

In the matter of ascertaining the value of the property of CAMINO, PLACERVILLE & LAKE TAHOE RAILROAD COMPANY, within the State of California, as of June 30, 1912.
.....

Case No. 183.

ORIGINAL

1092 1236

REPORT OF THE COMMISSION.

LOVELAND, Commissioner.

This proceeding was brought on the Railroad Commission's initiative for the purpose of ascertaining various elements entering into the value of the property of the Camino, Placerville and Lake Tahoe Railroad Company. For the general procedure in these so-called valuation cases and for a general description of the work performed by this Commission's engineering department in such cases, reference is hereby made to this Commission's opinion and findings in Case No. 206, being in the matter of ascertaining the value of the Stockton Terminal and Eastern Railroad Company. As in that case, so here also, will findings of fact be made, and findings will not be made on the elusive question of the value of the property, irrespective of the purposes for which it is ascertained.

At the outset I wish to define certain terms which will be used in this opinion.

The term "original cost", as used in this opinion, means the original book cost, being the actual expenditures chargeable to capital account in accordance with the classification of expenditures for road and equipment, as prescribed by the Interstate Commerce Commission for steam roads, made by the railroad company for its operative property in the State of California, as of June 30, 1912.

The term "reproduction value," as used in this opinion, means the estimated cost in cash of acquiring the operative right of way and other real estate and of reproducing, in the condition

in which it was acquired, the other physical property of the railroad company in the State of California, as of June 30, 1912, to which are added overhead expenditures for engineering, law, interest and commissions, and similar items.

The term "present value," as used in this opinion, means the "reproduction value" less the diminution in value of the physical elements of the property, due to use, age, obsolescence, inadequacy and other causes, plus appreciation where found. This might properly be called "depreciated reproduction value," and does not mean the ultimate fact of present value, as that term is ordinarily used.

In accordance with this Commission's order dated March 11, 1912, the Camino, Placerville & Lake Tahoe Railroad Company on August 2, 1912 filed an inventory of its property, together with a statement of its reproduction value and present value, which is attached to this opinion and marked Exhibit "A".

On September 23, 1912 this Commission's engineering department submitted its detailed report in the above proceeding, a copy of the final summary sheet whereof, as presented on said day, is attached hereto and marked Exhibit "B".

A hearing was held before the Commission in this proceeding on December 9, 1913. With the notice of the hearing the company was furnished a complete copy of the Report of the engineering department above referred to. When the case was called no representatives of the Camino, Placerville & Lake Tahoe Railroad Company appeared before the Commission to contest or question this report, but the company had notified the Commission by telegram that the valuation would not be contested by them.

As usual in these valuation proceedings I shall, in connection with this inquiry, consider the following matters:

1. Organization, construction and operation.
2. Stocks and bonds.
3. Revenues and expenses.
4. Original Cost
5. Reproduction Value.
6. Present Value.

(1). Organization, construction and operation.

The Camino, Placerville & Lake Tahoe Railroad Company was incorporated on December 23, 1911, under the laws of the State of California, by Mr. C. D. Danaher of Tacoma, Washington.

Mr. Danaher purchased at auction a railroad known as the Placerville & Lake Tahoe Railway, and transferred the property to the Camino, Placerville & Lake Tahoe Railroad Company for the consideration of all of its authorized issue of capital stock, (\$100,000), and all of its authorized issue of bonds, (\$100,000).

It is impossible to accurately record the early corporate history and financial transactions of the original corporation. This is due principally to the loss of all of the Company's books and records in the San Francisco disaster of April, 1906.

The Company was also very closely affiliated, by interlocking directorates, with the California Safe Deposit and Trust Company and the El Dorado Lumber Company. The former has been in the hands of a receiver since January 1908, and the latter has passed out of existence through foreclosure and sale by the receiver of the California Safe Deposit and Trust Company. The Placerville and Lake Tahoe Railway was sold with the El Dorado Lumber Company, for the reason that the two institutions were so mutually dependent that the one could not be successfully operated without the other. When the lumber company was closed down in 1909, by its creditors, the railway necessarily ceased operations, thereby forfeiting its charter, and both institutions remained inactive for about three years, during which time the properties were extensively advertised for sale, and finally disposed of to the present company in January 1912.

The original Placerville & Lake Tahoe Railway was constructed by the El Dorado Lumber Company in 1904, as a standard gauge steam railroad, to run between Placerville and Camino, both in El Dorado County, a distance of 8.05 miles.

The principal purpose of the Camino, Placerville & Lake Tahoe Railroad is to transport the products of the C. D. Dancher Pine Company from the mill at Camino to Placerville, where a connection with the Southern Pacific Placerville Branch Line is made. At Camino the railroad connects with the narrow gauge lumber and logging railroad owned by the Dancher Pine Company, which transports the timber from the forest to the mill. The Camino, Placerville & Lake Tahoe Railroad Company handles practically no commercial freight and does no passenger business other than the traffic in connection with the lumber company.

(2). Stocks and Bonds.

The Company has outstanding capital stock to the par value of \$100,000, and an issue of first mortgage bonds to the par value of \$100,000. The date of issue was October 1, 1911, and the bonds will mature on October 1, 1921, and bear interest at the rate of 6% per annum. The entire issue is outstanding. The bonds are secured by a first mortgage on the entire property of the Camino, Placerville & Lake Tahoe Railroad Company. The amount of capitalization per mile of line, (8.05 miles), is, therefore, as follows:

Capital stock.....	\$12,422.00
Funded debt.....	<u>12,422.00</u>
T o t a l	\$24,844.00

(3). Revenues and Expenses.

The books of the Company were not opened until May 1, 1912, for which reason no traffic statistics are available for the date of the valuation -- June 30, 1912.

The Company's annual report to this Commission, for the year ending June 30, 1913, shows operating revenues and expenses as follows:

Total Operating Revenues.....	\$10,008.37
Expenses.....	<u>16,741.83</u>
Net Deficit.....	\$ 6,733.46

This showing indicates a ratio of operating expenses to operating revenues of 167.27 per cent. Eighty-three per cent of all operating revenues is represented by revenues from the haul of lumber and other products of forests. The Company carried forward from the year ending June 30, 1912 an operating deficit of \$3,071.25, resulting in a total deficit on June 30, 1913 of \$9,804.71. This showing would indicate that the Company operates with a heavy loss. It should be explained, however, that this loss is more apparent than real. The revenues of the Company, are, of course, entirely dependent upon the rates on lumber. If these rates are low, the railroad company's revenues are low, while the profits to the lumber company are correspondingly increased, and vice versa.

(4). Original Cost.

All books and records that may have been kept by the original company were lost in the San Francisco Fire of April, 1906, as stated heretofore, and for this reason it was impossible to ascertain this item.

(5). Reproduction Value.

The reproduction value estimate presented by the railroad company, (see Exhibit "A"), is \$137,906.56. The reproduction value as estimated by this Commission's engineering department is \$173,862.13. It should be stated, however, that the inventory of property submitted to the Commission by the railroad company is so incomplete that a fair comparison of the above two values cannot be made, for the reason that the

valuation made by the Commission's engineering department includes a considerable amount of property that was either overlooked or undervalued by the engineers in making the appraisal for the company.

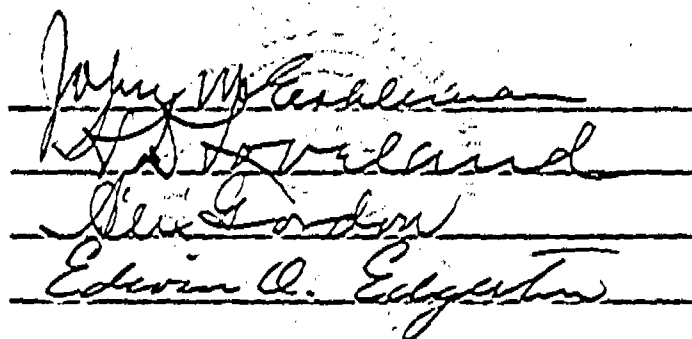
As noted before, the Company accepted this Commission's engineering department's valuation, and I find the "reproduction value", as that term is herein defined, of the operative property of the Camino, Placerville & Lake Tahoe Railroad Company, in the State of California, as of June 30, 1912, to be the sum of \$173,862.13.

(6). Present Value.

The present value, as reported by the Company, and shown in Exhibit "A", is \$115,074.67. The same item, as ascertained by this Commission's engineering department is \$135,783.86. What was said with reference to the Company's valuation under the heading "Reproduction Value" pertains to "Present Value" also. The present value in Exhibit "A" cannot be compared with the same item in Exhibit "B", on account of the incompleteness of the Company's valuation. I find that the "Present value", as that term is herein defined, of the operative property of the Camino, Placerville & Lake Tahoe Railroad Company, in the State of California, as of date June 30, 1912, is the sum of \$135,783.86.

The foregoing opinion and findings are hereby approved and ordered filed as the opinion and findings of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 28th day of January, 1914.



Edwin C. Edgerton

Operating Co. do
 Division _____
 From Camino To Placerville
 Miles, Main Line Track 8
 Miles, Second Track _____
 Miles, Yard Tracks, etc. _____
 Total 8

FORM No. 4A.

CALIFORNIA RAILROAD COMMISSION
 PHYSICAL VALUATION OF STEAM RAILROADS
FINAL SUMMARY SHEET

C. D. Deador Field Inspector
E. E. Hamilton Office Compiler
 Date Compiled July 31st 1912
 Joint Main Line _____ Miles
 Joint Second Track _____ Miles
 Joint Yard Track, etc. _____ Miles
 Total _____ Miles

EXHIBIT No. _____

Class No.	Form No.	I.C.C. Appt. No.	CLASSES	ORIGINAL COST	REPRODUCTION VALUE	Cond. pr. ct.	PRESENT VALUE
1	1	2	Right of way and station grounds.		25000 00		25000 00
2	2	3	Real estate.		00		00
3	3	4	Grading.		40000 00		40000 00
4	4	5	Tunnels.		00		00
5	5	6	Steel bridges and trusses.		00		00
6	6	6	Pile and frame trestles.		14016 79		5606 72
7	7	6	Culverts.		356 49		142 60
8	8	7	Ties.		9216 00		3686 40
9	9	8	Rails.		18866 00		18866 00
10	10	9	Frogs and switches.		700 00		420 00
11	11	10	Track fastenings and other material.		2985 00		1790 00
12	12	11	Ballast.		00		00
12	13	12	Tracklaying and surfacing.		8000 00		8000 00
14	14	13	Roadway tools.		171 15		102 30
15	15	14	Fencing right of way.		206 50		123 90
16	16	15	Crossings and signs.		430 00		184 00
17	17	16	Interlocking plants.		00		00
18	18	16	Signal apparatus.		00		00
19	19	17	Telegraph and telephone lines.		00		00
20	20	18	Station buildings and fixtures.		00		00
21	21	18	Platforms, walks, paving and curb.		20 50		16 40
22	22	19	General office buildings and fixtures.		00		00
23	23	20	Shop buildings and engine houses.		1000 00		300 00
24	24	20	Transfer and turntables, cinder pits, etc.		00		00
25	25	20	Miscellaneous shop buildings and structures.		00		00
26	26	21	Shop machinery and tools.		00		00
27	27	22	Water stations.		65 00		50 00
28	28	23	Fuel stations.		00		00
29	29	24	Grain elevators.		00		00
30	30	25	Storage warehouses.		800 00		600 00
31	31	26	Dock and wharf property.		00		00
32	32	27	Electric light plants.		00		00
33	33	28	Electric power plants.		00		00
34	34	29	Electric power transmission.		00		00
35	35	30	Gas producing plants.		00		00
36	36	31	Miscellaneous structures.		00		00
Total Classes 1 to 36, inclusive.							
37	--	1	Engineering-----per cent, 1 to 36, inclusive.				
38	37	22	Transportation of men and material.				
39	38	23	Rent of equipment.				
40	39	24	Repairs of equipment.				
41	--	36	Earning and operating exp. during construction.				
42	--	35	Injuries to persons.				
43	--	36	Cost of road purchased.				
Total Classes 1 to 43, inclusive.							
44	39	57	Steam locomotives.		15000 00		9000 00
45	--	38	Electric locomotives.		00		00
45	40	59	Passenger train cars.		400 00		240 00
47	41	40	Freight train cars.		250 00		150 00
48	42	41	Work equipment.		400 00		240 00
49	43	52	Floating equipment.		00		00
Total Classes 1 to 49, inclusive.							
50	--	43	Law expenses-----per cent, Classes 1 to 36, incl.				
51	44	44	Stationery and printing.	6 75	6 75		6 75
52	44	45	Insurance.	16 40	16 40		9 60
53	45	46	Taxes.				
Total Classes 1 to 53, inclusive.							
54	--	47	Int. & Comm.-----per cent, Classes 1 to 53, incl.				
55	43	48	Other expenditures.				
56	--	--	Contingencies-----per cent, Classes 1 to 53, incl.				
57	46	--	Stores and supplies on hand for use in California.				
GRAND TOTAL					137906 58		115074 67
Average per mile for main line track.					17238 32		14384 53

-Total-

20%

Name of Owner
 Operating Co. Co
 Division COMPT. El Dorado
 From Camino To Placerville
 Miles, Main Line Track 8.05
 Miles, Second Track 00
 Miles, Yard Tracks, etc. 04
 Total 8.99

FORM No. 48.

CALIFORNIA RAILROAD COMMISSION

PHYSICAL VALUATION OF STEAM RAILROADS

FINAL SUMMARY SHEET

EXHIBIT "B"

Valuation as of June 30, 1913
W. W. Cooke Field Inspector
W. W. Cooke Office Compiler
 Date Compiled July 30, 1913
 Joint Main Line _____ Miles
 Joint Second Track _____ Miles
 Joint Yard Track, etc. _____ Miles
 Total _____ Miles

Class No.	Form No.	I.C.C. Acct. No.	CLASSES	ORIGINAL COST	REPRODUCTION VALUE	Cond. pr. ct.	PRESENT VALUE
1	1	2	Right of way and station grounds.		8766 45	100	8766 45
2	2	3	Real estate.				
3	3	4	Grading.		49651 83	109	54326 76
4	4	5	Tunnels.				
5	5	6	Steel bridges and trusses.		1422 41	50	711 21
6	6	6	Pile and frame trestles.		23834 79	40	9533 92
7	7	6	Culverts.		1874 76	25	468 69
8	8	7	Ties.		9595 44	30	2878 62
9	9	8	Rails.		31465 99	74	23177 80
10	10	9	Frogs and switches.		1172 42	71	832 41
11	11	10	Track fastenings and other material.		4838 30	67	3256 72
12	12	11	Ballast.				
13	13	12	Tracklaying and surfacing.		9106 30	64	5820 04
14	14	13	Roadway tools.		175 43	60	104 86
15	15	14	Fencing right of way.		1467 02	65	953 57
16	16	15	Crossings and signs.		745 89	50	376 18
17	17	16	Interlocking plants.				
18	18	16	Signal apparatus.				
19	19	17	Telegraph and telephone lines.		691 14	65	449 25
20	20	18	Station buildings and fixtures.				
21	21	18	Platforms, walks, paving and curb.				
22	22	19	General office buildings and fixtures.				
23	23	20	Shop buildings and engine houses.		839 48	75	629 61
24	24	20	Transfer and turntables, cinder pits, etc.				
25	25	20	Miscellaneous shop buildings and structures.				
26	26	21	Shop machinery and tools.				
27	27	22	Water stations.		358 75	50	179 38
28	28	23	Fuel stations.				
29	29	24	Grain elevators.				
30	30	25	Storage warehouses.				
31	31	26	Dock and wharf property.				
32	32	27	Electric light plants.				
33	33	28	Electric power plants.				
34	34	29	Electric power transmission.				
35	35	30	Gas producing plants.				
36	36	31	Miscellaneous structures.		809 34	75	607 00
			Total Classes 1 to 36, inclusive.		146815 74	77	113080 47
37		1	Engineering <u>5</u> per cent. <u>3</u> to 36, inclusive.		6902 46	100	6902 46
38	37	32	Transportation of men and material.				
39	38	33	Rent of equipment.				
40	39	34	Repairs of equipment.				
41		35	Earning and operating exp. during construction.				
42		35	Injuries to persons.				
43		36	Cost of road purchased.				
			Total Classes 1 to 43, inclusive.		153718 20	78	119982 93
44	39	37	Steam locomotives.		12120 00	68	8241 60
45		38	Electric locomotives.				
46	40	39	Passenger train cars.		404 00	60	242 40
47	41	40	Freight train cars.		252 50	60	151 50
48	42	41	Work equipment.		404 00	50	202 00
49	43	42	Floating equipment.				
			Total Classes 1 to 49, inclusive.		166898 70	77	128820 43
50		43	Law expenses <u>3</u> per cent. Classes <u>3</u> to 36, incl.		1380 49	100	1380 49
51	44	44	Stationery and printing, incl. in engineering				
52	44	45	Insurance, incl. in "Other Exp."				
53	45	46	Taxes, " " " "				
			Total Classes 1 to 53, inclusive.		168279 19	77	130200 92
54		47	Int. & Comm. <u>3</u> per cent. Classes <u>3</u> to 53, incl.		4785 38	100	4785 38
55	46	48	Other expenditures, <u>3</u> " 3 to 53 incl.		797 56	100	797 56
56			Contingencies, per cent. Classes 1 to 53, incl.				
57	46		Stores and supplies on hand for use in California.				
			GRAND TOTAL	Unknown	173862 13	78	135783 86
			Average per mile for main line track.		21598 00		16868 00