

ORIGINAL

Decision No. 69483

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 \$75,000,000 aggregate)
principal amount of _____%)
Convertible Debentures, Due 1980,)
to execute and deliver a Trust)
Agreement establishing the same,)
and to issue shares of its)
Common Stock upon conversion of)
said Convertible Debentures.)

Application No. 47739
Filed July 12, 1965

O P I N I O N

Southern California Edison Company has filed this application requesting authorization from the Commission to (a) execute and deliver a Trust Agreement, (b) issue and sell \$75,000,000 aggregate principal amount of Convertible Debentures, and (c) issue shares of its common stock upon conversion of said Convertible Debentures.

Applicant proposes to use the proceeds from the debentures, after payment of expenses incident to their issue and sale, to (1) retire and discharge short-term promissory notes issued, or to be issued, in an estimated amount of not to exceed \$15,000,000 as of the date said proceeds become available, (2) retire and discharge \$37,884,000 aggregate principal amount of its First and

Refunding Mortgage Bonds, Series of 3s, Due 1965, which will mature on September 1, 1965, and (3) reimburse its treasury for capital expenditures.

The application indicates that the company has had, and will have, need for proceeds from the issue of its short-term notes and treasury funds to meet its capital requirements. Exhibit D, attached to the application, discloses that applicant's estimated expenditures for capital additions and repayment of notes and bonds will aggregate \$275,806,346 during 1965 and \$240,141,257 during 1966, or a total of \$515,947,603 for the two years. Said Exhibit D indicates the company has met, or proposes to meet, said expenditures with money obtained, or to be obtained, from the following sources:

	<u>1965</u>	<u>1966</u>	<u>Total</u>
Internal funds	\$100,921,834	\$103,387,324	\$204,309,158
Series S bonds	60,218,100	-	60,218,100
Price adjustments on purchases of electrical equipment	1,666,412	753,933	2,420,345
Convertible debentures	75,000,000	-	75,000,000
To be financed	<u>38,000,000</u>	<u>136,000,000</u>	<u>174,000,000</u>
Total	<u>\$275,806,346</u>	<u>\$240,141,257</u>	<u>\$515,947,603</u>

Applicant intends to sell its new Convertible Debentures at competitive bidding, the successful bid to determine the interest rate. The debentures are to be dated as of August 15, 1965, to mature August 15, 1980, and are to be issued in accordance with the provisions of a Trust Agreement. Redemption may be made at applicant's option at a price equivalent to the

initial public offering price or the principal amount, whichever is greater, plus a premium equal to the annual rate of interest specified in the successful bid, plus accrued and unpaid interest in each case, and thereafter at annually reducing premiums.

Subject to the provisions and limitations of the Trust Agreement, the holders of any debentures issued thereunder and not previously called for redemption may, at their option, on or prior to August 15, 1980, convert said debentures at their principal amount into fully paid and nonassessable shares of applicant's common stock. In order to make the conversion feature attractive without unduly threatening future dilution of per share earnings on its common stock, applicant desires to defer fixing the exact amount of the conversion price until as close to the date for the submission of bids as is procedurally feasible. Notwithstanding present uncertainty as to the exact amount of the conversion price, applicant proposes to fix such price at an amount which will be between eight percent and twenty percent above the market price of its common stock, as determined by reports of transactions on the New York Stock Exchange on the day when said conversion price is fixed.

Applicant's capital ratios as of May 31, 1965, and as adjusted to give effect to (a) retirement of \$37,884,000 principal amount of bonds and (b) issue and sale of the \$75,000,000 principal amount of new debentures proposed herein, are as follows:

	<u>May 31,</u> <u>1965</u>	<u>Pro</u> <u>Forma</u>
Long-term debt	53%	54%
Preferred stock	8	7
Common stock equity	<u>39</u>	<u>39</u>
Total	<u>100%</u>	<u>100%</u>

The Commission has considered this matter and finds that: (1) the proposed issues of debentures and common stock are for proper purposes; (2) applicant has need for additional funds from external sources for the purposes set forth in the application; (3) the proposed Trust Agreement would not be adverse to the public interest; (4) the money, property or labor to be procured or paid for by the issue of the debentures and common stock herein authorized is reasonably required for the purposes specified herein; and (5) such purposes, except as otherwise authorized for accrued interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income. A public hearing is not necessary.

On the basis of the foregoing findings we conclude that the application should be granted. The authorization herein given is for the purpose of this proceeding only and is not to be construed as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company, on or after the effective date hereof and on or before December 31, 1965, may issue, sell and deliver, at competitive bidding, not to exceed \$75,000,000 aggregate principal amount of its Convertible Debentures, Due 1980, at the price offered in a bid for said debentures which shall provide the lowest annual cost of money to applicant calculated in the manner provided in the Statement of Terms and Conditions Relating to Bids, annexed to the application as part of Exhibit F.

2. The invitations for bids for said debentures shall be published at least five days prior to the date set for the opening of the bids.

3. Southern California Edison Company may execute and deliver, and carry out the terms and provisions of a Trust Agreement in the same form, or in substantially the same form, as that attached to the application as Exhibit E, but with blanks filled in for interest rate, redemption prices and conversion price.

4. For the purpose of exchanging for and retiring upon conversion said debentures, Southern California Edison Company may issue such number of shares of its common stock, which initially will not exceed 1,900,000, as may be required for such purpose pursuant to provisions of the Trust Agreement herein authorized.

5. Southern California Edison Company shall use the proceeds from the sale of the debentures herein authorized, exclusive of accrued interest, for the purposes specified in the application. The accrued interest may be used for such purposes or for general corporate purposes.

6. Immediately upon awarding the contract for the sale of said debentures, Southern California Edison Company shall file a written report with the Commission showing, as to each bid received, the name of the bidder, the price, the interest rate and the cost of money to applicant based upon such price and interest rate. In addition, said report shall show the price at which the debentures initially may be converted into shares of common stock and the maximum number of shares which applicant would issue upon the basis of such price.

7. Within thirty days after the issue and sale of the debentures herein authorized, Southern California Edison Company shall file with the Commission three copies of its prospectus relating to said debentures.

8. Within six months after such issue and sale, Southern California Edison Company shall file with the Commission a statement, in lieu of a report under General Order No. 24-B, disclosing the purposes for which the debenture proceeds were used.

9. This order shall become effective on the day of payment by Southern California Edison Company of the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$12,279, or on the fifth day after the date hereof, whichever day is later.

Dated at San Francisco, California, this 3rd day of AUGUST, 1965.

Frederick B. Holdcroft
President

[Signature]

[Signature]

[Signature]

Commissioners

Commissioner George G. Grover, being necessarily absent, did not participate in the disposition of this proceeding.

