

Decision No. \_\_\_\_\_

ORIGINAL

Decision No. 2220

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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In the matter of the application  
of Martinez and Concord Interurban  
Railway Company for a certificate  
of public convenience and necessity  
and for an order authorizing an is-  
sue of stocks and bonds.

} Application  
No. 2125.

Clifford McClellan and J. B. Rogers,  
for applicant.

DEVLIN, Commissioner.

O P I N I O N

Martinez and Concord Interurban Railway Company was organized on January 22, 1916. It proposes to construct and operate a line of electric railway from the town of Martinez to the town of Concord, both in Contra Costa County. In connection with this application (No. 2125) it proposes to construct and operate its railway from Martinez to Government Ranch, a distance of six and one-half miles.

The route which the applicant proposes to follow extends along Escobar Street and Peyton Road to the easterly limits of the town of Martinez; thence over private rights of way to the Associated Oil plant near Avon; thence to a connection with the Oakland, Antioch and Eastern Railway at Government Ranch, about two miles south of the town of Bay Point and about three miles north of Concord. The line thus projected will pass in close proximity to such large industrial establishments as the Shell Petroleum Company, the Associated

Oil Company, the Mountain Copper Company, General Chemical Company and Hooper Lumber Company.

The promoters of this enterprise believe that this territory offers a remunerative freight and passenger business. They <sup>also</sup> rely upon the industrial and real estate development in the neighborhood of Martinez for the success of their venture.

In the matter herein the applicant applies for a certificate that public convenience and necessity will require the exercise by it of rights and privileges to be conferred under a franchise for the operation of a street railway within the limits of the town of Martinez. At the time of the hearing the applicant had not obtained the franchise in question and I shall not pass upon this phase of the application until the franchise shall have been obtained.

The applicant further asks authority from this Commission to issue certain shares of stock and bonds. In the amended application authority was asked to issue 1,050 shares of stock at \$45 per share. Under date of April 29, 1916, however, the applicant requested authority to issue 600 shares of stock at \$80 per share. It has also asked for authority to issue 210 shares of its stock to cover organization costs and promotion services. The applicant proposes also to issue \$125,000 of first mortgage 20 year bonds to be sold at 90 per cent of face value. Request is also made for authority to issue \$125,000 of what the applicant calls "cumulative participating bonds", to be sold at par for the sole purpose of retiring the \$125,000 of first mortgage bonds.

The applicant estimates that the cost of its line will be \$159,499. It has submitted a detailed estimate which may be summarized as follows:

Grading .....	\$17,981.00
Bridging .....	16,685.00
Culverts .....	1,472.00
Ballast .....	13,875.00
Ties .....	10,614.00
Rails .....	17,640.00
Angle Bars, Bolts and Nuts .....	1,580.00
Spikes .....	1,300.00
Track Laying and Surfacing .....	5,901.00
Track Crossings .....	2,730.00
Switch Sets .....	2,100.00
Spurs and Sidings .....	5,100.00
Rail Bonding .....	1,506.00
Trolley Construction .....	11,050.00
Right of Way Fencing .....	2,415.00
Telephone and Power Line Crossings ...	600.00
County Road Crossings .....	100.00
Substation and Apparatus .....	7,250.00
Equipment .....	12,350.00
Rights of Way and Terminals .....	5,500.00
Buildings .....	3,900.00
Street Macadamizing .....	3,350.00
Engineering, Legal and Contingent 10%.	14,500.00

This construction includes a drawbridge, a crossing over the tracks of the Atchison, Topeka and Santa Fe Railway and with the tracks of the Southern Pacific Company.

The applicant has estimated its annual gross earnings at the beginning of operation at \$33,105.50 and its operating expenses, taxes, depreciation and bond interest at \$28,670.75. I believe the applicant has been optimistic in its estimate of earnings, but the projectors of the enterprise believe that the territory will offer augmented business from year to year and are willing to forego returns for some time at least upon their stock investment.

The applicant states that it will place the stock in the hands of a small group, and that the shares will not be offered generally to the public. Its representatives state also that they have a satisfactory arrangement for the sale of the bonds at 90 per cent of face value. Under the plan of finance herein proposed, it is intended to issue \$125,000 of the so-called participating bonds for the purpose of retiring the first mort-

gage bonds. It is stated that certain large landholders who will be benefitted by the construction of the railway have agreed to underwrite these "cumulative participating bonds" at par. The payments for these bonds will be made serially and as these payments accrue, the first mortgage bonds will be retired.

It is anticipated that the entire issue of \$125,000 of first mortgage bonds will be retired in twenty years and, assuming no further construction, the "cumulative participating bonds" in the sum of \$125,000 will then be outstanding. These "cumulative participating bonds" will be issued under a trust agreement, but as originally planned were not to be a lien upon the property of the railroad.

The applicant has however given consideration to the amendment of its plan of finance so that the first mortgage bonds as retired will become security for the "cumulative participating bonds". The details in regard to these financial features remain to be worked out and such order as may be issued herein will be preliminary.

The applicant has provided in its articles of incorporation for an issue of 2,000 shares of stock of the par value of \$100 per share.

For organization purposes it has issued 70 shares of its stock. It will be provided that new shares may be issued in lieu of those now out.

The proposal to issue 210 shares of common stock for organization and promotion costs had in mind originally an issue at \$45 per share. As the plan has since been altered to place the stock on a basis of \$80 per share, I shall recommend that the applicant be authorized to issue \$10,000 par value of stock for organization and promotion services. The sale of the 600 shares at \$80 per share and \$125,000 of first mortgage bonds at 90 will bring \$160,500 in cash, which

will cover the cost of the enterprise according to the estimates submitted.

As the nature of the presentation will require a final order, the order herein will be merely preliminary. Accordingly I recommend the following form of order:

#### O R D E R

Martinez and Concord Interurban Railway Company having applied to this Commission for a certificate of public convenience and necessity and for authority to issue stocks and bonds as set forth in the preceding opinion,

And a hearing having been held and this Commission being fully advised in the premises,

IT IS HEREBY ORDERED that Martinez and Concord Interurban Railway Company be granted authority and it is hereby granted authority to issue 600 shares of stock to be sold at not less than \$80 per share.

IT IS FURTHER ORDERED that Martinez and Concord Interurban Railway Company be granted authority to issue 100 shares of stock in the aggregate, of the par value of \$100 per share to be issued to Mr. Clifford McClellan and Mr. J. B. Rogers to reimburse them for expenditures incurred in connection with the organization of Martinez and Concord Interurban Railway Company and for promotion services in connection with said railway; 50 shares to be issued forthwith and 50 shares after the line of railway shall have been completed from Martinez to Government Ranch.

IT IS FURTHER ORDERED that Martinez and Concord Interurban Railway Company be granted authority and it is hereby granted authority to issue \$125,000 of first mortgage

bonds to be sold at not less than 90 per cent of face value.

IT IS FURTHER ORDERED that Martinez and Concord Interurban Railway Company be granted authority to issue \$125,000 face value of cumulative participating bonds to be sold at not less than par, the proceeds from said bonds to be used exclusively for the retirement of the \$125,000 of first mortgage bonds herein authorized to be issued.

Of the stock herein authorized to be issued, seventy shares shall be issued in lieu of seventy shares heretofore issued by the applicant in connection with its organization.

The proceeds derived from the sale of the stocks and bonds herein authorized to be issued shall be used solely for the purpose of constructing applicant's line of railway in accordance with applicant's estimate as filed with this Commission and in accordance with such agreement or contract as may hereafter be approved by this Commission in supplemental order.

The applicant shall begin the construction of its line of railway only after it shall have placed in its treasury the funds received from the stock and first mortgage bonds herein authorized to be issued, and shall have first so reported in writing to this Commission such fact, and this Commission shall have made a supplemental order finding such fact.

The authority herein given is conditioned upon the approval by this Commission of the trust deed securing applicant's first mortgage bonds and the indenture securing applicant's cumulative participating bonds.

The authority herein given shall apply to such stocks and such bonds as shall have been issued on or before May 1, 1917.

None of the stocks and bonds herein authorized to be issued shall be issued until this Commission shall have issued

a supplemental order finding that applicant has obtained a franchise for the operation of a railway in the Town of Martinez and the Commission shall have made a finding that public convenience and necessity require the exercise of the rights granted in such franchise.

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 13th -  
day of May, 1916.

Max Thelen

H. H. Ireland

Alex. Gordon

Oran R. Deolin

Commissioners.