

Decision No. _____

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

Decision No. 21182

ORIGINAL

In the matter of the application of the Southern Pacific Railroad Company, a corporation, and Southern Pacific Company, a corporation, for permission to issue first refunding mortgage bonds sufficient to net \$800,556.99.

Application No. 1702.

Guy V. Skoup, for applicant.

DEVLIN, Commissioner.

Opinion

Southern Pacific Railroad Company and Southern Pacific Company report the expenditure of \$800,556.99 during the six months ending December 31, 1914 for additions and betterments.

Under the terms of applicant's first refunding mortgage, heretofore filed in Application No. 1340 and marked Exhibit "A", Southern Pacific Railroad Company is entitled to draw down from its trustee enough bonds to cover such expenditures at the average market price for said bonds on the New York Stock Exchange. The expenditures in the sum of \$800,556.99 were made from income of Southern Pacific Railroad Company, and these expenditures have not heretofore been covered by an issue of securities, nor has the company been reimbursed for this outlay. The additions and betterments comprising the total of \$800,556.99 are set forth by the applicant as follows:

Tracks -

Port Costa to Sacramento - Double tracking	\$60,190.89
Between Ventura Jct. and La Crosse --	
Relocate 2½ miles of track	<u>39,711.09</u>
Total	\$99,901.98

Bridges -

Between Ventura and Dulah -- Two additional spans over Ventura River	\$24,786.62
Neponset - Steel span over Salinas River	20,123.28
Trestle 372-a (Near Santa Barbara) renew	<u>2,767.61</u>
Total	\$47,677.51

Buildings -

Santa Ana - Extend packinghouse	\$ 2,147.83
San Francisco - Construct new depot	179,812.97
Los Angeles - Construct new depot	<u>323,834.40</u>
Total	\$505,795.20

Water Stations -

El Casco - Improve water facilities	\$ 5,385.70
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Miscellaneous -

Colton to Ontario - Renew rail	\$12,187.23
Summerland to Burbank - Renew rail	18,354.37
Coast Division - Riprapping	41,597.16
Sacramento - Raise levee, etc.	9,238.88
Surf District - Renew rail	8,098.21
Los Angeles - Levee and riprap work	37,402.90
Honda - Construct seawall	7,139.37
Between Benham and Ventura - Eliminate grade crossings	<u>7,778.48</u>
Total	\$141,796.60

Recapitulation -

Tracks	99,901.98
Bridges	47,677.51
Buildings	505,795.20
Water Stations	5,385.70
Miscellaneous	<u>141,796.60</u>
Total	\$800,556.99

The stock of Southern Pacific Railroad Company is held by Southern Pacific Company, and Southern Pacific Company in this application asks for authority to guarantee the bonds which it is herein proposed to issue.

The applicant has offered testimony to the effect that the average price for these bonds on New York Stock Exchange during the month of April, 1915 and May, 1915, was slightly in excess of 87 per cent of the face value. It is proposed that the bonds should be drawn down for the purposes of this application at 88. To reimburse the company for an expenditure of \$800,556.99 at 88, will require an issue of bonds of the face amount of \$910,000. Southern Pacific Railroad Company first refunding 4 per cent bonds carry 4 per cent interest, bear date of January 1, 1915, and mature January 1, 1955. At 88, the rate of interest would be approximately 4.65 per cent.

Southern Pacific Railroad Company's first refunding mortgage provides for a total issue of \$160,000,000 of bonds. The company reports now outstanding, bonds of the aggregate par value of \$142,956,000. I find that the expenditures reported by the applicants for additions and betterments are proper bases for an issue of bonds. The financial condition of Southern Pacific Railroad Company and Southern Pacific Company has been reviewed in former proceedings before this Commission and it is unnecessary to go into these matters in detail for the purposes of this application.

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

O r d e r

Southern Pacific Railroad Company and Southern Pacific Company having applied to this Commission for authority to issue \$910,000 face value of 4 per cent first refunding mortgage bonds of Southern Pacific Railroad Company, and Southern Pacific Company having applied to this Commission for authority to guarantee the payment of said bonds,

And a hearing having been held and it appearing that the purposes for which it is herein proposed to issue said bonds are not in whole or in part reasonably 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 \$910,000 of 4 per cent first refunding mortgage bonds of Southern Pacific Railroad Company under the terms of 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 has been filed with this Commission in connection with Application No. 1340, to which reference is hereby made.

IT IS FURTHER ORDERED that the Southern Pacific Company be granted authority and it is hereby granted authority to guarantee the payment of the bonds herein authorized to be issued.

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 88 per cent of the face value of said bonds plus accrued interest thereon.

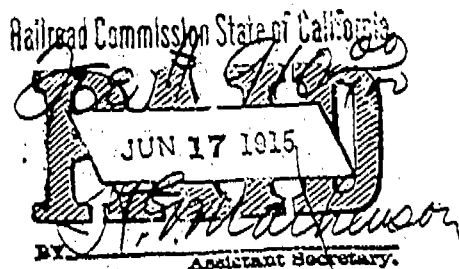
(2) The bonds herein authorized to be issued shall be issued for the purpose of reimbursing the applicants for expenditures from income in the sum of \$800,556.99 as set forth in detail in the foregoing opinion.

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

(4) The authority herein granted shall apply to such bonds as shall have been issued on or before June 30, 1916.

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 14th day of June, 1915.



Max Shelton
H. D. Howard
Edwin O. Edgerton
Frank R. Berlin
Commissioners.