

Decision No. 22675.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 PACIFIC GREYHOUND LINES, INC.,)
 a corporation, for ratification of)
 the issuance of certain promissory)
 notes, one secured by a mortgage on)
 real property .)

Application No. 17332

ORIGINAL

E. C. Lucas and Orla St. Clair,
 for applicant.

BY THE COMMISSION:OPINION

In the above entitled matter the Railroad Commission is asked to make an order authorizing and ratifying the execution by Pacific Greyhound Lines, Inc., of notes in the total amount of \$108,000.00.

The application shows that the company is the owner of certain real property located in the City of Portland, Oregon, upon which it has constructed and equipped a garage and office building. The total cost of the real property and improvements is reported in the application as follows:

Building	\$149,997.61
Machinery	7,061.18
Furniture and fixtures.....	5,021.63
Miscellaneous equipment such as gaso- line and oil dispensatory equipment, reclaiming plant, etc.....	15,491.61
Sewer system	1,547.55
Paving	2,184.75
Surveying and recording.....	36.50
Other machinery	1,500.00
Sub-total.....	\$182,840.83
Cost of land	18,000.00
Total cost.....	<u>\$200,840.83</u>

It seems that the above properties were acquired or constructed in order to consolidate at one place the garage and office facilities at Portland, formerly housed in three or more widely scattered locations. Such consolidation, it was estimated, would increase the operating efficiency and would result in economies in rentals, wages and other costs in an annual amount exceeding \$17,000.00. In the application it is stated that actual results since completion of the structure indicate that the estimated savings will be realized.

In the financing of the project it is reported that a portion of the cost was provided with surplus earnings and a portion through the execution on September 2, 1930 of a promissory note to United States National Bank of Portland in the principal amount of \$40,000.00 payable ninety days after date, with interest at the rate of six percent, and of a promissory note and mortgage, dated December 1, 1930 in the principal amount of \$80,000.00 payable in four annual installments of \$20,000.00 each on December first of each of the years 1932 to 1935, with interest at the rate of five and one half percent per annum.

The \$40,000.00 indebtedness has been reduced at the rate of \$2,000.00 monthly, under arrangements made with the holder of the note, with renewal notes being issued every three months, the last one, dated March 1, 1931, being in the principal amount of \$28,000.00. No payments have as yet been made on the \$80,000.00 note so that the indebtedness now outstanding aggregates \$108,000.00.

The company did not secure from this Commission authority to execute the mortgage or issue any of the notes. Its failure to do so, it appears, was through inadvertence and with no intent to evade the provisions of the Public Utilities Act. The company, however, recognizes that the \$108,000.00 obligation is a proper one that should be paid and has requested the Commission to approve and ratify the deliveries and issues of the notes heretofore made and to authorize it

to continue its monthly payments of \$2,000.00 on the \$22,000.00 note now outstanding and to renew said note at periods of ninety days for the sums then due.

It is our opinion, however, that if a note is void under the provisions of the Public Utilities Act, the Commission cannot by a subsequent order render a void note valid, and therefore cannot ratify the actions of the company heretofore taken. We can at this time authorize the company to issue a new note and mortgage in the principal amount of \$80,000.00 payable in four equal annual installments of \$20,000.00 and to renew the \$22,000.00 note, or any unpaid balance thereof, from time to time.

An order accordingly will be entered.

ORDER

Pacific Greyhound Lines, Inc. having applied to the Railroad Commission for an order, as set forth in the foregoing opinion, and the Railroad Commission being of the opinion that this is not a matter in which a public hearing is necessary and that the company should be authorized to execute a mortgage, or deed of trust, and to issue its promissory notes in the principal amount of \$102,000.00 and that the money, property or labor to be procured or paid for through such issue is reasonably required for the purpose specified herein, which purpose is not in whole or in part reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED, that Pacific Greyhound Lines, Inc. be, and it hereby is, authorized to issue its note in the principal amount of \$80,000.00, payable in four equal annual installments of \$20,000.00, with interest at the rate of five and one half percent per annum, for

the purpose of paying outstanding indebtedness and of financing in part the cost of the properties at Portland, Oregon, referred to in the foregoing opinion and to execute a mortgage or deed of trust substantially in the same form as that filed in this proceeding as Exhibit "C", for the purpose of securing the payment of said note.

IT IS HEREBY FURTHER ORDERED, that Pacific Greyhound Lines, Inc. be, and it hereby is, authorized to issue its note for \$28,000.00 payable ninety days after date with interest at the rate of six percent per annum, to renew the indebtedness of like amount now outstanding and to issue renewal notes hereafter from time to time to renew said note of \$28,000.00 or any unpaid balances thereof, provided the combined terms of the \$28,000.00 note to be issued hereunder and of any renewal notes thereof, shall not exceed a period of fourteen months from March 1, 1931.

The authority herein granted is subject to the following conditions:

1. Applicant may continue to pay the \$28,000.00 note, or any renewals thereof, in monthly installments of \$2,000.00 or more.
2. Applicant shall keep such record of the issues of the notes herein authorized as will enable it to file within thirty days after such issues, verified reports, as required by the Railroad Commission's General Order No. 24, which order insofar as applicable, is made a part of this order.
3. The authority herein granted to execute a mortgage or deed of trust is for the purpose of this proceeding only, and is granted only insofar as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage or deed of trust as to such other legal re-

quirements to which it may be subject.

4. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is One Hundred and Eight (\$108.00) Dollars.

DATED at San Francisco, California, this 11th day of May, 1931.

C. J. [Signature]

W. A. [Signature]

W. B. Harris

Fred G. Stewart

Commissioners.

Fee \$108⁰⁰₁₀₀
RAILROAD COMMISSION
STATE OF CALIFORNIA
MAY 13 1931
R. O. [Signature]
SECRETARY
Fee # 23088