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ORIGINAL

Decision No. 6165.

BEFORE THE RAILROAD COMMISSION OF
THE STATE OF CALIFORNIA.

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In the Matter of the Application of)
MIDLAND COUNTIES PUBLIC SERVICE CORPORATION)
for an order authorizing the issue of) Application Number 4318.
bonds.)

Short & Sutherland, by W.A. Sutherland, for applicant.

LOVELAND, Commission.

O P I N I O N.

MIDLAND COUNTIES PUBLIC SERVICE CORPORATION, in its amended petition herein filed February 7, 1919, asks authority to issue \$474,000 of its first and refunding mortgage 6 per cent gold bonds due October 1, 1953. Bonds in the amount of \$449,000 will be issued against expenditures incurred or to be incurred on capital account, and the remaining \$25,000 to refund \$25,000 of outstanding Coalinga Water and Electric Company bonds.

As of October 31, 1918, applicant reports assets and liabilities as follows:

ASSET ACCOUNTS:

A.-- Capital Assets		
Rights and Franchises,	\$1,144,048.97	
Organization Expense,	2,564.39	
Plant,	1,487,518.68	
Sinking Fund,	70,637.17	
Total,		\$ 2,704,769.21
B.--Treasury Securities,		13,000.00
C.--Deposited with State Treasurer for Liability Insurance,		5,000.00
D.--Current Assets:		
Accounts Receivable,	65,179.00	
Taxes and License,	3,207.69	
Notes Receivable,	109,484.63	
Cash,	10,799.83	
Materials and Supplies,	61,895.15	
Total,		250,566.30
E.--Deferred Charges:		
Prepayments,	20.03	
Bond Discount and Expense,	46,612.49	
Total,		46,632.52
F.--Suspense Accounts,		33,053.35
TOTAL <u>ASSET ACCOUNTS</u> ,		\$3,053,021.38

LIABILITY ACCOUNTS:

A.--Stock Outstanding,		1,000,500.00
B.--Assessment No. 1 and No. 2,		200,100.00
C.--Bonds Outstanding,		861,000.00
D.--Current Liabilities:		
Notes Payable,	535,611.44	
Accounts Payable,	50,934.40	
Accounts with System Corporations	206,194.39	
Pay Roll,	4,373.53	
Unaudited Invoices,	1,054.26	
Prepayments,	3,535.10	
Deposits,	3,728.10	
Taxes, Licenses, etc., accrued, ..	1,766.59	
Bond Interest Accrued,	9,765.00	
Interest on floating debt accrued	42,988.75	
Sinking Fund accrued,	9,689.45	
Total Current Liabilities,		866,641.01
E.--Surplus and Reserves:		
Reserve,	192,001.92	
Loss close of Year,	65,028.62	
Loss Current Year to Date,	2,192.93	
Total Surplus and Reserve,		124,780.37
TOTAL <u>LIABILITY ACCOUNTS</u> ,		\$3,053,021.38

The \$861,000 of bonds outstanding on October 31, 1918 include \$75,000 re-acquired by applicant for sinking fund purposes. Bonds issued and in the hands of the public are reported at \$786,000.

In Exhibit No. 1, G.F. Kenny, applicant's statistician and valuation engineer, reports the value of applicant's property at \$1,716,879.96. The appraisal has not been checked by the engineering department of the Commission, nor do I believe that such a check is necessary for the purpose of this proceeding. The issue of the bonds applied for is not based upon the appraisement, but upon applicant's actual expenditures on capital account. The expenditures incurred, or to be incurred, by applicant on capital account have been checked by the engineering department of the Commission and found to be reasonable. In its amended Exhibit "C", applicant reports that from February 28, 1917 to October 31, 1918, it expended on capital account the sum of \$236,548.65. In Exhibit No. "2", applicant estimates that for the six months ending April 30, 1919, it will have to expend on capital account the sum of \$76,300,- making a total expenditure from February 28, 1917 to April 30, 1919 of \$312,848.65. Against the expenditure of \$312,848.65, applicant asks authority to issue \$311,000 of bonds.

In former decisions, -Number 4369 dated June 2, 1917, and Number 4846, dated November 15, 1917,- the Railroad Commission authorized applicant to issue \$138,000 of bonds because of expenditures on capital account prior to February 28, 1917. None of these bonds have been issued within the time limit fixed by the Commission's orders. Applicant again asks permission to issue the \$138,000 of bonds. The \$138,000 is included in the \$449,000 referred to above.

At the time applicant acquired the properties of the Coalinga Water and Electric Company, it assumed the payment of that company's bonded indebtedness. Of the indebtedness so assumed, \$25,000 is still outstanding. Applicant asks permission to issue \$25,000 of its first and refunding bonds for the purpose of refunding the \$25,000 of outstanding bonds of Coalinga Water and

Electric Company.

The testimony of Mr. A.E. Peat, treasurer and controller of Midland Counties Public Service Corporation, and exhibits filed by applicant, show that applicant's earnings for the last twelve months have been sufficiently large to permit the trustee to certify and deliver the bonds which it desires to issue.

The \$474,000^{of bonds,} which applicant asks authority to issue, fall into three classes namely, - \$374,000 to finance expenditures incurred prior to October 31, 1918, \$75,000 to finance expenditures incurred or to be incurred from October 31, 1918 to April 30, 1919, and \$25,000 to refund outstanding bonds of Coalinga Water and Electric Company

Because of its expenditures on capital account, applicant has incurred a large note indebtedness. It intends to use the proceeds from the sale of its bonds, other than the \$25,000, to pay notes which were issued to enable it to pay for extensions and betterments to its system. Inasmuch as the expenditures reported in Exhibit No. "2" are used as a basis for the issue of \$75,000 of bonds, it would seem that the proceeds from the \$75,000 of bonds should be used to finance the expenditures incurred during the six months ending April 30, 1919. The order herein will so provide, and further, require applicant to file reports from time to time showing the specific notes paid or the specific purposes for which the proceeds from the sale of the bonds herein authorized have been expended..

I herewith submit the following form of Order.

O R D E R.

MIDLAND COUNTIES PUBLIC SERVICE CORPORATION having applied to the Railroad Commission for authority to issue \$474,000 of its first and refunding mortgage 6 per cent gold bonds due October 1, 1953, a public hearing having been held and the Commission being of the opinion that the money, property or labor to be

procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order and that such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that MIDLAND COUNTIES PUBLIC SERVICE CORPORATION be, and it is hereby, granted authority to issue \$474,000 of its first and refunding mortgage 6 per cent gold bonds due October 1, 1953, upon the following conditions, and not otherwise:

- (1).-- Bonds in the amount of \$449,000 herein authorized to be issued shall be sold for cash at not less than 90 per cent of their face value plus accrued interest.
- (2).-- Bonds in the amount of \$25,000 herein authorized to be issued shall be used by applicant to refund \$25,000 of outstanding Coaling Water and Electric Company bonds.
- (3).-- The proceeds from the sale of \$374,000 of bonds shall be used by applicant to finance expenditures incurred on capital account prior to October 31, 1918, and through such financing used to pay in part the notes listed in the statement filed February 21, 1919.
- (4).-- The proceeds from the sale of \$75,000 of bonds shall be used to pay for the construction of the extensions and improvements described in Exhibit No. "2". Applicant may pay out of the proceeds of the \$75,000 of bonds, any indebtedness incurred for the purpose of making said extensions and improvements.
- (5).-- Midland Counties Public Service Corporation shall keep separate, true and accurate account showing the receipt and application in detail of the proceeds of the issue and sale of the bonds herein authorized to be issued, and on or before the

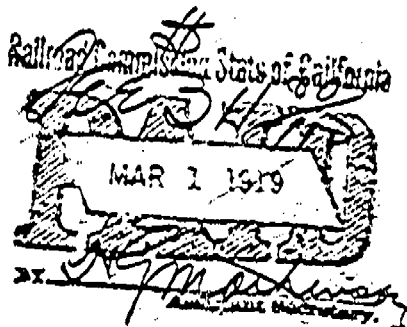
twenty-fifth day of each month, until all of the bonds have been sold and all the proceeds expended, the company shall make verified reports to the Railroad Commission stating the sale or sales of said bonds during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, the use and application of the moneys in detail including a list of all notes or debt paid, all in accordance with this Commission's General Order Number 24, which order, in so far as applicable, is made a part of this order

(6).-- The authority herein granted shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

(7).--- The authority herein granted shall apply only to such bonds as may be issued on or before December 1, 1919.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 26th day of February, 1919.



Edwin O. Edwards
H. D. Loveland
H. W. Bondige
Irving Martin
Commissioners.