

IM

Decision No. 7865

BEFORE THE RAILROAD COMMISSION  
OF THE STATE OF CALIFORNIA.

ORIGINAL

In the Matter of the Application of )  
MIDLAND COUNTIES PUBLIC SERVICE CORPO- )  
RATION for an order authorizing the is- )  
sue of bonds and for an order amending )  
the order in California Railroad Com- )  
mission's Decision Number 6165. )

Application No. 5881.

Murray Bourne, for Applicant.

DEVLIN, COMMISSIONER.

O P I N I O N.

MIDLAND COUNTIES PUBLIC SERVICE CORPORATION asks permission to issue \$605,000. face value of its first and refunding mortgage 6% gold bonds, due October 1, 1953, and sell said bonds at not less than 85% of their face value plus accrued interest, or deposit them as collateral to secure the payment of notes issued for a term of one year or less.

In Decision No. 6165 dated February 26, 1919, the Railroad Commission authorized applicant to issue and sell on or before December 1, 1919, at not less than 90% of their face value plus accrued interest, \$449,000. of bonds, and use the proceeds to finance expenditures incurred on capital account prior to October 31, 1918, and similar expenditures made subsequent to October 31, 1918.

Applicant reports that it has sold none of the bonds and that under present market conditions it is impossible to sell the bonds at 90 plus accrued interest.

The \$449,000. of bonds are included in the \$605,000. referred to above. This application in effect thus involves the issue of only \$156,000. of additional bonds.

Applicant in Exhibit C reports as of May 31, 1920, assets and liabilities as follows:-

A S S E T S

Rights and Franchises . . . . .	\$1,148,159.72
Organization expenses . . . . .	2,564.39
Plant . . . . .	1,721,976.89
Sinking fund . . . . .	109,929.17
Treasury securities . . . . .	9,090.00
Deposit with State treasurer for liability insurance . . . . .	5,000.00
Current assets . . . . .	193,722.24
Prepaid rents, insurance, etc. . . . .	907.21
Prepaid taxes, licenses, etc. . . . .	1,356.85
Unamortized bond discount and expense . . . . .	44,669.21
Miscellaneous undistributed disbursements . . . . .	25,851.02
Unaudited invoices payable-contra entry-suspense	<u>33,549.70</u>
TOTAL ASSETS ACCOUNTS . . . . .	<u>\$3,296,776.40</u>

L I A B I L I T I E S

Stock outstanding . . . . .	\$1,000,500.00
Assessments . . . . .	200,100.00
Bonds outstanding . . . . .	859,000.00
Current liabilities . . . . .	1,013,119.61
Unaudited invoices payable-suspense . . . . .	33,549.70
Surplus and reserves . . . . .	<u>190,507.09</u>
TOTAL LIABILITY ACCOUNTS . . . . .	<u>\$3,296,776.40</u>

The record shows that stockholders of Midland Counties Public Service Corporation own or control more than one half of the outstanding stock of San Joaquin Light and Power Corporation. To enable applicant to construct extensions and meet its obligations, San Joaquin Light and Power Corporation has advanced to applicant, according to the testimony, more than \$800,000.

While I am not satisfied that all of this money was used to pay construction expenses, I do believe that the money so used is in excess of \$605,000., the amount of bonds which applicant asks permission to issue.

As said above, in Decision No. 6165 dated February 26, 1919, the Railroad Commission authorized applicant to issue \$449,000. of bonds, \$374,000. of which were authorized to be issued against expenditures made prior to October 31, 1918, and \$75,000. to pay for construction expenditures subsequent to that date.

Applicant in its Exhibit A in this proceeding reports that it has expended for construction purposes from October 31, 1918 to May 31, 1920, the sum of \$272,035.95. Against this expenditure should be allocated the \$75,000. of bonds to which reference has been made and the \$156,000. of additional bonds applicant asks permission to issue and which, added to the \$449,000., make up the total of \$605,000. of bonds covered by this application.

Applicant asks permission to sell the \$605,000. of bonds at not less than 85% of their face value, plus accrued interest, or deposit them as collateral to secure the payment of short term notes. A. E. Peat, Treasurer and Comptroller of Midland Counties Public Service Corporation, testified that in his opinion the company will be able to obtain through the pledging of the bonds from \$340,000. to \$350,000.

He further testified that all money realized by applicant through the issue of its short term notes will be used to pay indebtedness due San Joaquin Light and Power Corporation and thus enable that company to continue and probably complete the construction of its Kerckhoff hydroelectric generating plant and the installation of an additional unit in its Bakersfield electric generating plant.

The Commission in its decision in Application No. 5902 to which reference is here made, authorized San Joaquin Light and Power Corporation to endorse the notes of applicant, the payment of which will be secured by the deposit of bonds herein authorized.

I herewith submit the following form of order:

ORDER

MIDLAND COUNTIES PUBLIC SERVICE CORPORATION, having applied to the Railroad Commission for permission to issue \$605,000. of bonds, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for through such issue is reasonably required for the purpose or purposes specified in this order, and that the expenditures for 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, authorized to issue \$605,000. face value of its first and refunding mortgage 6% gold bonds due October 1, 1953.

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

1. The bonds herein authorized to be issued shall be sold by applicant for not less than 85% of their face value plus accrued interest or may be deposited by applicant to secure the payment of short term notes payable within a period of not more than one year after date, provided that the face value of the notes secured by the bonds herein authorized to be deposited as collateral, shall not be less than 55% of the face value of the bonds deposited, and that as payments are made on said notes, a proper proportion of the bonds deposited as collateral be returned to applicant's treasury.

2. All moneys obtained through the deposit of the bonds herein authorized to be issued shall be used by applicant to pay indebtedness due San Joaquin Light and Power Corporation.

3. Any moneys obtained from the sale of the bonds herein authorized shall be expended by applicant only for such purposes as the Railroad Commission may authorize by supplemental order or orders herein.

4. Midland Counties Public Service Corporation shall keep such record of the issue, sale or deposit of the bonds 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 in so far as applicable, is made a part of this order.

5. The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

6. The authority herein granted will apply only to such bonds as may be issued, sold or deposited as collateral on or before December 31, 1920.

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 10<sup>th</sup> day of July, 1920.

Fee \$605.00

H. Madison

H. H. Glavin  
Frank H. Term  
H. B. Bondica  
Ernest M. ...  
Commissioners.