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ORIGINAL

Decision No. 7927.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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In the Matter of the Application of
PACIFIC ELECTRIC RAILWAY COMPANY
for authority to issue refunding mort-
gage fifty-year gold bonds under its
mortgage dated September 1, 1911, to
the amount of \$200,000.00 to refund
bonds issued under the mortgage or deed
of trust of the Riverside and Arling-
ton Railway Company to Union Trust
Company of San Francisco dated September
5, 1899.

Application No. 5400.

Frank Karr, for applicant.

BRUNDIGE, Commissioner.

O P I N I O N.

PACIFIC ELECTRIC RAILWAY COMPANY asks permission to
issue and sell at par \$200,000.00 of its 5 per cent refunding mortgage
bonds due September 1, 1961.

As a result of the acquisition of the properties of the
Riverside and Arlington Railway Company, Pacific Electric Railway Com-
pany assumed the payment of \$200,000.00 of that company's 4 per cent
bonds, which matured August 14, 1919, but which have not been paid.
All of these bonds are owned by the Southern Pacific Company, which is
willing to accept in payment therefor \$200,000.00 of Pacific Electric
Railway Company 5 per cent refunding mortgage bonds.

Pacific Electric Railway Company was organized in 1911
and reports \$34,000,000.00 of stock outstanding on December 31, 1919, of
which ~~\$5,300,000.00~~ ^{33,999,400.00} is owned by the Southern Pacific Company. Appli-
cant has issued or assumed the payment of bonds in the principal sum of
\$57,845,400.00, -more than one-half of which are reported to be owned

See letter of
Nov. 5, 1920
P.C.F.
W.C.
H.P.

by the Southern Pacific Company. The testimony shows that the earnings of the Pacific Electric Company are at present not sufficient to pay interest on all of the outstanding bonds, but that the interest has regularly been paid on all bonds held by individuals, and that the Southern Pacific Company is willing to defer, without foreclosure, the payment of interest on bonds held by it in case the earnings of applicant are inadequate to pay such interest. The Southern Pacific Company has from time to time advanced moneys to Pacific Electric Railway Company for construction purposes and enable that company to meet its obligations. Advances so made are carried as an open account indebtedness, which on December 31, 1919, was reported at \$12,345,511.65.

The testimony shows that the \$200,000 of 4 per cent Riverside and Arlington Railway Company bonds were sold at 80. Of the bonds, \$100,000 were sold during July 1900, \$10,000 during May 1903 and \$90,000 during July 1908. All of the discount has been amortized. The proceeds from the sale of the bonds were used, according to applicant's report, to pay construction costs.

The bonds which applicant asks permission to issue bear 5% interest, as compared with 6% interest charged by the Southern Pacific Company on open account indebtedness. It is because of this lower interest rate, the willingness of the Southern Pacific Company to accept the bonds at par and other facts and circumstances relating to this as distinguished from other proceedings of a similar character, that I am willing to recommend that this application be granted. The granting of the application should not be considered as a precedent either by applicant or any other public utility corporation.

I herewith submit the following form of Order:

O R D E R.

PACIFIC ELECTRIC RAILWAY COMPANY having applied to the Railroad Commission for permission to issue \$200,000.00 of its 5 per cent refunding mortgage bonds, a public hearing having been held and the Railroad 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 this 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 PACIFIC ELECTRIC RAILWAY COMPANY be, and it is hereby, authorized to issue and sell on or before December 1, 1920, to the Southern Pacific Company, at not less than par, \$200,000.00 of its refunding mortgage 5 per cent bonds due September 1, 1961, for the purpose of paying the \$200,000.00 of Riverside and Arlington Railway Company bonds referred to in this application.

The authority herein granted is subject to further conditions as follows:

- 1.-- Prior to, or concurrent with, the issue of the bonds herein authorized, the \$200,000.00 of Riverside and Arlington Railway Company bonds referred to in this application shall be cancelled and the mortgage securing the payment of such bonds released of record.
- 2.-- Pacific Electric Railway Company shall 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 twenty-fifth 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.

3.-- The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.

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 29th day of July, 1920.

Railroad Commission of California
Fee \$ 700 ⁰⁰/₁₀₀
AUG 4 1920
H. Matsumoto
Assistant Secretary

Edwin C. Egerton
A. S. Stewart
Frank R. DeWitt
H. W. Brundige

Commissioners.