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ORIGINAL

Decision No. 3883

Decision No. _____

BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA.

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In the Matter of the Application of)
FRESNO INTERURBAN RAILWAY COMPANY) Application No. 1084.
for authority to issue stocks and)
bonds.)

C. O. Whittemore for applicant.

LOVELAND, Commissioner.

SUPPLEMENTAL OPINION.

This is an application of Fresno Interurban Railway Company for authority to issue \$15,000.00 par value of stock and \$122,800.00 face value of six per cent 25 year bonds. Applicant proposes to issue this stock and bonds at 80 per cent of par value and to use the proceeds for the following purposes:

| | |
|---|-------------|
| To defray cost of extension of line and for part payment on equipment..... | \$60,597.82 |
| Deficit incurred in operation during construction..... | 3,850.34 |
| Balance of payment on gasoline motor car..... | 18,000.00 |
| To refund note..... | 10,400.00 |
| To defray cost of rights of way..... | 10,000.00 |

Fresno Interurban Railway Company owns and operates a line of railway extending from Fresno eastward to what is known as the Sanger road, with certain spur connections. The main line is sixteen miles in length. This company has heretofore been authorized by this Commission to issue 450 shares of its stock of the par value of \$100.00 per share; \$149,700.00 of bonds and a note of the face value of \$10,396.27.

The applicant has altered the mortgage and deed of trust under which it was originally authorized to issue its bonds. This Commission in Decision No. 3823, rendered on October 26, 1915, authorized the applicant to execute a new mortgage and deed of trust to secure the payment of a total of \$500,000.00 of six per cent twenty-five-year bonds. For the purpose of clarifying applicant's affairs an order will be entered herein authorizing it to issue \$149,700.00 of new bonds under its recently authorized mortgage and deed of trust to replace the issue of \$149,700.00 of bonds heretofore authorized by this Commission.

As the applicant has proceeded with the construction of its road, and as the cost of such construction appears to be reasonable, I shall recommend that the applicant be authorized to issue stocks and bonds sufficient to provide therefor. The item of \$60,000.00, submitted by the applicant as the cost of the extension of its line, includes a part payment of \$7,000.00 on a gasoline motor car. This motor car will cost in all \$25,000.00. The applicant is under the necessity of spending approximately \$10,000.00 to acquire additional right of way, and I recommend that it be authorized to issue stocks and bonds for the right of way and for the purchase of the gasoline motor car.

I do not believe that it is advisable at this time for this Commission to authorize the issue of either stock or bonds to pay for the deficit incurred by the operation of the road. This deficit may, for the present, be taken care of in the form of notes, and subsequently, it may be determined whether stocks or bonds or either should be authorized to take up these notes.

Although the cost of the extension heretofore referred to is \$53,597.82 it appears that material to the amount of \$4,000.00 remains on hand unused. I recommend that for this material applicant be authorized to issue a note until it has been determined whether this material shall be used in the railway or sold.

Applicant submitted a statement of its earnings during August, September and the first half of October of this year. This statement is necessarily in part an estimate, as the final figures have not been compiled. This statement shows the following:

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|---|------------|
| Gross earnings for 2-1/2 months period..... | \$9,475.46 |
| Expenses..... | 5,533.37 |
| Net Earnings..... | 3,942.09 |

This makes no allowance for taxes and covers the period of the year when applicant's business should be at full tide.

This line passes through a very rich section of California which should bring a substantial freight business. The line is operated for approximately four miles by electricity, but a gasoline motor car is being used over its entire length.

I believe the applicant at this time should be authorized to issue stocks and bonds for the following purposes:

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|--|---------------------|
| To pay for cost of line extension..... | \$ 53,597.82 |
| Loss materials not used..... | 4,000.00 |
| | <u>\$ 49,597.82</u> |
| To purchase gasoline motor car..... | 25,000.00 |
| To purchase right of way..... | 10,000.00 |
| | <u>\$ 84,597.82</u> |

For this purpose I recommend that applicant be authorized to issue \$70,000.00 of bonds and \$35,000.00 par value of stock.

This adjustment of applicant's affairs will cover the period to August 1, 1916.

Accordingly, I submit the following form of order:

NINTH SUPPLEMENTAL ORDER

Fresno Interurban Railway Company having made application to the Railroad Commission for authority to issue stocks and bonds as set forth in the foregoing opinion, and a hearing having been held in said application and it appearing that the purposes for which it is proposed to issue said stock and bonds are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that Fresno Interurban Railway Company be granted authority and it is hereby granted authority to issue \$149,700.00 of its First Mortgage Six Percent Twenty-five Year Bonds under its mortgage and deed of trust to Mercantile Trust Company of San Francisco, trustee, copy of which has been filed with this Commission in connection with Application No. 1084 and marked "Exhibit K-1".

The \$149,700.00 of bonds herein authorized to be issued shall be in substitution for and not in addition to, a like amount of bonds heretofore authorized to be issued by this applicant under another form of mortgage and deed of trust.

IT IS FURTHER ORDERED that Fresno Interurban Railway Company be granted authority, and it is hereby granted authority, to issue \$70,000.00 of its First Mortgage Six Percent Twenty-five Year Bonds under its mortgage and deed of trust to Mercantile Trust Company of San Francisco, filed with this Commission in connection with this application and marked "Exhibit K-1".

IT IS FURTHER ORDERED that Fresno Interurban Railway Company is hereby granted authority to issue 350 shares of its stock of the par value of \$100.00 per share or a total par value of \$35,000.00.

The authority herein granted to applicant to issue said \$70,000.00 of bonds and said \$35,000.00 of stock is granted upon the following conditions, and not otherwise:

1. The bonds herein authorized to be issued shall be sold so as to net applicant not less than 80 per cent of the par value thereof, plus accrued interest thereon.

2. The stock herein authorized to be issued shall be sold so as to net applicant not less than 80 per cent of the par value thereof.

3. The 350 shares of stock and \$70,000.00 of bonds herein authorized to be issued shall be issued in such proportion that the par value of the stock issued shall at all times, be not less than 50 per cent of the par value of the bonds issued under this order.

The proceeds derived from the sale of the stock and bonds herein authorized, shall be used for the following purposes and not otherwise:

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| 1. | To defray the cost of extension of applicant's line of railway as such cost is stated in that portion of Exhibit A, filed in connection with this application and marked "Construction"..... | \$60,597.82 |
| | Less the partial payment of \$7,000.00 upon the cost of a gaso-line motor car, and also \$4,000.00 representing materials on hand..... | 11,000.00 |
| | | <u>\$49,597.82</u> |
| 2. | For the purchase of a gasoline motor car..... | 25,000.00 |
| 3. | Cost of rights of way..... | 10,000.00 |
| | | <u>\$ 84,597.82</u> |

IT IS FURTHER ORDERED that Fresno Interurban Railway Company be granted authority, and it is hereby granted authority, to execute its notes payable in the amounts of \$3,850.34, and \$4,000.00, said notes to be used for the purpose of paying respectively the deficit incurred in operation of applicant's line of railway during construction, and to pay the cost of materials

on hand in connection with the construction of applicant's line of railway; said notes to be for a term not to exceed two years and at a rate of interest not to exceed 8 per cent.

The authority herein granted to the applicant to issue any of its stocks, bonds or notes to be issued, is given upon the following conditions and not otherwise:

1. Fresno Interurban Railway Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds from the sale of the stocks and bonds hereby authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Commission stating the sale or sales of said stocks and bonds during the preceding month, the terms and conditions of the sale, the moneys realized therefrom and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

2. The authority herein granted to issue stock and bonds is conditioned upon the payment by the applicant of the fee prescribed under the Public Utilities Act.

3. The authority herein granted to issue stock, bonds and notes shall apply to such stock, bonds and notes as shall have been issued on or before June 30, 1917.

The foregoing Supplemental Opinion and Ninth Supplemental Order are hereby approved and ordered filed as the Supplemental Opinion and Ninth Supplemental Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 18th day of November, 1916.

H. J. Ireland
Alex. Gordon
Frank R. Dehn
Commissioners.