

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of )  
Nevada County Narrow Gauge Railroad ) Application No. 486  
Company for the issuance of bonds. )

Jesse E. Steinhart and E. S. Heller for applicant.

EDGERTON, Commissioner.

O P I N I O N

This is an application by Nevada County Narrow Gauge Railroad Company for an order authorizing the issue of \$500,000. face value thirty-year gold bonds bearing interest at the rate of five per cent per annum, to be issued in the denominations of \$1,000. each, and authorizing it to mortgage its property as security for the payment of said bonds.

Applicant owns and operates a narrow gauge steam railroad, extending from Colfax, Placer County, to Nevada City, Nevada County, a distance of 20.41 miles. In addition applicant owns and operates sidings and other tracks of 4.07 miles.

The condition of the capitalization of applicant is as follows:

Stock:

Authorized 4,000 shares at \$100. \$400,000.00  
Issued + 250,200.00

Bonds, interest 7 per cent.

Authorized 250,000.00  
Outstanding 162,000.00

Other indebtedness as of April 10, 1913 14,498.49

Applicant proposes to change its system from a narrow gauge to a standard or broad gauge railroad, and for that purpose will use the proceeds from the sale of the bonds herein asked to be authorized.

The estimated cost of such change, including the purchase of standard gauge equipment, is \$361,519.25.

Applicant has submitted an inventory and estimate of cost which is somewhat different than that contained in the application. What is here said is based upon the inventory as filed. This inventory and estimate of cost has been checked by the engineering department of this Commission and has been found to be a reasonable estimate of the cost of the proposed additions and improvements.

This Commission has, in Case No. 178, initiated proceedings to ascertain the value of the property of Nevada County Narrow Gauge Railroad Company, and the engineering department of this Commission has prepared and filed in such proceedings an estimate of such value. This report states the depreciated reproduction value or present value of said property as of date June 30, 1912, at \$555,184.62.

While no hearing has been had in Case No. 178, the report of the Commission's engineering department may be taken as a basis upon which to arrive at a conclusion as to the relation between the capitalization of applicant and the value of its property.

Applying the principles used in making up the valuation above noted, the engineering department of this Commission has estimated the actual addition to the value of applicant's plant by the expenditure of the money herein proposed, after deducting such amounts as should be charged to replacements, of \$217,343.23. This makes a total present plant value of \$772,527.87.

As applicant has now outstanding \$162,000. face value of bonds, and after offsetting these proposes to increase the amount of such outstanding bonds by \$338,000, we have a margin of \$272,527.87, plant value over outstanding bonds. If we add outstanding stock and the proposed amount of bonds, we have a total amount of \$750,000. face value of stock and bonds as against

\$772,527.87 of property, leaving a margin of property over total capitalization of \$22,527.87.

The net revenue of applicant was for the year ending June 30, 1912, \$30,442.47. Deducting from this \$5,760. for taxes and \$12,285. interest on funded debt, leaves net \$12,397.47.

The added interest burden if this application is granted, will be \$16,900. which leaves an apparent deficit, if the earnings continue the same as for 1912, and the earnings necessary to meet the bond interest if this application is granted of \$4,502.53. However, as there undoubtedly will be an increase in the traffic of applicant and a more economical handling of its business, it is fair to assume that applicant's increased earnings will safely take care of the additional bond interest.

The standard gauging of this railroad will permit of the interchange of equipment between this and other railroads, and the more economical operation of applicant's road, and in every way be of benefit, not only to applicant but to the public.

Applicant has prepared a form of trust deed which it has proposed to execute, mortgaging its property to secure the payment of the bonds to be issued, and this mortgage or trust deed provides that the \$162,000. face value of bonds now outstanding shall be redeemed and paid from the proceeds of a like amount of new issue of the bonds, and that no further issue of said underlying bonds shall be made.

The corporate life of applicant at present will terminate in 1924, and it is proposed to extend such corporate life by appropriate proceedings, to January 1, 1963.

I recommend that the application be granted upon the condition precedent that the proceedings to lengthen the corporate life of applicant be completed so as to extend beyond the maturity of the bonds herein asked to be authorized.

I submit herewith the following form of order:

O R D E R

Application having been made to the Railroad Commission of the State of California by Nevada County Narrow Gauge Railroad Company for an order authorizing the issue by said company of \$500,000. face value thirty-year gold bonds, bearing interest at the rate of five per cent per annum, to be issued in the denominations of \$1,000. each and authorizing it to mortgage its property as security for the payment of said bonds.

And a hearing having been duly held and it appearing to the Commission that the money to be secured by the issue of said bonds is necessary and reasonably required by said company for the refunding of its indebtedness and the acquisition of property and the construction, extension and improvement of its facilities, and that the purposes for which the proceeds of said bonds are to be used are not in whole or in part reasonably chargeable to operating expenses or to income, and that it is proper that said Nevada County Narrow Gauge Railroad Company mortgage its property for the purpose of securing the payment of said bonds,

IT IS HEREBY ORDERED that the Railroad Commission of the State of California does hereby authorize the issue by Nevada County Narrow Gauge Railroad Company of \$500,000. face value thirty-year gold bonds, bearing interest at the rate of five per cent per annum, to be issued in the denominations of \$1,000. each, and said Nevada County Narrow Gauge Railroad Company is further authorized to mortgage its property as security for the payment of said bonds.

Said bonds to be issued under and in pursuance of the terms of a mortgage or deed of trust, which shall be in substantially the same form as the copy of such proposed deed of trust on file herein.

Said bonds shall be issued upon the following conditions and not otherwise, to-wit:

1. Nevada County Narrow Gauge Railroad Company shall sell the bonds hereby authorized so as to net said company not less than 85 per cent of the face value thereof, plus accrued interest at the date of their delivery to the purchaser.

2. The proceeds from the sale of said bonds shall be used for the following purposes only:

a- To pay off and retire \$162,000. face value of bonds of said company now outstanding.

b- Grading- Widening cuts and embankments.....	\$20,000.00
Tunnels- Enlarging present section.....	16,500.00
Steel Bridges- Reinforcing present structures.....	21,000.00
Trestles - " " " ".....	5,000.00
Ties- Replacing all ties.....	45,000.00
Rails- Replacing all rails with 60 lb. section....	103,300.00
Frogs and switches- Replacing with new section....	6,050.00
Track fastenings- Replacing all fastenings.....	13,252.00
Ballast.....	16,560.00
Tracklaying and surfacing.....	25,250.00
Station buildings.....	500.00
Platforms, walks, etc.....	1,000.00
Shop buildings, etc.- Enlarging present facilities	2,500.00
Turntables, etc.- Enlarging present facilities....	2,500.00
Miscellaneous structures. " " " ".....	500.00
Water stations " " " ".....	500.00
Fuel stations.....	250.00

Total of above..... \$279,662.00

Engineering- 5% of above.....	13,983.10
Transportation of men and material.....	9,500.00
Steam locomotives.....	15,000.00
Passenger cars.....	6,500.00
Freight cars.....	16,250.00

Total of above..... \$340,895.10

Law expenses - 1% of above..... 3,408.95

Total of above..... \$344,304.05

Contingencies - 5% of above..... 17,215.20

Grand total..... \$361,519.25

For a more detailed description of the above items, reference is hereby had to Exhibit H, on file herein.

3. 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 condition of such sale or other disposition, the moneys realized therefrom and the use and application of such moneys.

4. As a condition precedent to the effectiveness of this order applicant shall submit to the Commission satisfactory evidence that its corporate life has been extended beyond the time of maturity of the bonds herein authorized to be issued.

5. The authority hereby given to issue such bonds shall apply only to bonds issued by said company on or before the 1st day of May, 1914.

6. The payment of the minimum fee prescribed in section 57 of the Public Utilities Act shall be a condition precedent to the effectiveness of this order.

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 18<sup>th</sup> day of June, 1913.

John W. Eshleman

H. D. Loveland

A. L. Johnson

Max Thelen

Edwin O. Edgerton

Commissioners.

Railroad Commission, State of California

Fee \$ 338.00  
1000

JUL 1 1913

H. G. Mackay  
Assistant Secretary.