

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

Decision No. 1899

In the matter of the application of Southern Pacific Railroad Company and Southern Pacific Company for authority to issue first refunding mortgage bonds sufficient to net \$2,789,153.74.

ORIGINAL

Application No. 1340.

Guy Shoup, for applicants.

LOVELAND, Commissioner.

OPINION

This is an application by Southern Pacific Railroad Company and Southern Pacific Company for authority to issue first refunding mortgage bonds to yield to the applicants \$2,789,153.74.

Southern Pacific Railroad Company owns 3,475 miles of railroad in the states of California, Arizona and New Mexico. These lines are operated under lease by Southern Pacific Company, which owns the capital stock of Southern Pacific Railroad Company.

The applicants state that there has been invested from income for capital purposes of Southern Pacific Railroad Company during the fourteen months ending December 31, 1912, the sum of \$2,789,153.74. These expenditures are summarized by applicants as follows:

	<u>Additions & Betterments</u>
Automatic Signals	\$ 101,286.01
Tracks	1,268,444.56
Line Changes	83,259.88
Bridges	183,437.70
Buildings	294,200.67
Water Stations	72,717.69
Miscellaneous	343,468.48
Right of Way and Station Grounds	360,957.62
Total	<u>\$2,707,772.61</u>

Property Under Mortgage

Additions and Betterments ...	\$2,707,772.61
Construction of New Lines ...	7,402.97
Expenditures for Account of New Lines	<u>303,057.71</u>
Less Value of Material Recovered, Adjustments, Etc....	\$3,018,233.29
	<u>229,079.55</u>
Net Expenditures	<u>\$2,789,153.74</u>

The bonds which it is herein proposed to issue are part of a total authorized issue of \$160,000,000 secured by a mortgage and deed of trust executed between Southern Pacific Railroad Company and Southern Pacific Company to The Equitable Trust Company of New York, dated January 3, 1905, this mortgage being designated "First Refunding Mortgage".

It is provided in this mortgage that the Southern Pacific Railroad Company may draw down bonds from the trustee as reimbursement for funds expended from income for specified capital purposes. It is further provided that these bonds may be drawn down for not less than the average price for which bonds of the same issue shall have been sold on the New York Stock Exchange during the previous calendar month. In determining the price at which the bonds shall be drawn down, the applicants have taken the average price at which bonds of this issue were sold on the New York Stock Exchange during the month of July, this being the last month of recorded stock exchange transactions. This price the applicants have determined to be 91.0388 per cent of par.

The bonds issued under the first refunding mortgage heretofore referred to will mature on January 1, 1955. They carry an interest rate of 4 per cent per annum and are callable after January 1, 1910 at 105 per cent of their par value. These bonds are also guaranteed by Southern Pacific Company. If drawn down at 91.0388, the interest rate on these bonds would figure approximately 4.45 per cent. It is the intention to use the bonds for the purpose of reimbursing Southern Pacific Company for advances.

At the price stated, of 91.0388, it will be necessary for the applicant to issue bonds of the face value of \$3,063,000 to provide for the reimbursement in the full sum of \$2,789,153.74.

From the evidence presented in this case, I believe the expenditures from income reported by the applicants herein were made for proper capital purposes as defined under the Public Utili-

ties Act, and I believe the applicant, therefore, should be given authority to issue bonds in sufficient amount to reimburse it for this expenditure.

I recommend, therefore, that the application be granted and submit the following form of order:

ORDER

Southern Pacific Railroad Company and Southern Pacific Company having applied to this Commission for authority to issue \$3,063,000 of first refunding mortgage bonds, and a hearing having been held and it appearing that the purposes for which the applicants herein propose to issue said bonds are not in whole or in part chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that Southern Pacific Railroad Company and Southern Pacific Company be granted authority and they are hereby granted authority to issue \$3,063,000 of first refunding mortgage bonds under the mortgage and deed of trust between the applicants herein and The Equitable Trust Company of New York, Trustee, dated January 3, 1905, a copy of which was filed in connection with the application herein, to which reference is hereby made; said bonds being guaranteed by Southern Pacific Company.

The authority herein granted is granted upon the following conditions and not otherwise:

(1) The bonds herein authorized to be issued shall be sold so as to net the applicants herein not less than 91.0388 per cent of the par value of said bonds plus accrued interest.

(2) The authority herein granted is conditioned upon the payment of the fee prescribed under the Public Utilities Act.

(3) The authority herein granted shall apply to such bonds as shall have been issued on or before October 20, 1915.

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 22 day of October, 1914.

Railroad Commission State of California
Fee \$203.50
OCT 28 1914
BY J. W. Mathewson
Assistant Secretary.

H. S. Boardman

Max Thelen

Edwin O. Edgerton
Commissioners.