

ORIGINAL

Decision No. _____

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application
of DIAMOND AND CALDOR RAILWAY, for
an order authorizing the issue and
sale of \$90,000.00 First Mortgage
bonds.

Application No. 2765.

4121-

W. Y. Kellogg for Applicant.

O P I N I O N.

LOVELAND, Commissioner.

In this application, Diamond and Caldor Railway, seeks authority to issue \$90,000.00 face value of "First mortgage five per cent sinking fund twenty year gold bonds", due and payable March 1, 1927. Applicant proposes to sell the bonds at not less than 90 per cent of their face value plus accrued interest. Applicant desires to use the proceeds obtained from the sale of the bonds for the following purposes:-

To purchase Locomotive	\$15,000.00
To purchase 22 logging cars at \$1,135.00 each	24,970.00
To pay The California Door Com- pany for advances	<u>50,000.00</u>
Total	\$89,970.00

Diamond and Caldor Railway was organized February 9, 1904 with an authorized stock of \$240,000.00 divided into 4,800 shares of the par value of \$50.00 each. The Company owns a narrow gauge line of railway extending from Diamond Springs, El Dorado County to Caldor, El Dorado County, a distance of 33 miles. Of the outstanding stock, The California Door Company

owns 4,795 shares. It furnishes more than 99 per cent of the traffic of the road. It annually cuts and ships over the road from 12,000,000 to 13,000,000 feet of lumber. It now proposes to install additional facilities for cutting timber and increase its annual output by about 5,000,000 feet. W. Y. Kellogg, President for the Company, reports that The Door Company owns about 600,000,000 feet of uncut timber.

On March 1, 1907, Diamond and Caldor Railway executed to Union Trust Company of San Francisco a deed of trust securing the payment of \$240,000.00 face value of bonds. These bonds are dated March 1, 1907 and mature March 1, 1927. They bear interest at the rate of five per cent per annum, payable semi-annually. Heretofore, the Company has issued bonds in the amount of \$150,000.00 of which \$34,000.00 have been redeemed through the sinking fund.

On November 27, 1908, Diamond and Caldor Railway entered into an agreement with E. H. Rollins and Sons, whereby the Railway agreed that it would not sell any of its authorized \$240,000.00 face value of bonds unless the written consent of said E. H. Rollins and Sons had first been obtained. The evidence in this proceeding is to the effect that said E. H. Rollins and Sons have given their consent to the sale of the \$90,000.00 face value of bonds in question, provided the issue of the same is authorized by this Commission. The payment of all of the bonds of the Railway is guaranteed by The California Door Company. Assuming this application to be granted, applicant would have bonds in the amount of \$206,000.00 outstanding.

In Decision No. 2556, dated July 2, 1915, (Vol. 7, Opinions and Orders of the Railroad Commission of California, page 499) the reproduction cost of the properties of Diamond and Caldor Railway as of June 30, 1912, was found to be

\$539,629.76. The reproduction cost less depreciation was found to be \$453,770.95

Using the market value of lands without the addition of multiples and other arbitrary percentages, the reproduction cost was found to be \$535,590.91, and the reproduction cost less depreciation \$449,732.10.

For the years ending June 30, 1913, 1914, 1915, and 1916, Diamond and Caldor Railway has reported revenues and expenses to this Commission as follows:-

<u>Item</u>	<u>1913</u>	<u>1914</u>	<u>1915</u>	<u>1916</u>
Operating Revenues	\$74,613.95	\$63,464.57	\$56,846.99	\$69,869.98
Operating Expenses	<u>44,549.47</u>	<u>44,757.99</u>	<u>34,576.18</u>	<u>44,104.28</u>
cNet Operating Rev.	30,064.48	18,706.58	22,270.81	25,765.70
Taxes Accrued	<u>3,580.90</u>	<u>3,973.66</u>	<u>3,470.27</u>	<u>3,744.47</u>
Operating Income	26,483.58	14,732.92	18,800.54	22,021.23
Non Op. Inc-Hire of Equipment	<u>3,428.48</u>	<u>3,590.88</u>	<u>3,811.91</u>	<u>3,442.34</u>
Gross Income	<u>29,912.06</u>	<u>18,323.80</u>	<u>22,612.45</u>	<u>25,463.57</u>

Deductions:-

Interest on funded debt	6,600.00	6,750.00	6,271.00	5,950.00
Other interest	<u>5,308.19</u>	<u>3,440.88</u>	<u>3,496.41</u>	<u>3,154.78</u>
Total Deductions	11,908.19	10,190.88	9,767.41	9,104.78
Net Income for Year	18,003.87	8,132.92	12,845.04	16,358.79

On June 30, 1916, Diamond and Caldor Railway reported to this Commission, its assets and liabilities as follows:-

ASSETS

Investment in road and Equipment	\$500,737.08
Cash	302.33
Due from agents and conductors	234.89
Miscellaneous accounts receivable	23,414.00
Material and supplies	1,701.72

Total \$526,390.02

LIABILITIES

Stock outstanding	\$240,000.00
Bonds outstanding	116,000.00
Miscellaneous accounts payable	89,494.81
Other Current Liabilities	40.41
Accrued depreciation on equipment	6,721.91
Surplus	74,132.89

Total Liabilities\$526,390.02

In this application, applicant reports that since June 30, 1917, it has expended for additions and betterments amounts as follows:-

Road	\$ 29,793.36
Equipment	62,357.51
Other general expenses	385.83

Total\$ 92,536.70

The department of Statistics and Accounts of this Commission has examined the foregoing expenditures and finds them to be approximately correct.

I herewith submit the following form of Order.

O R D E R

DIAMOND AND CALDOR RAILWAY having applied to this Commission for authority to issue \$90,000.00 face value of "First mortgage five per cent sinking fund twenty year gold bonds", due and payable March 1, 1927, and

A public hearing having been held and the Commission finding that the purposes for which the proceeds obtained from the sale of said bonds are to be used are not reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that Diamond and Caldor Railway be and it is hereby authorized to issue \$90,000.00 face value of first mortgage five per cent sinking fund twenty year gold bonds, due and payable March 1, 1927.

The authority hereby granted to issue said bonds is granted upon the following conditions and not otherwise.

1. Diamond and Calder Railway shall sell said \$90,000.00 face value of bonds for cash at not less than 90 per cent of their face value plus accrued interest.
2. Diamond and Calder Railway shall use the proceeds obtained from the sale of said \$90,000.00 face value of bonds for the following purposes:-
 - a. To purchase Locomotive ...\$15,000.00
 - b. To purchase 22 logging cars at \$1,135 each... 24,970.00
 - c. To pay indebtedness due The California Door Co....50,000.00

Total\$89,970.00

3. Diamond and Calder Railway shall keep separate, true and accurate accounts showing the receipts and application in detail of the proceeds of the sale of the bonds hereby authorized to be issued, and shall make verified reports to the Railroad Commission in accordance with the 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 not become effective until Diamond and Calder Railway has paid the fee specified in Section 57 of the Public Utilities Act.
5. The authority hereby granted shall apply only to such bonds as may have been issued on or before October 15, 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 February, 1917.

Miss Helen

H. Woodland

Frank R. DeVin

Commissioners.

Railroad Commission, State of California
FEB 23 1917
BY J. P. Anderson
Assistant Secretary