

71519

ORIGINAL

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, for)
 authority to issue and sell not)
 to exceed 2,800,000 shares of)
 Cumulative Preferred Stock,)
 _____ % Series, of the par)
 value of \$25 per share.)

Application No. 48887
Filed October 24, 1966

O P I N I O N

This is an application for an order of the Commission authorizing Southern California Edison Company to issue and sell the not to exceed \$70,000,000 aggregate par value of preferred stock which Decision No. 71425, dated October 18, 1966, in Application No. 48793, exempted from the competitive bidding rule.^{1/}

Applicant reports that as of September 30, 1966 its uncanceled construction expenditures were \$343,370,732, which amount has not been reimbursed from security issue

^{1/} With respect to the form of security issue, such decision states the following:
 "In view of the existing debt ratio and the diluting effects of additional common stock, the record shows that a preferred stock offering would be the proper form of security issue under prevailing conditions. Moreover, the testimony shows that preferred stock issues are entitled to the income tax benefit of an 85% dividend received credit which can make them attractive to institutional investors."

proceeds, and that an estimated sum of \$571,538,891 will be expended for the company's construction program during the years 1966 and 1967. The utility's capital ratios as of September 30, 1966, and as adjusted to give effect to \$50,000,000 aggregate par value of the proposed issue of preferred stock and to the entire \$70,000,000, without giving effect to any deferrals in delivery of the stock, are obtained from the application as follows:

	Sept. 30, 1966	Pro Forma	
		\$50,000,000 Issue	\$70,000,000 Issue
Long-term debt	56.0%	54.6%	54.1%
Preferred stock	6.7	9.0	9.9
Common stock equity	<u>37.3</u>	<u>36.4</u>	<u>36.0</u>
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

The application shows that the utility is negotiating with The First Boston Corporation and Dean Witter & Co. with respect to the rights, preferences and privileges to be determined for the proposed stock issue, the compensation to be paid to the underwriters by applicant, and the form of agreement with the underwriters reflecting their commitments to purchase the stock and to offer it to the public. Among the details being negotiated are (a) the exact number of shares of stock to be included in the proposed issue, (b) the date, or dates, to be selected for deferred deliveries, (c) the final forms of the Underwriting Agreement and the Delayed Delivery Contract, (d) the dividend rate to be fixed for the stock, (e) the redemption prices, including both the

timing and amounts thereof and the nature and duration of restrictions on refunding to be established in connection therewith, and (f) the voluntary liquidation preferences applicable to the stock. After the preliminary forms of Underwriting Agreement and Delayed Delivery Contract have been finalized and the rights, preferences and privileges have been determined, applicant proposes to present such information to the Commission in the form of a supplemental application.

Applicant proposes to use the proceeds from the issue and sale of the preferred stock, after paying expenses incident to such issue and sale, including underwriters' compensation, for (a) retiring and discharging, in whole or in part, promissory notes, drafts and bills of exchange and (b) reimbursing its treasury for moneys actually expended from income or from other moneys in its treasury not secured by or obtained from the issue of securities, for the acquisition of property and the construction, completion, extension or improvement of its facilities, exclusive of maintenance of service and replacements.

The Commission has considered this matter and finds that: (1) the proposed preferred stock issue is for proper purposes; (2) applicant has need for funds from external sources for the purposes set forth in the application; (3) the money, property or labor to be procured or paid for by the issue of the preferred stock herein authorized is reasonably required for the purposes specified herein;

and (4) such purposes 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. In issuing our order herein, we place applicant and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares nor the dividends paid as measuring the return applicant should be allowed to earn on its investment in plant and that the authorization herein given is not to be construed as a finding of the value of applicant's stock or properties nor 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 may issue and sell not to exceed 2,800,000 shares of its \$25 Cumulative Preferred Stock, to bear such dividend rate, redemption prices and voluntary liquidation preferences, and on such terms and conditions, as the Commission may authorize in a supplemental order in this proceeding.

2. Southern California Edison Company shall use the proceeds from the sale of said preferred stock for the purposes specified in this proceeding.

3. Within thirty days after the issue and sale of any of the preferred stock herein authorized, Southern California Edison Company shall file with the Commission three copies of its prospectus pertaining to said stock.

4. Within three 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 stock proceeds were used.

5. The effective date of this order is the date hereof.

Dated at San Francisco, California,
this 9th day of NOVEMBER, 1966.

John E. Mitchell
President

George L. Grover

Frederick B. Holdhoff

Augusta

William L. Bennett
Commissioners