

Decision No. _____

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application)
of VISALIA ELECTRIC RAILROAD COM-)
PANY for authority to issue capi-)
tal stock of the par value of)
\$46,000.00 and of SOUTHERN PACIFIC)
COMPANY to acquire the same.)

Application No. 2432.

Frank Karr for petitioners.

THELEN, Commissioner.

O P I N I O N

Visalia Electric Railroad Company asks authority to issue 460 shares of its common capital stock of the par value of \$100.00 per share and Southern Pacific Company asks authority to acquire said capital stock. A public hearing on this application was held in Los Angeles on Wednesday, July 19, 1916.

Visalia Electric Railroad Company conducts a freight and passenger business by electricity over the rails of the Southern Pacific Company from Visalia, Tulare County, easterly a distance of 10.75 miles, to Exeter; thence in a general northeasterly direction through Lemon Cove a distance of approximately 24.00 miles to Lime Kiln Point; thence from Lime Kiln Point in a general easterly direction a distance of .5 miles to Terminus Beach; also from a point easterly from Lemon Cove a distance of 8 miles westerly to Redbanks; also from Woodlake Junction on the Redbanks line a distance of 4.7 miles northerly to Elderwood.

Visalia Electric Railroad Company now proposes to build an extension from a point on its line of railroad approximately one mile east of Exeter, in a general southeasterly and southerly direction along the foothills, passing about four miles east of Lindsay, with a branch line to Lindsay; thence continuing southerly to a junction with the railroad operated by the Southern Pacific

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Company at Strathmore; and thence southerly to a junction with the railroad operated by the Southern Pacific Company at Ducor, approximately four miles south of Porterville. The extension will be operated by electric energy except that for the present the line south of Porterville will be operated by steam.

Visalia Electric Railroad Company has an authorized issue of common capital stock of the par value of \$1,000,000.00, divided into 10,000 shares of the par value of \$100.00 each. Of the stock thus authorized, stock of the par value of \$24,000.00 has been issued. All of the issued capital stock except one share for each of the five directors is owned by the Southern Pacific Company. Visalia Electric Railroad Company has no bonds or notes outstanding, but reports the following floating indebtedness as of April 30, 1916:

Due Southern Pacific Company (exclusive of \$78,714.20 interest accrued during the present fiscal year).....\$1,557,234.58

Current accounts payable:

Pay roll vouchers.....	1,537.43
Audited vouchers.....	3,151.55
Interline traffic account.....	908.75

Deferred liabilities:

Hospital department.....	1,799.10
Other suspense items.....	8,585.19
Total,	\$1,573,196.20

Visalia Electric Railroad Company reports that no dividends have been paid by it during the last five years.

On July 16, 1916, Visalia Electric Railroad Company filed with the County Clerk of Tulare County amended articles of incorporation, authorizing the construction of certain portions of its constructed line of railroad not heretofore described in its articles and also the extension from Exeter to Ducor

now to be constructed. The total length of railroad not heretofore described in the articles of incorporation is 46 miles, of which distance 53 miles represents the new mileage now to be constructed. The amended articles of incorporation recite that \$46,000.00 par value of additional capital stock has been subscribed and that 10% thereof, namely, \$4,600.00, has been paid to the treasurer, as provided by Section 294 of the Civil Code of this State. A certified copy of the amended articles of incorporation has been filed in the office of the Secretary of State.

The \$46,000.00 capital stock for the issue of which authority is herein asked has been subscribed for by the Southern Pacific Company at par. The proceeds will defray in part the expense of constructing the extension from Exeter to Ducor.

Mr. Paul Shoup, President of Visalia Electric Railroad Company and Vice President of Southern Pacific Company, testified that the line of railroad from Exeter to Ducor has been surveyed and that the cost of the extension, including the purchase of rights of way, will be approximately \$600,000.00. The cost will be advanced by Southern Pacific Company, which may reimburse itself, at least to a considerable extent, by taking capital stock of Visalia Electric Railroad Company at par.

Mr. Shoup testified that a complete canvass of the territory had been made and that petitioners are satisfied that the proposed extension will be financially remunerative to them. The new business to be developed will be principally freight and will consist largely of citrus products and, at least for the present, of magnesite.

Minkler Southern Railway Company, extending from Minkler, in Fresno County, to Lindsay, in Tulare County, and owned by The Atchison, Topeka and Santa Fe Railway Company, plans to build southeasterly and southerly from Lindsay into a portion of the

territory through which the Visalia Electric Railroad Company intends to build its extension.

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

O R D E R.

VISALIA ELECTRIC RAILROAD COMPANY having applied to the Railroad Commission for an order authorizing the issue of 460 shares of its common capital stock of the par value of \$100.00 per share and SOUTHERN PACIFIC COMPANY having asked for an order authorizing said company to acquire said capital stock and a public hearing having been held and the Railroad Commission finding that the purposes for which said capital stock is to be issued are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that Visalia Electric Railroad Company is hereby authorized to issue 460 shares of its common capital stock of the par value of \$100.00 per share to Southern Pacific Company and Southern Pacific Company is hereby authorized to acquire said capital stock, on the following conditions and not otherwise, to-wit:

1. Visalia Electric Railroad Company shall sell said capital stock at par.
2. Visalia Electric Railroad Company shall use the proceeds from the sale of said capital stock on account of constructing an extension of its line of railway from a point approximately one mile east of Exeter in a general southeasterly and southerly direction to Ducor, in accordance with statement of itemized expenditures hereafter to be filed with the Railroad Commission.
3. Visalia Electric Railroad Company shall keep

separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the stock hereby authorized to be issued, and on or before the 25th day of each month the company shall make a verified report to the Railroad Commission stating the sale or sales of said stock during the preceding month, the terms and conditions of the sale and the moneys realized therefrom, and the use and application of such moneys, all in accordance with the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority hereby granted shall apply only to such capital stock as may have been issued by Visalia Electric Railroad Company on or before August 1, 1917.

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 21st day of July, 1916.

Max. Shellen
H. L. Loveland

Frank Dohig

Commissioners.