

Decision No. 33750

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of PACIFIC )  
ELECTRIC RAILWAY COMPANY, a corporation, for )  
permission to sell and assign certain opera- )  
tive rights and property, and to withdraw )  
from the rendering of certain local service, )  
all within Pasadena, California; and of )  
PASADENA CITY LINES, INC., a corporation, for )  
(a) permission to exercise said operating )  
rights; (b) an order authorizing the issuance )  
of certain securities; and (c) a certificate )  
that public convenience and necessity require )  
certain operations. )

**ORIGINAL**

Application  
No. 23776

FRANK KARR and C. W. CORNELL, for Pacific Electric  
Railway Company.

DIETHER & DELBRIDGE by LEONARD A. DIETHER, for Pasadena  
City Lines, Inc.

HAROLD P. HULS, City Attorney, and H. BURTON NOBLE,  
Assistant City Attorney, for the City of  
Pasadena.

ROSS C. FISHER, for Flintridge Motor Company.

SADIE THOMAS LAMBERT, for Mar Vista Line.

W. P. NUTTER, D. H. SHEETS, and E. L. SMITH, for Brother-  
hood of Railroad Trainmen.

DONALD S. CLEMENTS, A. RAY DOERSCHLAG and JOSEPH E.  
TUMBACH, for the Citizens Committee of  
Altadena.

H. F. DUNTON, for Altadena Property Owners League.

RILEY, COMMISSIONER:

O P I N I O N

In this application and amendment thereto, the Railroad  
Commission is asked to enter its order: (1) authorizing Pacific  
Electric Railway Company, hereinafter sometimes referred to as  
"Pacific Electric," to sell for \$223,400 to Pasadena City Lines, Inc.,  
hereinafter sometimes referred to as "City Lines," the properties  
described in Exhibit "B" filed in this proceeding, and withdraw from

rendering certain local transportation service in Pasadena, (2) granting to City Lines a certificate of public convenience and necessity authorizing it to operate motor coaches in the City of Pasadena and adjacent territory, and (3) authorizing City Lines to issue 2,830 shares of no par value common stock of \$100 per share for the purposes hereinafter stated.

Public hearings were held in this matter in Pasadena on November 15, 1940, and in Altadena on November 16, 1940, on which latter date the matter was submitted for determination.

Pacific Electric, in connection with its general electric railway and motor coach system in Southern California, performs local service in and adjacent to the City of Pasadena by both motor coach and street car. The routes operated over by Pacific Electric are delineated on the map marked Exhibit "A" attached to the application.

It is the plan of Pacific Electric to entirely withdraw from the local transportation field in the City of Pasadena and maintain therein only its interurban service between Pasadena and Los Angeles. City Lines proposes to inaugurate local motor coach service in lieu of the service now being operated by Pacific Electric; however, a considerable modification in routes is involved which will entail the abandonment of service along Mar Vista Avenue and Marengo Avenue.

Some time prior to the filing of this application a study of the local transportation system was made by engineers of the Commission's Transportation Department, and a report compiled which was entered as Exhibit No. 25 at the hearing in Application No. 21656. In this report certain modifications of routes were recommended, as well as the abandonment of service on both Mar Vista Avenue and Marengo Avenue.

The service proposed by City Lines in general covers the same territory as that recommended by our engineers; however, the routings are somewhat different, with the exception, however, that the service covers only the unincorporated Altadena section to a limited extent. Exhibit 1-A of Amendment to Application is a map delineating the routes proposed by City Lines, and in order to provide this service the company proposes to completely rehabilitate some of the equipment acquired from Pacific Electric and purchase 24 new passenger buses. Seventeen of these buses will have a carrying capacity of 27 passengers, and seven will have a capacity of 36 passengers. It is proposed to place these new coaches on the heaviest lines, and the best of the coaches purchased from Pacific Electric on the remaining lines. The balance of the acquired coaches will be for standby service, to be used on special occasions such as events in the Rose Bowl and for school tripper service.

The City of Pasadena is agreeable to the routes as proposed by City Lines, as evidenced by the franchise entered into between the parties.

Innumerable requests were made for additional routes in Pasadena, particularly on Mar Vista and Marengo Avenues, as well as the territory south of California Street. It was the contention of those living on Mar Vista Avenue and Marengo Avenue that the Pacific Electric Railway Company had for many years performed service along these streets and that this service should be continued. Those people living south of California Street contended that they would be without local transportation by the system as proposed, and that a line should be extended into their territory.

In the Altadena area a very serious protest arose because no service was provided, particularly in the northern part of Altadena. These protestants presented a map, Exhibit No. 14, which

showed the routes they suggested should be installed. The routes proposed by them gave an almost complete coverage of the Altadena territory.

After giving these requests due consideration City Lines amended its application to include a route<sup>(1)</sup> in Altadena connecting the northerly end of its proposed Lake Street line and the northerly end of its Lincoln Avenue line, making direct transfers with these two lines on a 90-day trial, with an additional fare of five cents.

Pasadena City Lines, Inc., was incorporated on or about June 26, 1940, under the laws of the State of California. It has an authorized common stock issue of 5,000 shares of no par value. Its Articles of Incorporation do not provide for the issue of any preferred stock.

In this application it asks permission to issue at \$100 per share, 2,830 shares of its common stock and use the proceeds, to-wit: \$283,000, for the following purposes:

- To pay the purchase price of Pacific Electric Railway Company properties of \$223,400;
- To pay organization development expenses of \$23,000;
- To make a down payment on 24 new coaches of \$18,000;
- To provide a working capital of \$18,600.

Exhibit No. 7 filed in this proceeding shows that the \$223,400 is made up of the following items:

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(1) Northerly on Lake Avenue from Mariposa Avenue to Los Flores Avenue; thence along Los Flores Avenue to Fair Oaks Avenue; thence southerly along Fair Oaks Avenue to Palm Avenue; thence westerly along Palm Avenue to Olive Avenue; thence southerly along Olive Avenue to Ventura Street; thence westerly along Ventura Street to Lincoln Avenue; and southerly along Lincoln Avenue to Figueroa Drive; making a connection with the route southerly along Lincoln Avenue to the business area of Pasadena.

Real property		\$ 58,100.00
Motor coaches (39 in number)		
Appraised value		42,712.10
Garage equipment and tools		3,365.00
Operating rights		119,222.90
Motor Coach	\$55,863.08	
Rail	<u>63,359.82</u>	
		<u>                    </u>
Total		<u>\$223,400.00</u>

The record shows that City Lines does not intend to operate any rail service in Pasadena. As a matter of fact the franchise granted to it by Ordinance 3546 of the City of Pasadena provides for the removal of all rail facilities used exclusively for local service. The company seeks a new certificate of public convenience and necessity in lieu of such operating rights, except the Flint-ridge-La Canada rights, which it is acquiring from the Pacific Electric Railway Company. The franchise, among other things, provides the grantee shall transfer good title, by bill of sale to all abandoned rails and ties and incidental facilities in place, to the City of Pasadena. After such delivery of title the grantee and Pacific Electric Railway Company, and each of them, are released and discharged from any and all obligations, either legal or equitable, that said railway company and grantee, or either of them, now have or shall hereafter have to remove rails and ties and incidental facilities, and to rehabilitate streets upon which such rails, ties, and incidental facilities are located upon abandoned local rail lines serving routes that are to be served by the transportation system of the grantee. It is further provided in the franchise that the grantee shall remove or cause to be removed all overhead facilities used in connection with existing rail operation on local lines within the City of Pasadena as soon as practical after the effective date of the franchise, and that prior to such removal the grantee shall pay to the city the sum of \$6,000 in cash therefor. The \$6,000 plus \$100 paid to the City of Pasadena at the time the

franchise application was filed and the only payments the record shows as having been made to the City of Pasadena in consideration for the granting of the franchise.

Section 52 of the Public Utilities Act specifies the purposes for which the Railroad Commission may authorize a public utility to issue stock, provided, among other things, that in the opinion of the Commission 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, except as otherwise permitted in the order in the case of bonds, notes, or other evidences of indebtedness, such purpose or purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income. Another provision of Section 52 of the Public Utilities Act reads:

"The Commission shall have no power to authorize the capitalization of the right to be a corporation, or to authorize the capitalization of any franchise or permit whatsoever or the right to own, operate, or enjoy any such franchise or permit, in excess of the amount (exclusive of any tax or annual charge) actually paid to the state or to a political subdivision thereof as the consideration for the grant of such franchise, permit or right."

Moreover, this Commission for many years past, when granting a certificate of public convenience and necessity to a common carrier, has placed such carrier upon notice that operative rights do not constitute a class of property which should be capitalized or used as an element of value in determining reasonable rates.

There is no evidence before us showing how much Pacific Electric Railway Company, or its predecessors in interest, have paid the State of California or its political subdivision for any of the franchises or permits which it now proposes to transfer to Pasadena City Lines, Inc. It is not incumbent upon the Commission to produce such evidence. In the absence of any evidence on that point the entire amount of \$119,222.90, which Pasadena City Lines, Inc. proposes to pay for operative rights, will be disallowed for the pur-

pose of issuing stock. For the purpose of acquiring Pacific Electric Railway Company properties, the order herein will authorize Pasadena City Lines, Inc. to issue 1,042 shares of stock at a stated value of \$100 per share. If Pasadena City Lines, Inc. receives for such stock more than \$100 per share, it must credit the difference between the price which it receives for such stock and \$100 per share to Paid-in surplus, and in turn credit the amount to account 2900, Unearned surplus, and offset such excess by a charge to account 1550, Other intangible capital.

W. E. Andersen, Secretary of City Lines, testified that the company should deposit \$18,600 in a bank account for the purpose of establishing banking connections and provide itself with funds to establish its business.

The testimony shows that all the stock which Pasadena City Lines, Inc. will be authorized to issue will be acquired by the Pacific City Lines, Inc. It further shows that the latter stands ready to acquire additional stock of the Pasadena City Lines, Inc. when that company needs stock proceeds to acquire additional equipment. As indicated at present it will acquire thirty-four new motor coaches. These coaches will cost about \$180,000. Of this amount, \$18,000 will be paid in cash and the balance will be financed through the issue of notes and the execution of a mortgage. The note issue and the execution of the mortgage are not now before the Commission.

After considering the testimony submitted I am of the opinion that Pasadena City Lines, Inc. should be authorized to issue 1,638 shares of its no par value common capital stock at not less than \$100 per share, and that it should be authorized to use the proceeds realized from the issue of said stock to pay the cost of the properties which it will acquire from the Pacific Electric Railway Company, to pay actual organization expenses, and to make a down

payment of about \$18,000 on new motor coaches and provide itself with working capital of \$18,600.

City Lines showed, by Exhibit No. 5, that it expected to have a net operating revenue of \$24,949.00 for the first year of operation. This operation, however, did not include an estimate of the Altadena service which was proposed at the hearing.

A review of the record indicates that the routes proposed give reasonable coverage to the residents of Pasadena and the surrounding territory, with the exception of that area south of California Street and certain portions of Altadena.

With respect to the request that service be continued to Mar Vista Avenue and Marengo Avenue, it is clear that that territory would be over serviced by the continuation of these lines. Marengo Avenue is midway between Fair Oaks Avenue and Los Robles Avenue, which are about one-half mile apart, and it would appear that one-fourth of a mile walking distance is not excessive. Similarly, Mar Vista Avenue is approximately midway between Lake Avenue and Hill Avenue, which are also about one-half mile apart. Furthermore, the Commission, by its Decision No. 33088, dated May 14, 1940, authorized Pacific Electric to abandon service on Mar Vista and Marengo Avenues.

With respect to service south of California Street, it is clear that a service would be beneficial to the residents of that area. However, it is concluded that a service as proposed should be installed initially, and after the company has had some experience with respect to traffic conditions in that area this route should be further studied.

The lines on Hill Avenue and Lincoln Avenue, proposed in the application, do not make sufficient coverage of the territory, particularly in the northerly portion of Altadena. A route extending northerly on Lake Avenue from Mariposa to Los Flores Avenue;

thence along Los Flores Avenue to Fair Oaks Avenue; thence southerly along Fair Oaks Avenue to Palm Avenue; thence westerly along Palm Avenue to Olive Avenue; thence southerly along Olive Avenue to Ventura Street; thence westerly along Ventura Street to Lincoln Avenue; and southerly along Lincoln Avenue to Figueroa Drive, making a connection with the route southerly along Lincoln Avenue to the business area of Pasadena would reasonably serve Altadena. Such a route should be operated independently of the lines on Lake Avenue and Lincoln Avenue in order that a definite check could be made upon its revenues, and so that the Commission might, at the end of any period, determine precisely the results of that operation.

It is concluded from the record that the routes, as proposed, should give to Pasadena and the surrounding area a reasonable local service at a five-cent fare.

It is to be understood, however, that after this service has been in operation it is found that modifications should be made to improve the service, the Commission will retain continuing jurisdiction to reopen the matter at any time.

The following form of Order is recommended.

#### O R D E R

Public hearings having been held in this proceeding, the matter having been submitted, and it being found that public convenience and necessity require the transfer from Pacific Electric Railway Company to Pasadena City Lines, Inc. of the local operations in and about Pasadena:

#### PART I

IT IS HEREBY ORDERED that:

I. Pacific Electric Railway Company, a corporation, is

hereby authorized to transfer to Pasadena City Lines, Inc., a corporation, and Pasadena City Lines, Inc. is hereby authorized to acquire said operative rights and property mentioned in the foregoing Opinion, in accordance with the agreement filed as Exhibit No. 1, and to thereafter operate thereunder, subject to the following conditions:

- (1) The consideration to be paid for the property herein authorized to be transferred shall never be urged before this Commission, or any other rate fixing body, as a measure of value of said property for rate fixing, or for any purpose other than the transfer herein authorized.
- (2) Applicant Pacific Electric Railway Company shall, within thirty (30) days after the effective date of this order, and upon not less than one (1) day's notice to the Commission and the public, withdraw all time schedules and tariffs applying to its local service in Pasadena, filed in its name, and make effective concurrently with tariffs and time schedules of Pasadena City Lines, Inc. as hereinafter proscribed.

II. A certificate be and it is hereby granted to Pasadena City Lines, Inc., a passenger stage corporation, to perform local passenger stage service within the City of Pasadena and territory contiguous thereto, subject to the following conditions:

- (1) The service herein authorized shall commence within a period of not to exceed sixty (60) days from the effective date hereof.
- (2) The service herein authorized shall be placed into effect concurrently with the withdrawal of local passenger service by Pacific Electric Railway Company.
- (3) The service herein authorized shall not be commenced until there shall have been established, in conformity with the rules of this Commission, a joint fare arrangement between Pacific Electric Railway Company and Pasadena City Lines, Inc. for joint use of the lines of both carriers by passengers traversing between Pasadena and Los Angeles, at fares for such through passage not to exceed those presently in effect by Pacific Electric Railway Company.

III. In the operation of said passenger stage service, pursuant to the foregoing certificate, Pasadena City Lines, Inc. shall comply with and observe the following service regulations:

- (1) Written acceptance of the certificate herein granted shall be filed within a period of not to exceed thirty (30) days from the date hereof.
- (2) Subject to the authority of this Commission to change or modify such at any time by further order, Pasadena City Lines shall conduct such passenger stage operation over and along the following described routes:

COLORADO STREET ROUTE:

From the corner of Colorado Street and Raymond Avenue; south on Raymond Avenue to Green Street; west on Green Street to Delacy Street; north on Delacy Street to Colorado Street; east on Colorado Street to Daisy Avenue. From this point alternate routes will cover one of two routes: (1) continuing east on Colorado Street to Rosemead Boulevard, and return; (2) north on Daisy Avenue to a loop formed by Daisy Avenue, Mercedes Street, and Villa Street, and return.

LINCOLN-HILL ROUTE:

From the corner of Lincoln Avenue and Figueroa Drive; south along Lincoln Avenue to Orange Grove Avenue; west on Orange Grove Avenue to Pasadena Avenue; south on Pasadena Avenue to Colorado Street; east on Colorado Street to Hill Avenue; north on Hill Avenue to New York Avenue; east on New York Avenue to Oxford Avenue; south on Oxford Avenue to Elizabeth Street; west on Elizabeth Street to Hill Avenue, and return over same route.

FAIR OAKS-LAKE ROUTE:

From the corner of Fair Oaks Avenue and Mariposa Street; south on Fair Oaks Avenue to Colorado Street; east on Colorado Street to Lake Avenue; north on Lake Avenue to Mariposa Street, and return over the same route.

LOS ROBLES ROUTE:

At the north end of this route alternate buses will make east and west loops. West loop: Atchison Street, Marengo Avenue, Montana Street, and Los Robles Avenue. East loop: Atchison Street, El Molina Avenue, Woodbury Road, and Los Robles Avenue. From the corner of Los Robles Avenue and Atchison Street all buses will go south on Los Robles Avenue to Colorado Street; west on Colorado Street to Raymond Avenue; south on Raymond Avenue to Green Street; west on Green Street to Delacy Street; north on Delacy Street to Colorado Street; east on Colorado Street to Los Robles Avenue, and return over the same route.

CALIFORNIA-ALLEN ROUTE:

From a loop formed by Villa Street, Craig Avenue, Casa Grande Street, and Allen Avenue; south on Allen Avenue to Oakdale Street; west on Oakdale Street to Hill Avenue; south on Hill Avenue to San Pasqual Street; west on San Pasqual Street to Lake Avenue; south on Lake Avenue to California Street; west on California Street to Los Robles Avenue; north on Los Robles Avenue to Colorado Street; west on Colorado Street to Fair Oaks

CALIFORNIA-ALLEN ROUTE (Cont'd)

Avenue; south on Fair Oaks Avenue to California Street; west on California Street to Arroyo Boulevard; south on Arroyo Boulevard to La Loma Road; east on La Loma Road to Grand Avenue; north on Grand Avenue to California Street, and return over the same route.

LINDA VISTA ROUTE:

From the corner of Linda Vista Avenue and Inverness Drive; south on Linda Vista Avenue to Seco Street; north and east on Seco Street to Rosemont Avenue; southeast on Rosemont Avenue to Scott Place; south on Scott Place to Arroyo Terrace; east on Arroyo Terrace to Orange Grove Avenue; south on Orange Grove Avenue to Colorado Street; east on Colorado Street to Garfield Avenue; south on Garfield Avenue to Green Street; west on Green Street to Marengo Avenue; north on Marengo Avenue to Colorado Street, and return over the same route.

AVENUE 64 ROUTE:

From a loop (in Los Angeles) formed by Pasadena Avenue, Figueroa Street, Ruby Street, and Avenue 64; north on Avenue 64 and Melrose Avenue to Colorado Street; east on Colorado Street to Garfield Avenue; south on Garfield Avenue to Green Street; west on Green Street to Marengo Avenue; north on Marengo Avenue to Colorado Street, and return over the same route.

WASHINGTON STREET CROSS TOWN ROUTE:

From a loop formed by Pepper Drive, New York Avenue, Valencia Avenue, and Washington Street; west on Washington Street to El Molino Avenue; south on El Molino Avenue to Prescott Street; west on Prescott Street to Los Robles Avenue; north on Los Robles Avenue to Washington Street; east on Washington Street to El Molino Avenue, and return over the same route.

ALTADENA ROUTE:

From a point at the intersection of Lake Avenue and Mariposa Street; northerly on Lake Avenue to Los Flores Drive; westerly on Los Flores Drive to Fair Oaks Avenue; southerly on Fair Oaks Avenue to Palm Street; westerly on Palm Street to Olive Avenue; southerly on Olive Avenue to Ventura Street; westerly on Ventura Street to Lincoln Avenue; southerly on Lincoln Avenue to the intersection of Lincoln Avenue and Figueroa Drive, where it will connect with the Lincoln Avenue line returning over the same route in the opposite direction.

ROSE BOWL ROUTE:

From the corner of Garfield Avenue and Green Street; west on Green Street to Marengo Avenue; north on Marengo Avenue to Colorado Street; west on Colorado Street to Orange Grove Avenue; north on Orange Grove Avenue to Holly Street; west on Holly Street to Linda Vista Avenue; north on Linda Vista Avenue to Seco Street; north on Seco Street to Arroyo Boulevard; north-east on Arroyo Boulevard to Rosemont Street; south on Rosemont Street to Orange Grove Avenue; south on Orange Grove Avenue to

Colorado Street; east on Colorado Street to Garfield Avenue; south on Garfield Avenue to Green Street; and return over same route. (Service over this route to be operated only on special events at Rose Bowl, except special events on New Year's Day).

IN LIEU ROUTES:

In lieu of the routes set out above, authority:

- (a) To turn motor coaches at termini either in the intersection of streets or by operating around a block contiguous to such intersection in either direction to carry passengers as traffic regulations of the municipality may require.
- (b) To divert from regular established routes either on regular schedules or on special schedules for the purpose of transporting bona fide pupils attending an institution of learning between their homes and such institution of learning, provided that such divergence and the schedules therefor shall be filed as are other time schedules, and whenever special rates are provided the schedule therefor shall also be filed.
- (3) File in triplicate and concurrently make effective on not less than ten (10) days' notice to the Commission and the public a tariff or tariffs constructed in accordance with the requirements of the Commission's General Orders and containing rates and rules, which in volume and effect shall be identical with the rates and rules shown in Exhibit "D" attached to the Amendment to Application in so far as they conform to the certificate hereinbefore granted, or rates and rules satisfactory to the Commission; and in addition the following rates shall be filed for the Altadena Line:

Altadena Line:

Adults' Fare . . . . .	5 cents
Children's Fare . . . . .	5 cents
No Transfers	

- (4) File in triplicate and make effective within a period of not to exceed sixty (60) days from the effective date of this order on not less than ten (10) days' notice to this Commission and the public, time schedules covering the service herein authorized in a form satisfactory to the Commission.
- (5) File with the Commission a report of operating revenues and expenses on the Altadena Line for each calendar month. Said report shall be filed not later than the tenth day of the succeeding month.

PART II

Pasadena City Lines, Inc. having asked permission to issue 2,830 shares of its no par common capital stock at \$100 per share for

the purposes stated in the foregoing opinion, and the Railroad Commission having considered the evidence submitted in support of such request, and it being of the opinion that Pasadena City Lines, Inc. should be permitted to issue not exceeding 1,638 shares of its no par common capital stock at not less than \$100 per share for the purposes herein stated, that the money, property, or labor to be procured or paid for by the issue of said stock is reasonably required for the purposes specified in this order, and that the expenditures for said purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED that:

I. Pasadena City Lines, Inc. be and it is hereby authorized to issue and sell on or before April 1, 1941, at not less than \$100 per share not exceeding 1,638 shares of its no par capital stock for the purpose of acquiring from the Pacific Electric Railway Company the properties to which reference is made in the foregoing opinion, to make a down payment of \$18,000 on 24 new motor coaches, to pay organization expenses actually incurred, and to provide working capital in the amount of \$18,600.

II. Pasadena City Lines, Inc. shall file with the Railroad Commission reports as required by the Commission's General Order No. 24-A, which order, in so far as applicable, is made a part of this order.

III. This application, in so far as it involves the issue of 1,192 shares of stock, be and the same is hereby dismissed without prejudice.

For all other purposes the effective date of this order shall be ten (10) days from the date hereof.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of

