

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of)	
Petaluma and Santa Rosa Railway Company)	
to issue \$80,000 of first mortgage five)	Application No. 449
per cent bonds, and to pledge them as)	
collateral security for a note of)	
\$64,000.)	

Edwin T. McMurray for applicant.

LOVELAND, COMMISSIONER.

O P I N I O N

This is an application by Petaluma and Santa Rosa Railway Company to issue \$80,000 of its first mortgage twenty-year five per cent bonds, and to pledge them as collateral security for a note of \$64,000, and to use the money to be secured thereby in the construction of 5.5 miles of electric railway line from Liberty Station, Sonoma County, on applicant's main line in a westerly direction, to a point known as Two Rock.

Applicant proposes to build this extension to take care of the business that is offered. Parties interested in the construction of the extension have offered to provide a bonus in the sum of \$19,000 if the projected line is in operation by August 1, 1913.

Petaluma and Santa Rosa Railway Company has submitted, as Exhibit E, an estimate of the total cost of the extension, in the sum of \$104,486.60. This estimate includes a figure for right-of-way, of \$10,200. It appears, however, that the right-of-way will cost applicant not more than \$1,000. On the basis, therefore, as submitted, the extension may be built for \$95,000. Some of the estimates are clearly high, and it is entirely

reasonable to believe that the 5.5 miles of line with the necessary switches and turn outs and overhead trolley construction, can be built for approximately \$90,000. Of this sum, Petaluma and Santa Rosa Railway Company will raise \$64,000 through the medium of its note, and \$19,000 as a bonus, leaving the balance of about \$7,000 to be supplied from applicant's treasury.

Petaluma and Santa Rosa Railway Company has an authorized and outstanding issue of capital stock to the amount of \$1,000,000, divided into 10,000 shares of the par value of \$100 each. It has a total bonded indebtedness of \$896,000, of which \$679,000 represents the first mortgage bonds, and \$217,000 the issue of second mortgage bonds. For the fiscal year ending June 30, 1912, applicant showed a net income before charging off depreciation, of \$43,541.06.

After a hearing and full inquiry, I am of the opinion that the purposes for which Petaluma and Santa Rosa Railway Company desires to pledge its bonds and issue its note are entirely proper, as contemplated by the Public Utilities Act, and I recommend that the application be granted.

I submit herewith the following form of order:

ORDER

Petaluma and Santa Rosa Railway Company having made application to this Commission for authority to issue \$60,000 of its first mortgage five per cent twenty-year bonds, and to pledge them as collateral security for a note of the face value of \$64,000, and to use the proceeds of said note in the construction of an extension of its line of railway from Liberty Station, Sonoma County, 5.5 miles westerly to a point known as Two Rock,

And a hearing having been duly held and it appearing

that the purposes for which applicant desires to pledge its bonds and issue its note are not properly chargeable to operating expenses or to income,

Petaluma and Santa Rosa Railway Company is hereby authorized to issue \$80,000 of its first mortgage five per cent twenty-year bonds and to pledge them as collateral security for a note in the sum of \$64,000, and Petaluma and Santa Rosa Railway Company is hereby authorized to issue its promissory note of the face value of \$64,000 upon the following conditions, and not otherwise:

1. Upon the payment of the note in the sum of \$64,000, said bonds in the sum of \$80,000, must be returned to the treasury of applicant and not issued again without proper application and authorization from this Commission.

2. Said note in the sum of \$64,000 shall bear interest not to exceed six per cent, and the date of its maturity shall not be beyond five years from the present time.

3. Applicant shall receive face value for its note in the sum of \$64,000.

4. The proceeds from said note in the sum of \$64,000, shall be applied upon the construction of the 5.5 miles of electric railway to be built from Liberty Station, Sonoma County, to Two Rock, as specified in applicant's Exhibit E on file with this Commission.

5. Said company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of said bonds hereby authorized to be issued, and on or before the 25th day of each month the company

shall make a verified report to the Commission, in accordance with the Commission's General Order No. 24, stating the sale or disposition of such bonds during the preceding month, the terms and conditions of such sale or other disposition, the moneys realized therefrom and the use and application of such moneys.

6. The authority hereby granted to pledge bonds and to issue a promissory note, shall apply only to such bonds and such note as may be issued before April 1, 1914.

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 ^{15th} day of April, 1913.

H. B. Overland
W. E. Gordon
Wm. Shelton
Edwin O. Edgerton
Commissioners.