

Decision No. 6061.**ORIGINAL**BEFORE THE RAILROAD COMMISSION OF
THE STATE OF CALIFORNIA.

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In the Matter of the Application of)
 NORTHWESTERN PACIFIC RAILROAD COMPANY)
 for an order authorizing the issue of) Application No. 4287.
 bonds of the face value of \$3,941,000.)

C.W. Durbrow, for applicant.

EDGERTON, Commissioner.

O P I N I O N.

NORTHWESTERN PACIFIC RAILROAD COMPANY asks authority to issue \$3,941,000 of its "first and refunding 4-1/2 per cent gold bonds" due March 1, 1957, for the purpose of paying \$3,⁵⁷¹~~751~~,000 ^{NE} of San Francisco and North Pacific Railway Company 5 per cent bonds due January 1, 1919.

The Southern Pacific Company and The Atchison, Topeka and Santa Fe Railway Company have agreed to purchase the \$3,941,000 of bonds at 90.612. Pending the actual issue and delivery of the bonds, the two companies will advance applicant sufficient funds to enable it to pay the \$3,⁵⁷¹~~751~~,000 of bonds due January 1, 1919. The advances are to be evidenced by applicant's 6 per cent promissory notes.

The issue of applicant's 4-1/2 per cent bonds at 90.612 results in an effective interest rate of about 5 per cent, the same as the nominal interest rate of the bonds of the San Francisco and North Pacific Railway Company. A.H. Payson, president of the Northwestern Pacific Railroad Company, testified that there was no other

⁵⁷¹
~~751~~
practical way to pay and redeem the \$3, ~~751~~⁵⁷¹,000 of bonds than through funds advanced by the Southern Pacific and the Santa Fe.

Northwestern Pacific Railroad Company has an authorized stock issue of \$35,000,000. All of the stock is outstanding. One-half of applicant's outstanding stock is owned by the Southern Pacific Company, the other half by The Atchison, Topeka and Santa Fe Railway Company. On December 31, 1917, Northwestern Pacific Railroad Company reported \$28,665,000 of bonds outstanding:--

San Francisco and North Pacific Railway Company	
5 per cent bonds due January 1, 1919,.....	\$3,596,000
California Northwestern Railway Company 5 per	
cent bonds due April 1, 1928,.....	929,000
Northwestern Pacific Railroad Company, 4 $\frac{1}{2}$ % per	
cent bonds due March 1, 1957,.....	<u>24,140,000</u>
Total,.....	\$28,665,000

Of the outstanding bonds, the Southern Pacific Company on December 31, 1917 owned \$23,976,000 and The Atchison, Topeka and Santa Fe Railway Company \$164,000.

The Commission in Decision No. 1428, dated April 4, 1914, (Vol. 4, Opinions and Orders of the Railroad Commission of California, p.751) reviewed the organization and capitalization of Northwestern Pacific Railroad Company.

I herewith submit the following form of Order.

O R D E R.

NORTHWESTERN PACIFIC RAILROAD COMPANY having applied to the Railroad Commission for authority to issue \$3,941,000 of bonds, a public hearing having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED that Northwestern Pacific Railroad Company be, and it is hereby, granted authority to issue \$3,941,000 of its "first and refunding mortgage 4-1/2 per cent gold bonds" due March 1, 1957, at not less than ^{90.612} ~~xxxx~~ and use the proceeds to pay and redeem the \$3, ⁵⁷¹ ~~751~~,000 of 5 per cent San Francisco and North Pacific Railway Company bonds due January 1, 1919, or the promissory notes issued to the Southern Pacific Company and The Atchison, Topeka and Santa Fe Railway Company for the purpose of obtaining funds to pay and redeem said \$3, ⁵⁷¹ ~~751~~,000 of bonds, provided—

- (1).--- That applicant file with the Commission monthly reports as required by the Commission's General Order Number 24, which order, in so far as applicable, is made a part of this order.
- (2).--- That applicant pay the fee prescribed by the Public Utilities Act.
- (3).--- That the bonds herein authorized be issued on or before April 30, 1919.

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 January, 1919.

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 FEB 14 1919
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 BY *[Handwritten signature]*
 ATTORNEY GENERAL

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Commissioners.