

DM

Decision No. 10567

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SAN FRANCISCO-OAKLAND TERMINAL RAIL-
WAYS for an order of the Railroad
Commission of the State of Califor-
nia authorizing the issuance of Equip-
ment Trust Notes for the purpose of
paying in part the cost of two new
ferry boats.

Application Number 7886.

ORIGINAL

Morrison, Dunne and Brobeck, by W. I. Brobeck,
for Applicant.

BRUNDIGE, COMMISSIONER.

O P I N I O N

In this application, San Francisco-Oakland Terminal Railways asks permission to issue at not less than 99 percent. of their face value and accrued interest, \$600,000.00 of 10-year seven percent. serial equipment trust notes for the purpose of paying, in part, the cost of two new ferry boats.

The company further asks permission as and when the plan of reorganization now being formulated by its bondholders and stockholders becomes effective, to use proceeds from the sale of a proposed issue of first mortgage bonds to pay the equipment trust notes at par and accrued interest.

The record shows that applicant, in the conduct of its ferry business between San Francisco and the Key System Pier, is operating four ferry boats of a carrying capacity of 2,000 people each. The application and the testimony of W. H. Harris, applicant's assistant general manager, indicates that the present facilities are inadequate to properly take care of the business of the company, which is reported to be rapidly increasing.

To more properly take care of its traffic, applicant has concluded to acquire two new ferry boats. It is of record that arrangements have been made for the construction of two double end, steel hull, electrically driven ferry boats, each of three thousand passenger carrying capacity. It is estimated that the aggregate cost of the two boats, including designing, inspection and other charges, will be approximately \$900,000.00.

To finance in part the cost of the two boats, the company proposes to issue and sell \$600,000.00 of equipment trust notes. The notes will bear interest at not exceeding seven percent. per annum, will mature at the rate of \$60,000.00 a year either monthly, quarterly or semi-annually, and will be callable at par and accrued interest on any interest payment date. The notes will be issued under an equipment trust agreement under the terms of which a trustee will hold title to the two ferry boats. Applicant will operate the boats under a lease agreement, obligating it in effect to pay the notes.

Applicant has not submitted to the Commission a copy of the proposed equipment trust and lease agreements. Obviously the Commission cannot at this time make a final order in this proceeding. The order herein will not become effective until applicant has filed with the Commission a copy of its equipment trust and lease agreements, and the Commission by supplemental order, has authorized their execution.

I herewith submit the following form of order:-

O R D E R

SAN FRANCISCO-OAKLAND TERMINAL RAILWAYS, having applied to the Railroad Commission for permission to issue \$600,000.00 of equipment trust notes, 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 such issue is reasonably required for

the purpose specified herein and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED, that San Francisco-Oakland Terminal Railways be, and it is hereby, authorized to issue and sell, at not less than 99 percent. of face value plus accrued interest, \$500,000.00 of its ten year seven percent. serial equipment trust notes for the purpose of paying in part the cost of the two new ferry boats referred to in this application, or to assume the obligations under an equipment trust and lease agreements looking toward the payment of \$500,000.00 equipment trust notes issued under the same terms and conditions.

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

- 1..... The authority herein granted will not become effective until there has been filed a copy of the proposed equipment trust and lease agreements, and the Commission by supplemental order has authorized the execution of such equipment trust and lease agreements.
- 2..... The authority herein granted will not become effective until San Francisco-Oakland Terminal Railways has paid the fee prescribed by the Public Utilities Act, which fee is \$500.00.
- 3..... Applicant shall keep such record of the issue and sale of the notes 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.

4.....The equipment trust and lease agreements shall provide for the payment of all equipment trust notes within one year after the date of an order by this Commission authorizing the issue of first mortgage bonds for the purpose of carrying into effect the reorganization plan referred to in this application.

5.....The authority herein granted will apply only to such notes as may be issued, sold and delivered on or before December 31, 1922.

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 9th day of June, 1922.

H. B. Brundage

Irving Martin

J. F. French
Commissioners.

