. \_\_\_\_\_

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN CALIFORNIA EDISON COMPANY, a corporation, and CALIFORNIA ELECTRIC POWER COMPANY, a corporation, for an order authorizing the merger of the Applicants, the assumption by SOUTHERN CALIFORNIA EDISON COMPANY of liability in respect of certain securities of CALIFORNIA ELECTRIC POWER COMPANY, and the execution and delivery by SOUTHERN CALIFORNIA EDISON COMPANY of an indenture supplemental to the First Mortgage Indenture of CALIFORNIA ELECTRIC POWER COMPANY, and the issuance by SOUTHERN CALIFORNIA EDISON COMPANY of shares of its preferred and common stocks pursuant to an Agreement of Merger.

Application No. 45494  
 Filed June 5, 1963

Donald J. Carman for California Electric Power Company;  
Rollin E. Woodbury, Harry W. Sturges, Jr., and Robert J. Cahall by Harry W. Sturges, Jr., and Robert J. Cahall, and O'Melveny & Myers and Harry L. Dunn for Southern California Edison Company;  
Howard Boylan for California Interstate Telephone Company, interested party; and  
N. R. Johnson for the Commission staff.

O P I N I O N

Southern California Edison Company and California Electric Power Company have filed this application for authorization to carry out the terms of an Agreement of Merger.

Under the terms of the proposed agreement, California Electric Power Company will be merged into Southern California Edison Company and its separate corporate existence terminated. Southern California Edison Company, as the surviving corporation, will succeed to all the rights and properties and will be responsible for all the debts, liabilities and obligations of California Electric Power Company; will execute and deliver a supplemental indenture to the trustees of California Electric Power Company's First Mortgage Indenture wherein it covenants to assume the obligation to pay principal and interest on the bonds of California Electric Power Company and to perform and observe the terms and conditions of said First Mortgage Indenture; and will issue shares of its stock for outstanding shares of stock of California Electric Power Company on the basis of .95 shares of its common stock for each share of common stock of California Electric Power Company and three shares of its Cumulative Preferred Stock, 4.78% Series, for each share of the \$3 Cumulative Preferred Stock of California Electric Power Company. Southern California Edison Company will refile in its name the existing tariff schedules of California Electric Power Company and will transfer to its books of account the balances in the plant and related reserve accounts of California Electric Power Company and the other asset and liability accounts, subject only to such changes as may be required by the adjustment of the capital stock accounts.

In presenting this matter to the Commission, applicants assert that the merger, if consummated, will result in a surviving corporation which will be in a better position to finance construction costs than would be possible if the two companies were to remain as separate entities and that it will permit the surviving corporation to integrate the two present separately owned electric systems with the existing and future power resources, thereby taking advantage of diversities of the seasonal peaks of the two companies. The testimony shows that substantial savings in operating and capital costs can be accomplished; that it is not contemplated the merger will result in increases in rates for service to the customers of either company; and that the policy of the surviving corporation is to continue in its service all the California Electric Power Company employees with no reduction in wage or salary levels as the result of the merger and to make the Southern California Edison Company's fringe benefits, or their equivalent, available to California Electric Power Company's employees.

A public hearing was held before Commissioner Grover and Examiner Coleman in Los Angeles on July 25, 1963, at which time the matter was taken under submission. There were no appearances at the hearing by any party in objection to the proposed merger. A letter was received from one shareholder of stock of Southern California Edison Company objecting to the rate of exchange of the shares of stock but no evidence was submitted in support of this objection.

Upon a full review of the application and of the testimony and exhibits presented at the hearing, we are of the opinion, and so find, that the proposed merger will not be adverse to the public interest; that the money, property or labor to be procured or paid for by the issue of the shares of stock herein authorized is reasonably required for the purpose specified herein; and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income. We will enter an order granting the application.

The authorization herein granted is not to be construed to be a finding of the value of the properties or the shares of stock of the two companies nor indicative of amounts to be included in future proceedings for the purpose of determining just and reasonable rates. Such authorization is for the purpose of this proceeding only, is permissive only, and is not to be construed as requiring any shareholder to surrender his shares for exchange.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company and California Electric Power Company are authorized to enter into an Agreement of Merger in the same form, or in substantially the same form, as that annexed to the application and marked Exhibit A, whereby California Electric Power Company is merged into Southern

California Edison Company. Applicants may merge the lines, plants, systems and all other properties and all franchises, permits and rights of California Electric Power Company with and into those of Southern California Edison Company and generally may carry out the terms and provisions of said Agreement of Merger.

2. Southern California Edison Company, as the surviving corporation under said Agreement of Merger, is authorized to assume all the debts, liabilities and obligations of California Electric Power Company and to execute and deliver a Thirteenth Supplemental Indenture to the First Mortgage Indenture of California Electric Power Company in the same form, or in substantially the same form, as that annexed to the application and marked Exhibit H.

3. Southern California Edison Company, as the surviving corporation under said Agreement of Merger, may exercise all rights and privileges under the franchises, permits and rights to be acquired from California Electric Power Company.

4. Southern California Edison Company, as the surviving corporation under said Agreement of Merger, in exchange for shares of stock of California Electric Power Company, under the bases set forth in said Agreement of Merger, may issue 296,769 shares of its Cumulative Preferred Stock, 4.78% Series, and not to exceed 3,610,000 shares of its Common Stock.

5. Southern California Edison Company shall file, within five days after the effective date of the merger, a notice of adoption of said presently filed tariff schedules of California Electric Power Company.

6. The tariff schedules of California Electric Power Company, now on file with this Commission, shall be refiled within thirty days after the effective date of the merger, under the name of Southern California Edison Company, in accordance with the requirements of General Order No. 96-A, except that Southern California Edison Company may withdraw such of California Electric Power Company's rules and standard forms as are substantially identical with Southern California Edison Company's rules and standard forms, and withdrawal of which will not result in increases or more restrictive conditions in the presently filed tariff schedules of California Electric Power Company.

7. Southern California Edison Company, in lieu of a report under General Order No. 24-A, shall file with the Commission, on or before the 25th day of each month until the issues of the shares of stock herein authorized have been completed, reports showing the number of shares of stock of each class issued under the authorization herein granted in exchange for the shares of stock of California Electric Power Company and showing the number of shares of stock of California Electric Power Company whose owners have elected to take cash for their holdings and the total amount of cash paid to such owners.

8. Within sixty days after the consummation of the merger, Southern California Edison Company shall file with the Commission a copy of each journal entry used to record the merger on its books of account.

9. The authorization herein granted shall become effective twenty days after the date hereof. Unless exercised, such authorization will expire on December 31, 1964.

Dated at San Francisco, California, this 6<sup>th</sup> day of August, 1963.

Stallman by Bernard  
President  
W. E. [unclear]  
W. E. [unclear]  
George H. [unclear]  
Frederick B. Halchiff  
Commissioners