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ORIGINAL

Decision No. 6143

BEFORE THE RAILROAD COMMISSION OF  
THE STATE OF CALIFORNIA.

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In the Matter of the application of )  
CALIFORNIA SOUTHERN RAILROAD COMPANY ) Application Number 4153.  
for leave to issue bonds. )

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Ward Chapman, for California Southern Railroad Company,  
U.T. Clotfelder, for The Atchison, Topeka and Santa Fe  
Railway Company, protestant.

MARTIN, Commissioner.

O P I N I O N.

CALIFORNIA SOUTHERN RAILROAD COMPANY, in its amended petition, filed February 7, 1919, in the above entitled matter, asks authority to issue at not less than 80, \$40,000 of its second mortgage 6 per cent bonds due November 1, 1955. Originally, applicant intended to issue \$40,000 of its first mortgage bonds. Because of objections by The Atchison, Topeka and Santa Fe Railway Company, applicant concluded to issue \$40,000 of its second mortgage bonds instead of its first mortgage bonds.

Applicant reports \$213,000 of its first mortgage and \$262,000 of its second mortgage bonds outstanding.

The \$40,000 of bonds, which applicant now intends to issue are to be sold to provide funds for the improvement of its line of railway from Blythe to Blythe Junction in the Palo Verde Valley. It appears that in August and September, 1918, a considerable portion of the railroad was washed out by floods and that in order to avoid a recurrence of a similar interruption of operation, certain betterments,

consisting chiefly of bridges and culverts will have to be made. An estimate of the contemplated betterments was filed with the Commission and aggregates \$27,062. Of this expenditure, according to applicant, \$25,187 will be chargeable to capital account and \$1,875 to operation.

In its amended petition, applicant does not ask authority to issue, nor does it intend to issue bonds for the purpose of financing expenditures chargeable to operating expenditures.

I believe that the betterments contemplated by applicant should be made, and that if made, they will result not only in a safer line of railway but also in a lowered cost of maintenance and operation. It is impossible at this time to determine what proportion of the proposed expenditures is a proper charge to capital account, and what part of the cost should be charged to operating expenses. I suggest, therefore, that the application be granted subject to the condition that none of the proceeds obtained from the sale of the bonds shall be disbursed until the work proposed by applicant is completed in whole or in part, and until proper segregation as between operating expenses and capital accounts is made.

I herewith submit the following form of Order.

O R D E R.

CALIFORNIA SOUTHERN RAILROAD COMPANY having applied to the Railroad Commission for authority to issue \$40,000 par value of its second mortgage 6 per cent bonds, a public hearing having been held and it appearing to the Railroad Commission 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, as may hereafter be authorized by the Railroad Commission, are not in whole or in part reasonably chargeable to operating expenses or to income,

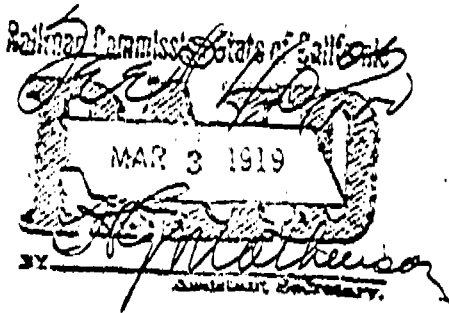
IT IS HEREBY ORDERED that CALIFORNIA SOUTHERN RAILROAD COMPANY be, and it is hereby, granted authority to issue \$40,000 par value of its second mortgage 6 per cent bonds payable July 1, 1955, upon the following conditions, and not otherwise:

- (1).-- The bonds herein authorized to be issued shall be sold by applicant for cash at not less than 80 per cent of their face value plus accrued interest.
- (2).-- The proceeds obtained from the sale of the bonds herein authorized to be issued shall be deposited by applicant in a special bank account, as required by the Commission's General Order No. 24, and expended only for such purposes as the Railroad Commission may hereafter authorize, it being understood that applicant will from time to time, file with the Commission a statement giving a full and detailed description of actual work done and the actual cost thereof, with segregation between capital account and operating expenses.
- (3).-- California Southern Railroad Company shall keep separate, true and accurate account showing the receipt and application in detail of the proceeds of the bonds herein authorized to be issued, and on or before the twenty-fifth day of each month, the company shall make a verified report to the Railroad Commission, as required by the Commission's General Order Number 24, which order, in so far as applicable, is made a part of this order.
- (4).-- The authority herein granted shall not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

(5).-- The authority herein granted shall apply only to such bonds as shall be issued on or before December 31, 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 25<sup>th</sup> day of February, 1919.



Edwin O. Edgert

H. D. Loveland

Frank R. [Signature]

H. B. [Signature]

Irving Martin

Commissioners.