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Decision No. 9638.

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 the)
issue of bonds.)

Application No. 7126

ORIGINAL

BY THE COMMISSION:

FIRST SUPPLEMENTAL ORDER.

In the above entitled proceeding MIDLAND COUNTIES PUBLIC SERVICE CORPORATION asks permission to refund its underlying bonds consisting of \$257,000.00 of 6 per cent. Midland Counties Gas and Electric Company first mortgage bonds due January 1, 1932 and \$454,000.00 of 6 per cent Midland Counties Public Service Corporation first and refunding bonds due October 1, 1953, through the issue and sale of a like amount of 7-1/2 per cent. general refunding mortgage gold bonds at not less than 94 and accrued interest; and to issue and sell \$801,000.00 of its general refunding mortgage gold bonds and to secure in part the payment of such \$801,000.00 of general refunding mortgage gold bonds by the deposit of \$801,000.00 of first and refunding mortgage bonds.

The issue and sale of the \$801,000.00 of general refunding mortgage gold bonds and the deposit of the \$801,000.00 of first and refunding mortgage bonds is authorized by Decision No. 9567 dated September 27, 1921.

Applicant amended this application at the hearing and now asks permission to refund only the \$454,000.00 of first and refunding mortgage bonds through the issue of a like amount of general refunding mortgage gold bonds at 94 and accrued interest. The record

shows that the \$454,000.00 of first and refunding mortgage 6 per cent. bonds were sold at 90 and accrued interest. It is proposed by applicant to issue in exchange for each \$1,000.00 first and refunding 6 per cent. mortgage bond plus \$40.00 in cash, a \$1,000.00 general refunding 7-1/2 per cent. mortgage gold bond due September 1, 1956. If the \$454,000.00 of first and refunding mortgage 6 per cent. bonds are refunded, as proposed by applicant, its cash resources will be increased by the sum of \$18,160.00. The annual nominal interest charge on the \$454,000.00 of 6 per cent. bonds amounts to \$27,240.00. The annual nominal interest charge on \$454,000.00 of 7-1/2 per cent. bonds will amount to \$34,050.00, or \$6,810.00 more than on a like amount of 6 per cent. bonds. Assuming the company can earn 7-1/2 on the \$18,160.00 additional cash which it believes it can secure through the refunding of the \$454,000.00 of 6 per cent. bonds, it will realize on the \$18,160.00 investment \$1,362.00. Deducting the \$1,362.00 from the \$6,810.00 leaves a net increase of \$5,448.00 in the nominal annual interest charge.

It is urged by applicant that the refunding of the \$454,000.00 of first and refunding 6 per cent. mortgage bonds will enable it to sell in the future its general refunding bonds at a better price. The Commission's attention is also called to the fact that some of the first and refunding bonds are held by estates in the process of distribution and that as a result of the distribution of the estates the bonds will become more widely distributed and that on account of such distribution it may become more difficult to effect an economical exchange of the bonds hereafter.

It occurs to us that applicant's request to refund its first and refunding mortgage 6 per cent. bonds is a reasonable one and that it should be granted subject to the conditions of this order;

THEREFORE, IT IS HEREBY ORDERED, that MIDLAND COUNTIES PUBLIC SERVICE CORPORATION be, and it is hereby, authorized to issue \$454,000.00 of its general refunding mortgage 7-1/2 per cent. gold

bonds, to refund \$454,000.00 of first and refunding mortgage 6 per cent. gold bonds now outstanding and to deposit said \$454,000.00 of first and refunding mortgage 6 per cent. gold bonds with the trustee under its general refunding mortgage.

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

- 1.--None of the \$454,000.00 of 7-1/2 per cent. general refunding mortgage gold bonds may be issued until all the owners of the \$454,000.00 of first and refunding mortgage 6 per cent. bonds have agreed to exchange their bonds on the basis of \$1,000.00 face value of bonds plus \$40.00 in cash for \$1,000.00 face value of 7-1/2 per cent general refunding mortgage gold bonds, and the company has collected the \$18,160.00, or said sum has been deposited in escrow for the benefit of the company pending the delivery of the \$454,000.00 of 7-1/2 per cent general refunding mortgage gold bonds.
- 2.--The authority herein granted does not permit of the partial refunding of the first and refunding mortgage 6 per cent. bonds, nor does it permit applicant to effect the refunding of such bonds at a cost in excess of that outlined in this order.
- 3.--The \$18,160.00 which applicant will receive from the holders of its first and refunding mortgage 6 per cent. bonds, if such bonds are refunded through the issue of the \$454,000.00 of 7-1/2 per cent. general refunding mortgage gold bonds, may be used for the purpose of paying indebtedness due the San Joaquin Light and Power Corporation.

4.--Midland Counties Public Service Corporation shall keep such record of the issue, deposit and delivery 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 apply only to such bonds as may be issued, deposited and delivered on or before December 31, 1921.

DATED at San Francisco, California, this 26th
day of October, 1921.

H. S. Loveland

Charles J. Lawrence

J. J. Dennis

Commissioners.