

ORIGINAL

Decision No. 73563

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 1,500,000 shares of)
Common Stock of the par value of)
\$8-1/3 per share and for the)
exemption of such proposed issue)
from the requirements of the)
competitive bidding rule)
established in this Commission's)
Decisions Nos. 38614 and 49941.)

Application No. 49834
Filed December 4, 1967

Rollin E. Woodbury, Harry W. Sturges, Jr., Robert J. Cahall and H. Robert Barnes, by Robert J. Cahall, and O'Melveny & Myers, by James E. Cross, for applicant;
Sidney J. Webb, for the Commission staff.

O P I N I O N

Southern California Edison Company has filed this application for authority to issue, sell and deliver, exempt from competitive bidding, not exceeding 1,500,000 shares of its common stock of the par value of \$8-1/3 per share.

Following due notice, a public hearing in this matter was held before Examiner Donovan in San Francisco, on December 18, 1967, at which time the matter was taken under submission. The Commission has received no protests in the proceeding.

After payment and discharge of obligations incurred for expenses incident to the issuance and sale of said stock, applicant will use the stock proceeds to retire and discharge a portion of its then outstanding promissory notes, drafts and/or bills of exchange. The company anticipates net construction expenditures for 1968 and 1969 in excess of \$641,000,000. Adding \$79,000,000 for said notes results in an amount of \$720,000,000. The testimony shows that roughly \$475,000,000 of the latter would be provided from new permanent financings and short-term obligations, and the balance from internal sources.

Applicant's capitalization percentages as of October 31, 1967, and as adjusted to give effect to the proposed issuance of 1,500,000 shares of common stock at an assumed price of \$35 per share, are set forth in the application as follows:

	<u>October 31, 1967</u>	<u>Pro Forma</u>
Long-term debt	55.1%	53.7%
Preferred stock	8.7	8.5
Common stock equity	<u>36.2</u>	<u>37.8</u>
Total	<u>100.0%</u>	<u>100.0%</u>

The company deems it advisable at the present time to issue common stock rather than some other form of security, because of its current need for reducing the debt aspect of its capital structure and the fact that it issued \$55,000,000 aggregate par value of preferred stock a year ago. Applicant has concluded that a common stock issue of the size proposed would serve the purpose of preserving a satisfactory debt ratio, thus increasing to some extent its flexibility with respect to subsequent security issues.

The record shows that an offering of applicant's proposed issue of 1,500,000 shares of common stock would produce less satisfactory results through competitive bidding than it would through negotiation. The company's chief financial officer testified that negotiation would insure satisfactory results by enabling the utility to achieve: (1) very important market preparation by the prospective underwriters; (2) maximum flexibility in arranging the timing and pricing of the issue; (3) sufficient underwriters to give the best price at a minimum risk with maximum local representation among the underwriters; (4) as satisfactory money costs as are possible under current market conditions; and (5) better assurance that the issue will be sold without undue delay.

The utility proposes to enter into an agreement with a group of underwriters represented by The First Boston Corporation and Dean Witter & Co., which agreement will provide for an underwriting compensation of not exceeding 4% of the initial public offering price to be based upon reported prices or quotations of applicant's outstanding common stock on the New York Stock Exchange immediately prior to determination. Such initial public offering price will be no higher than the reported last sale price (regular way) or the reported last asked price, whichever is higher, plus an amount equal to the New York Stock Exchange commission, and no lower than 50 cents under either such reported last sale price or the reported last bid price, whichever is lower.

The initial public offering prices were one-eighth of a point less than the reported closing prices for the two most recent offerings of the company's common stock, which offerings occurred in 1962 and 1964. The next preceding offering of such stock occurred in 1959 with identical closing and initial public offering prices.

From a review of the application, testimony and exhibits we find that:

1. The proposed common 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 sale of the proposed common stock at competitive bidding should not be required.
4. The money, property or labor to be procured or paid for by the issue of the common stock herein authorized is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

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. The issue and sale by Southern California Edison Company of not exceeding 1,500,000 shares of its common stock are hereby exempted from 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, in Case No. 4761.

2. Southern California Edison Company, on or after the effective date hereof and on or before June 30, 1968, may issue, sell and deliver not exceeding 1,500,000 shares of its common stock of the par value of \$8-1/3 per share, and of the aggregate par value of \$12,500,000, at the initial public offering price, less an underwriting discount, to be determined as provided in an underwriting agreement in form substantially as filed in this proceeding.

3. Southern California Edison Company shall apply the proceeds from the sale of said common stock to the purposes referred to in the application.

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

5. 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 to which the stock proceeds were applied.

6. The effective date of this order shall be five days after the date hereof.

Dated at San Francisco, California,
this 31 day of JANUARY, 1968.

[Signature]
President

[Signature]

[Signature]

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Commissioners