A.50906 MON

ORIGINAL

Decision No. 75446

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.	Application No. 50906 Filed February 24, 1969 and Amendment Filed March 3, 1969

O P I N I O N

Southern California Edison Company requests an order of the Commission authorizing it to issue, sell and deliver, at competitive bidding, not exceeding 1,500,000 shares of its common stock of the par value of \$8-1/3 per share.

After payment and discharge of obligations incurred for expenses incident to the issuance and sale of said stock, applicant will use the stock proceeds (a) to retire and discharge promissory notes, drafts and/or bills of exchange, and (b) to reimburse itself for moneys actually expended by it from income or other moneys in its treasury not secured by or obtained from the issuance of securities, for the acquisition of property, or for the construction, completion, extension or improvement of its facilities, exclusive of maintenance of service and replacements.

The utility reports uncapitalized construction expenditures of \$374,391,086 as of December 31, 1968, after giving effect to the application of proceeds derived from \$75,000,000 principal amount of bonds authorized in December, 1968, but issued in January, 1969. Applicant estimates that the gross expenditures for its construction program during the years 1969 and 1970 will approximate $668,440,900.

The company's capital ratios as of December 31, 1968, and as adjusted to give effect to said $75,000,000 of bonds and to the proposed issue of 1,500,000 shares of common stock at an assumed price of $37 per share, are reported as follows:

	Dec. 31, 1968	Pro Forma
Long-term debt	53.2%	53.4%
Preferred and preference stock	10.9	10.3
Common stock equity	35.9	36.3
Total	100.0%	100.0%

As justification for deviating from its practice of selling additional common stock on a negotiated basis, applicant states, in part, the following:

"General market conditions for Applicant's Common Stock are believed to be more favorable than they have been for some time. The current market in the stock has been quite active and the price recently moved to its highest point since July, 1967. From January 1, 1969 through February 19, the price of the stock increased 6.6% compared with a decline of the Dow Jones Industrial index of 2% and a decline in the Dow Jones Utility index (of which Applicant's stock is a component) of .8%. Moreover, during this period, average daily trading volume in this stock on the New York Stock Exchange increased significantly (30%) as compared with such volume for all of 1968.

"Applicant believes that the reasons it has previously offered in support of the negotiation of the terms of sale of its Common Stock continue to be valid. Moreover, Applicant recognizes that a decision to offer the proposed issue for competitive bidding carries some risk of loss of market price. However, Applicant is informed and believes, and therefore alleges, that it is in the best interests of its customers and shareholders to offer the proposed issue at competitive bidding for the following reasons:

"(a) Current market conditions for Applicant's stock as aforesaid appear favorable at this time for such issue and prices fixed for an issue of additional shares of Applicant's security for which there is an established market price are not expected to depart significantly from such market price;

"(b) The proposed issue is of a relative size for which the risks of competitive bidding are lessened under the above mentioned conditions;

"(c) Preliminary indications that there will be only two bidding groups suggest that the risk of possible divisive effects of competitive bidding on total investment banking industry participation will be lessened;

"(d) Applicant believes it is desirable to preserve flexibility in its options to negotiate or to invite competitive bids for its Common Stock issues to the same degree that it seeks to preserve flexibility in its choice of security types and one way to preserve such flexibility is to resort to an occasional competitively bid offering;

"(e) Such demonstrated flexibility will improve Applicant's bargaining position when market conditions and other factors in the future indicate the desirability of negotiated offerings; and

"(f) The foregoing factors suggest that the proposed issue provides an appropriate occasion to establish flexibility of options with a minimum of risk to the success of the offering."

After consideration we find that:

1. The Commission's competitive bidding rule (Decision No. 38614, dated January 15, 1946, as modified by Decision No. 49941, dated April 20, 1954, in Case No. 4761) applies to this proceeding.

2. Applicant has justified its adherence to said competitive bidding rule without jeopardizing its right to seek exemption therefrom with respect to future issues of its capital stock.

3. The common stock issue proposed in this proceeding is for proper purposes.

4. Applicant has need for funds from external sources for the purposes set forth in the application.

5. 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, as amended, should be granted. A public hearing is not necessary.

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 invite the submission of written sealed bids for the purchase of not exceeding 1,500,000 shares of its common stock, the invitation to be published at least five days prior to the date set for the opening of the bids.

2. Southern California Edison Company, on or after the effective date hereof and on or before June 30, 1969, may issue, sell and deliver, at competitive bidding, and as set

forth in this proceeding, 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 highest price offered in a bid for said shares.

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

4. Immediately upon awarding the contract for the sale of said common stock, Southern California Edison Company shall file a written report with the Commission showing, as to each bid received, the name of the bidder and the price.

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

6. 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.

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

Dated at San Francisco, California, this 18th day of March, 1969.

William Symons
President

Bragdon

[illegible]

Commissioners

I would set this down for public hearing - The reasons presented are not conclusive on this major change in financing procedures
Fred P. Morrissey

Commissioner Thomas Moran, being necessarily absent, did not participate in the disposition of this proceeding.