

LEM

Decision No. 21948.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
MIDLAND COUNTIES PUBLIC SERVICE COR-)
PORATION for an order authorizing) Application No. 16031
the issue and sale of stock.)

Murray Bourne, for applicant.

BY THE COMMISSION:

O P I N I O N

In the above entitled matter the Railroad Commission is asked to make its order authorizing Midland Counties Public Service Corporation to issue and sell, at par, 10,000 shares of its common capital stock of the aggregate par value of \$1,000,000.00 and to use the proceeds to reimburse its treasury and to pay floating indebtedness.

The record in this proceeding shows that applicant, under its Articles of Incorporation, as recently amended, has an authorized capital stock of \$3,000,000.00 divided into \$1,000,000.00 of seven percent cumulative preferred stock and \$2,000,000.00 of common stock, of which at present there is outstanding \$500.00 of the preferred stock and \$1,000,000.00 of the common.

In addition, the company had outstanding, as of August 31, 1929, as shown in Exhibit "A", certain indebtedness as follows:-

First mortgage five percent bonds due 1957	\$2,450,000.00
Notes payable	550,950.32
Accounts payable due affiliated companies	1,147,149.63
Other accounts payable	29,501.79
Deposits	15,166.64
Accruals	72,093.01
Total.....	<u>\$4,264,861.39</u>

Applicant reports that up to August 31, 1929 it had expended for construction purposes the sum of \$1,698,850.23 which it alleges was financed largely with moneys borrowed on notes and open account indebtedness from San Joaquin Light and Power Corporation. Although the company in making this petition to issue additional stock, requests permission to use the proceeds to reimburse its treasury in part for expenditures made, it clearly appears from the testimony of W.E. Durfey, its secretary and assistant treasurer, that such proceeds will be used to reduce the company's outstanding indebtedness to San Joaquin Light and Power Corporation. This appears to us to be desirable and we believe that the order herein, so far as the uses of the stock proceeds are concerned, should permit the use only for the payment of indebtedness.

The expenditures of \$1,698,850.23 for construction purposes are described in monthly statements filed with the Commission under its General Order No. 65 and are referred to in Exhibit "B" attached to the application herein. Because of the margin between such expenditures and the amount of stock now to be issued, we do not believe it necessary to make a detailed examination of all the items comprising the amount. It seems to us that sufficient justification exists to grant the company's request without such an examination. The granting of this application should, however, not be construed as an approval of the total expenditures nor as obligating

us to recognize all of the items in future proceedings.

It appears that all of applicant's outstanding stock, save directors' shares, is held by Western Power Corporation, which also holds a substantial amount of the outstanding stock of San Joaquin Light and Power Corporation. The record shows that Western Power Corporation has agreed to purchase at par the additional \$1,000,000.00 of stock applicant now proposes to issue. In this connection it might be noted that the stock of Midland Counties Public Service Corporation now outstanding was issued prior to the effective date of the Public Utilities Act. It appears to us that so far as the issue of the new block of \$1,000,000.00 of stock is concerned, the proposed price, for the purpose of this proceeding, is not unreasonable and that the issue of the stock is necessary and should be authorized.

ORDER

Midland Counties Public Service Corporation, having applied to the Railroad Commission for permission to issue \$1,000,000. of stock, a public hearing having been held before Examiner Fankhauser, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for through the issue of such stock is reasonably required for the purpose specified herein, which purpose is not in whole or in part reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED that Midland Counties Public Service Corporation be, and it hereby is, authorized to issue and sell on or before June 30, 1930, at not less than par, 10,000 shares of its common capital stock of the aggregate par value of \$1,000,000.

The authority herein granted is subject to the following conditions:-

1. Applicant shall use the proceeds received through the issue of the \$1,000,000.00 of stock to pay in part its outstanding indebtedness, and through such payment finance permanently, in part, such expenditures referred to in Exhibit "B" as are properly chargeable to fixed capital accounts, as defined in the uniform systems of accounts prescribed by the Railroad Commission.
2. Applicant shall keep such record of the issue of the stock herein authorized and of the disposition of the proceeds as will enable it to file, on or before the 25th day of each month, a verified report, as required by the Railroad Commission's General Order No. 24, which order insofar as applicable, is made a part of this order.
3. The authority herein granted will become effective upon the date hereof.

DATED at San Francisco, California, this 27th day of December, 1929.

W. D. Lott

W. J. Lott

W. J. Lott

W. J. Lott

Commissioners.