Decision No. 16899.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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In the Matter of the Application of KEY SYSTEM TRANSIT COMPANY, a corporation, for an order of the Railroad Commission of the State of Valifornia authorizing the issue and sale of \$2,500,000. of first mortgage five and one half percent gold bonds, Series "C".

Application No. 12428

BY THE COMMISSION:



FIRST SUPPLEMENTAL ORDER

The Railroad Commission by Decision No. 15922, dated February 3, 1926, in the above entitled matter, authorized Key System Transit Company to issue and sell, at not less than 94 per cont of face value plus accrued interest. \$2,500,000. of its Sories "C" first mortgage, five and one half percent bonds, due July 1, 1938, and to use the proceeds, other than accrued interest, for the following purposes:-

- a. To pay indebtedness contained in applicant's balance sheet filed in this proceeding\$493,000.
- b. To pay for construction of additions and betterments described in Exhibit "2", about 1,565,304.

The company now reports, in a supplemental petition filed in this proceeding on May 22, 1926, that it has used the proceeds from the sale of the bonds in accordance with the terms of the order except that it now desires to substitute certain items of expenditure for road and equipment in lieu of certain items appearing in Exhibit "2" and referred to in paragraph "b" above. The items it is desired to eliminate from Exhibit "2" are described on page

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"I" of Exhibit "2-a" filed with the supplemental patition, while those it is desired to substitute, and to finance with bond proceeds, are described on pages "2" to "14", inclusive, of said Exhibit "2-a".

It appears that the construction of some of the improvements described in Exhibit "2" has and will be delayed, for the reason, among others, that negotiations between municipalities and applicant relative to the rearrangement of some of applicant's service, have not yet been consummated. It is of record that applicant has actually expended \$378,776.39 on various improvements not included in Exhibit "2". To obviate the payment of interest on bonds issued to finance the expenditures described in Exhibit "2" (some of which expenditures will be delayed) and interest on money borrowed because of the expenditure of the \$378,776.39; applicant asks permission to use proceeds obtained from the sale of bonds to finance the expenditures (\$378,776.39) reported in Exhibit "2-a".

The Commission is of the opinion that a further hearing in this matter is not necessary and that the expenditures herein authorized are reasonably required by applicant and are not, in whole or in part, reasonably chargeable to operating expense or to income, therefore,

IT IS HEREBY ORDERED that Key System Transit Company be, and it is hereby, authorized to substitute the expenditures set forth on pages "2" to "14" inclusive, of Exhibit "2-a" attached to the supplemental petition filed in this proceeding on May 22, 1926, for the expenditures set forth on page "1" of said Exhibit "2-a", and to finance said expenditures of \$378,776.39 with proceeds from the sale of the \$2,500,000. of bonds authorized to be issued by Decision No. 15922, dated February 3. 1926.

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IT IS HEREBY FURTHER ORDERED that the order in Decision No. 15922, dated February 3, 1926, shall remain in full force and effect, except as modified by this First Supplemental Order.

DATED at San Francisco, California, this 11th day of June, 1926.

Commissioners.

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