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ORIGINAL

Decision No. 9567.

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 issue of bonds.)

Application No. 7126.

Murray Bourne for applicant.

LOVELAND, Commissioner.

O P I N I O N

MIDLAND COUNTIES PUBLIC SERVICE CORPORATION in this applica-
tion asks permission to issue and sell at 94 per cent. of their face
value and accrued interest \$801,000.00 of its general refunding mort-
gage 7-1/2 per cent. gold bonds due September 1, 1956, and issue and
deposit with the trustee under the general refunding mortgage \$801,000.00
of its first and refunding mortgage 6 per cent. bonds due October 1,
1953. The company also asks permission to issue general refunding
bonds to refund, during a time to be fixed by the Commission, all or
part of its existing outstanding underlying bonds.

Midland Counties Public Service Corporation was organized
in 1909. It has an authorized stock issue of \$2,000,000.00 divided
into \$1,000,000.00 of common and \$1,000,000.00 of 6 per cent cumulative
preferred. All of the common stock and \$500.00 of the preferred
stock is reported outstanding.

As of July 31, 1921, the company reports \$753,000.00 of bonds
issued and in the hands of the public. The \$753,000.00 consists of
\$257,000.00 of 6 per cent. Midland Counties Gas and Electric Company

first mortgage bonds due January 1, 1932 and \$496,000.00 of 6 per cent. Midland Counties Public Service Corporation first and refunding bonds due October 1, 1953. It appears from the testimony in this proceeding that \$42,000.00 of the first and refunding bonds have been acquired by the company since July 31st, leaving \$454,000.00 of the first and refunding bonds outstanding in the hands of the public.

Applicant's first and refunding mortgage was executed to secure an authorized issue of \$3,000,000.00 of bonds. From its Exhibit "D", it appears that \$1,111,000.00 of the first and refunding bonds have heretofore been certified by the trustee. Applicant now asks permission to issue \$154,000.00 of additional first and refunding mortgage bonds, which added to the \$1,111,000.00 makes a total of \$1,265,000.00. If the authority herein granted is carried out, the \$1,265,000.00 of first and refunding mortgage bonds will be held as follows:-

In the hands of the public,	\$454,000.00
Deposited with the trustee under the new general refunding mortgage,	801,000.00
In company's treasury,	10,000.00
	<u>\$1,265,000.00</u>

Under applicant's first and refunding mortgage, bonds issued thereunder cannot draw interest in excess of 6 per cent per annum. It is urged, and I find considerable merit in the argument, that it is better for applicant to issue bonds bearing a rate of interest in excess of 6 per cent. per annum and sell such bonds near par, than it is to sell a 6 per cent. bond at a discount to meet current interest rates. Applicant has taken steps to execute a new mortgage to secure the payment of the general refunding bonds. Authority to execute such a mortgage is requested in Application No. 7127. At this time, applicant asks permission to issue and sell at not less than 94 per cent. of their face value and accrued interest \$801,000.00 of its 7-1/2 per cent. general refunding bonds.

The proceeds obtained from the sale of such bonds applicant asks permission to use to pay or refund current indebtedness. Its current indebtedness as of July 31, 1921 is reported in its Exhibit "A" at \$1,336,871.53, and consists of the following:

Notes Payable,	\$832,420.29	
Accounts Payable, etc.,	453,177.50	
Deposits,	7,947.11	
Prepayments,	2,462.84	
Accounts Payable,	400,401.45	
Unaudited Invoices Payable,	33,948.66	
Pay-roll,	8,417.44	
Accruals,		51,273.74
Taxes,	2,509.05	
Bond Interest,	11,225.00	
Interest on Unfunded Debt,	5,421.93	
Sinking Fund,	32,117.76	
Total,	\$1,336,871.53	

If applicant sells the \$801,000.00 of general and refunding bonds at 94, it will realize \$752,940.00. Of this amount, it intends to use \$362,100.00 to pay bank loans secured by first and refunding bonds and to use the remainder to pay part of its indebtedness due the San Joaquin Light and Power Corporation. A statement filed with the Commission shows that the Midland Counties Public Service Corporation owed the San Joaquin Light and Power Corporation on June 30, 1921, the sum of \$678,775.89 represented by accounts payable and unsecured notes. Through the sale of the bonds herein authorized, this indebtedness will be reduced to about \$398,000.00. I do not regard it the function of the San Joaquin Light and Power Corporation to do the junior financing for the Midland Counties Public Service Corporation. The payment of the indebtedness due the San Joaquin Light and Power Corporation, I believe, to be an obligation of the Midland Counties stockholders and they should take some steps to meet this obligation.

The Commission has heretofore authorized (See Decision No. 7865 dated July 10, 1920) applicant to issue first and refunding bonds to finance the cost of additions and betterments up to May 31, 1920. The total amount of bonds so authorized, and which are now

in possession of the company or are deposited as collateral is reported at \$656,000.00. Applicant asks permission to deposit \$647,000.00 of these first and refunding bonds with a trustee under its new general refunding mortgage and issue and sell \$647,000.00 of its 7-1/2 per cent general refunding bonds. to finance expenditures up to May 31, 1920.

Applicant reports that it has expended for additions and betterments from May 31, 1920 to July 31, 1921 the sum of \$194,803.64. These expenditures are reported in Exhibit "C" in detail. Because of these expenditures, applicant asks permission to issue \$154,000.00 of first and refunding bonds and deposit them with the trustee under its new general refunding mortgage and to issue and sell \$154,000.00 of its 7-1/2 per cent general refunding bonds to secure the moneys necessary to finance part of such expenditures. For the purpose of financing the cost of additions and betterments, applicant thus asks permission to issue and sell a total of \$801,000.00 of general refunding 7-1/2 per cent. bonds.

Applicant also asks permission to issue general refunding 7-1/2 per cent. bonds to refund underlying 6 per cent. bonds. The Commission is considering the facts submitted by applicant on which this request is based, and thus far has reached no final conclusion. This part of the application will not be acted upon at this time.

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 issue bonds as indicated in the foregoing opinion, 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 by the issue of the bonds herein authorized is reasonably required by applicant and that the expenditures herein permitted 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 and deposit with the trustee under its new proposed general refunding mortgage \$801,000.00 face value of its first and refunding bonds, said bonds being referred to in paragraph "2" and paragraph "3" of the prayer in applicant's petition in this proceeding.

IT IS HEREBY FURTHER ORDERED, that MIDLAND COUNTIES PUBLIC SERVICE CORPORATION be, and it is hereby, authorized to issue and sell, for cash, at not less than 94 per cent of their face value and accrued interest \$801,000.00 of its general refunding mortgage 7-1/2 per cent. gold bonds.

The authority herein granted is subject to further conditions as follows:-

1. \$362,100.00 of the proceeds obtained from the sale of the bonds shall be used by applicant to pay the following

Notes:-

California Bank (Home Savings Bank),.....	\$50,000.00
First State Bank of Clovis,.....	2,500.00
Bank of Italy -Madera,.....	5,600.00
Los Angeles Trust and Savings Bank,.....	50,000.00
Bank of Italy -Fresno,.....	20,000.00
Union Bank & Trust Company of Los Angeles,.....	50,000.00
Guaranty Trust & Savings Bank of Los Angeles,....	50,000.00
First Bank of Kern,.....	16,000.00
Security Trust & Savings Bank of Los Angeles,...	78,000.00
Security Trust Company of Bakersfield,.....	40,000.00
Total,.....	<u>\$362,100.00</u>

- 2.--The remainder of the proceeds obtained from the sale of the bonds shall be used to pay indebtedness due the San Joaquin Light and Power Corporation.

- 3.--None of the bonds herein authorized to be issued, nor any of the proceeds realized from the sale thereof shall be used to pay, redeem, or refund any of the \$257,000.00 of first mortgage 6 per cent. 20-year sinking fund gold bonds of Midland Counties Gas and Electric Company, dated January 1, 1912, or any of the \$454,000.00 of

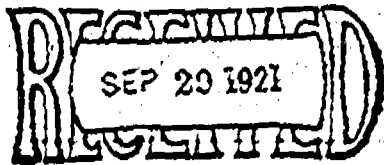
first and refunding mortgage 6 per cent. 40-year gold bonds of the Midland Counties Public Service Corporation, dated October 1, 1913.

- 4.--Midland Counties Public Service Corporation shall keep such record of the issue, deposit and sale 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 Section 57 of the Public Utilities Act, which fee amounts to \$801.00.
- 6.--The authority herein granted will apply only to such bonds as may be issued, deposited or delivered on or before December 31, 1921.

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 27th day of September, 1921.

RAILROAD COMMISSION
STATE OF CALIFORNIA



FILE No. _____

Railroad Commission, State of California

Fee \$ 801.00

SEP 29 1921

J. H. Matheson

H. B. Brandice
H. J. Loveland
Charles H. ...
J. J. ...
Commissioners.