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Decision No. 7770

ORIGINAL

BEFORE THE RAILROAD COMMISSION  
OF THE STATE OF CALIFORNIA

In the Matter of the Application of the )  
SAN DIEGO AND ARIZONA RAILWAY COMPANY. ) Application No. 808.  
for order authorizing the sale of bonds. ) (Supplemental)

Read G. Dilworth and E. J. Foulds, for Applicant.

LOVELAND, Commissioner.

THIRD SUPPLEMENTAL OPINION.

SAN DIEGO AND ARIZONA RAILWAY COMPANY asks permission to issue \$1,000,000. face value of bonds and amend its mortgage heretofore executed to United States Mortgage and Trust Company to secure the payment of an authorized bond issue of \$12,000,000.

Section 2 of Article 2, of applicant's mortgage now reads:

Eight million dollars (\$8,000,000.) face value, of said bonds may be executed by the Company at any time after the execution of this indenture and shall be delivered to the trustee for authentication, and without any further action on the part of the company, shall by the trustee be authenticated and delivered upon the written order of the company signed by its President or one of its Vice Presidents and by its Secretary or Treasurer, under its corporate seal. The said \$8,000,000. of bonds may be executed and authenticated at any one time or from time to time as the company shall, at its option, elect.

Applicant asks permission to modify the foregoing section so as to cover \$9,250,000. of bonds, leaving \$2,750,000. instead of \$4,000,000. out of the authorized issue of \$12,000,000. which the trustee may authenticate and deliver from time to time to reimburse the company for specific expenditures mentioned in the mortgage. It is of record that all the stockholders and all the bondholders have given their consent to the modification of

the mortgage.

It was originally estimated that \$8,000,000. of bonds, together with stock heretofore issued would be sufficient to cover the cost of applicant's line of railway. The testimony shows that to complete the road, the issue of an additional \$1,000,000. of bonds is necessary. Applicant reports that this increased cost is due to increased cost of material and labor and many adverse conditions beyond its control, which have arisen since the commencement of the construction of its railroad.

Applicant reports \$2,000,000. of common and \$5,826,800. of preferred stock and \$9,500,000. of bonds outstanding. Of the outstanding bonds, \$1,500,000. were issued to acquire the properties of San Diego and South Eastern Railway Company, and the remaining \$8,000,000. to pay in part the cost of constructing applicant's railroad. This Commission has authorized the issue of all of the preferred stock and all of the bonds now outstanding.

The record shows that pursuant to the terms of an agreement dated October 1, 1916, Southern Pacific Company has advanced to applicant up to April 30, 1920, the sum of \$680,855.39 to cover construction costs, against which no bonds have been issued. Applicant's engineers are of the opinion that to complete the line, an additional sum of \$319,144.61 will have to be expended for the purposes set forth in the supplemental application, making a total expenditure of \$1,000,000., against which this Commission has not authorized the issue of any bonds.

The \$1,000,000. of bonds which applicant asks permission to issue will be taken by the Southern Pacific Company at par, in liquidation of advances made by it from time to time.

I herewith submit the following form of order.

SEVENTEENTH SUPPLEMENTAL ORDER.

SAN DIEGO AND ARIZONA RAILWAY COMPANY, having applied to the Railroad Commission for permission to amend its mortgage and issue \$1,000,000. of bonds, a public hearing having been held and the Commission being of the Opinion that the money, property or labor to be procured through such issue is reasonably required by applicant and that the purposes for which the expenditures will be made are not in whole or in part reasonably chargeable to operating expenses or to income:

IT IS HEREBY ORDERED that San Diego and Arizona Railway Company be, and it is hereby, authorized to execute amendments to its mortgage substantially in the same form as the amendments set forth in applicant's Exhibit No. 1, provided that the approval herein given of said amendments is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said amendments as to such other legal requirements to which said amendments may be subject.

IT IS HEREBY FURTHER ORDERED that San Diego and Arizona Railway Company be, and it is hereby, authorized to issue and sell on or before December 15, 1920, to Southern Pacific Company, at not less than their face value, \$1,000,000. of its 6% bonds, for the purpose of paying the Southern Pacific Company for moneys to a like amount advanced or to be advanced to applicant by said Southern Pacific Company, and used or to be used by applicant in constructing and equipping applicant's railroad, as more particularly set forth in schedules attached to the supplemental petition herein, provided:-

1. That, the authority herein granted will not become effective until applicant has paid the fee prescribed in the public utilities act.

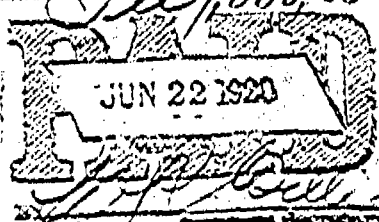
2. That, San Diego and Arizona Railway Company will keep such record of the issue and sale of the bonds herein

authorized and of the disposition of the proceeds as will enable it to file on or before the 25th day of each month, a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

The foregoing third supplemental opinion and seventeenth supplemental order are hereby approved and ordered filed as the third supplemental opinion and seventeenth supplemental order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 21<sup>st</sup> day of June, 1920.

Railroad Commission of California



H. S. Loveland  
Frank P. Dutton  
Quincy Martin

Commissioners.