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Decision No. 9555.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA

In the Matter of the Application of)
MIDLAND COUNTIES PUBLIC SERVICE)
CORPORATION for an order authorizing)
the execution and delivery of a mort-)
gage of all its properties to Union)
Bank and Trust Company of Los Angeles)
as Trustee.)

Application No. 7127.

Murray Bourne for applicant.

LOVELAND, Commissioner.

O P I N I O N

MIDLAND COUNTIES PUBLIC SERVICE CORPORATION asks permission to execute a mortgage substantially in the same form as the mortgage filed in this proceeding and marked Exhibit "B".

It is the intention of the Midland Counties Public Service Corporation to execute a mortgage to secure an authorized issue of \$5,000,000.00 of general refunding mortgage gold bonds. The proposed mortgage provides that \$750,000.00 of the bonds shall bear interest at the rate of 7-1/2 per cent. per annum, shall mature September 1, 1956 and shall be subject to redemption after thirty days published notice on any interest payment date to and including September 1, 1931, upon the payment of the principal and accrued interest and a premium of 7-1/2 per cent. upon the principal thereof. After September 1, 1931, the premium is reduced from 7-1/2 to 5 per cent. All of the other bonds which will be issued under the mortgage may contain the same terms and be of the same series as the \$750,000.00, or if the Board of Directors shall so determine, all or any of them may be issued in series, bearing such date of maturity, interest rate, price and conditions

for redemption and other terms as decided by the Board of Directors.

Of the \$5,000,000.00 authorized issue of general refunding bonds, \$257,000.00 are reserved to refund, redeem, purchase or retire by exchange or otherwise \$257,000.00 of first mortgage 6% 20-year sinking fund gold bonds of Midland Counties Gas and Electric Company, dated January 1, 1912, and \$496,000.00 are reserved to redeem, purchase or retire by exchange or otherwise \$496,000.00 of first and refunding mortgage/^{6% 40-year}gold bonds of Midland Counties Public Service Corporation dated October 1, 1913.

The general refunding mortgage gold bonds, other than the \$750,000.00 mentioned above and those used to refund or pay underlying bonds, may be issued from time to time only to the extent of 75 per cent. of the cost of making additions and betterments if the net income of the company for a period of twelve consecutive months within fourteen calendar months immediately preceding the calendar month in which an application for certification and delivery of bonds shall have been made, is at least equal to one and three quarters times the annual interest charges on the bonded debt of the company.

In the proposed mortgage, the company agrees that it will not issue and sell any additional first and refunding bonds under its mortgage dated October 1, 1913, but that all of such bonds not now sold and in the hands of the public will from time to time, if proper permission can be secured, be issued and deposited with the trustee under the general refunding mortgage. The first and refunding mortgage of the company was executed to secure the payment of \$3,000,000.00 of bonds. Of these bonds, \$454,000.00 are now said to be outstanding and in the hands of the public. As these are re-acquired by the company, they are to be deposited with the trustee under the proposed general refunding mortgage. By this arrangement, the holders of general refunding bonds have a third lien on applicant's properties and a direct lien on the first and refunding bonds deposited with the trustee under the new mortgage, which first and refunding bonds are in turn

said to be a first lien on all, but about 15 per cent. of the company's properties.

While I am of the opinion that a simpler mortgage than that submitted in this proceeding might have been drawn up to meet the needs of the company, nevertheless, inasmuch as it does not contain any objectionable features, I recommend that the company be authorized to execute a mortgage substantially in the same form as that filed in this proceeding and marked Exhibit "B". It is, of course, understood that the authority herein granted to execute a mortgage in no wise authorizes the company to issue and dispose of any of the bonds, the payment of which may be secured by said mortgage.

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 permission to execute a mortgage, a public hearing having been held and the Commission being of the opinion that applicant's request should be granted;

IT IS HEREBY ORDERED, that MIDLAND COUNTIES PUBLIC SERVICE CORPORATION be, and it is hereby, authorized to execute a mortgage substantially in the same form as the mortgage filed in this proceeding and marked Exhibit "B", provided that the authority herein granted to execute a mortgage is for the purpose of this proceeding only and is granted in so far as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said mortgage as to such other legal requirements to which said mortgage may be subject. Within thirty days after the execution of the

mortgage herein referred to, applicant shall file with the Commission three (3) copies of said mortgage as finally executed.

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 23rd day of September, 1921.

A. H. Loveland

James Martin
Charles H. Brown

Commissioners.