

ORIGINAL

Decision No. 45140

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
	:	
LOS ANGELES TRANSIT LINES,)	
a Corporation,	:	
)	Application
for authority to issue a promissory	:	No. 31943
note in the sum of \$3,250,000 and to)	
execute and make effective a Term Loan	:	
Agreement and an Amendment of Credit)	
Agreement.	:	
-----)	

O P I N I O N

This is an application for an order of the Commission authorizing Los Angeles Transit Lines to issue a promissory note in the principal amount of \$3,250,000 for the purpose of paying all its outstanding bonds; to execute a Term Loan Agreement with Bank of America National Trust and Savings Association providing for the issue of said note; and to execute its "First Amendment of Credit Agreement" amending its present credit agreement of October 31, 1947, with Bank of America National Trust and Savings Association, and other banks, under the terms of which applicant heretofore has executed obligations for the purchase of equipment.

At the close of 1949 applicant's properties included approximately 244 track miles of narrow gauge track with overhead trolley, approximately 40 miles of overhead trolley lines, 615 street railway cars, 110 trolley coaches, 684 motor coaches, and car houses, shops, garages, buildings and other properties. Its investment in its assets and its liabilities and surplus as of September 30, 1950, are reported as follows:

Assets

Investments -		
Road and equipment	\$50,963,976.67	
Reserve for depreciation	<u>26,531,474.75</u>	
Net investment-road and equipment		\$24,432,501.92
Other investments		1,052,892.89
Current assets -		
Cash and working funds	1,277,708.01	
Accounts receivable	85,701.63	
Materials and supplies	<u>890,410.03</u>	
Total current assets		2,253,819.67
Unadjusted debits		<u>861,137.74</u>
Total		<u>\$28,600,352.22</u>

Liabilities

First mortgage bonds		\$ 3,565,000.00
Bank loans		4,951,198.66
Current liabilities -		
Accounts payable	\$ 1,390,832.72	
Accrued liabilities	<u>995,389.57</u>	
Total current liabilities		2,386,222.29
Unadjusted credits		209,202.55
Capital stock		10,954,400.00
Surplus		<u>6,534,328.72</u>
Total		<u>\$28,600,352.22</u>

As of March 1, 1945, applicant executed an Indenture of Mortgage and Deed of Trust securing the payment of an issue of \$5,350,000 principal amount of First Mortgage 3-7/8% Serial Bonds due in semi-annual installments of \$315,000 on each September 1st and March 1st to and including March 1, 1955, and \$365,000 each on September 1, 1955, and March 1, 1956. At present, \$3,565,000 principal amount of bonds are outstanding.

Applicant now proposes to call its outstanding bonds for payment on March 1, 1951, at a reported cost of \$3,687,402.20, including premiums and accrued interest, and to finance such cost with \$3,250,000 to be borrowed from Bank of America National Trust and Savings Association and with treasury funds. The sum to be thus borrowed will be represented by an unsecured note payable in

quarterly installments of \$200,000, with final payment on June 1, 1955, with interest at the rate of 3% per annum. Applicant may make prepayments on the principal amount of the loan without penalty or payment of premium.

The proposed note will be issued pursuant to a Term Loan Agreement with the lender, a copy of which has been filed in this proceeding as Exhibit A. Under its terms, applicant will covenant, among other things, to maintain current assets at an amount which, plus \$500,000, will never aggregate less than its current liabilities, and to maintain a minimum net worth of not less than \$15,000,000 at all times.

In addition to the presently outstanding bonds, applicant has executed conditional sales contracts, now in the outstanding amount of \$4,951,198.66, under and pursuant to the terms of a credit agreement dated October 31, 1947. It now is required to execute an amendment so as to conform said agreement to the terms of the proposed new Term Loan Agreement. A copy of the proposed amendment has been filed in this proceeding as Exhibit B.

Applicant asks the Commission, in the event it concludes to authorize the issue of the note, to provide in its order that such issue is exempt from competitive bidding. The application shows that the note will be payable on or before five years after its date of issue and that no fee or remuneration is to be paid for negotiating the loan represented by said note. Its issue, therefore, is exempt from the provisions of the Commission's competitive bidding rule.

O R D E R

The Commission having considered the above entitled matter, and being of the opinion that a public hearing thereon is not

necessary; that the application should be granted, as herein provided; that the money, property or labor to be procured or paid for through the issue of the note herein authorized is reasonably required by applicant for the purpose specified herein; and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. Los Angeles Transit Lines, after the effective date hereof and on or before March 31, 1951, may execute a Term Loan Agreement and issue a note in the principal amount of \$3,250,000, in substantially the same form as the Term Loan Agreement and note filed in this proceeding as Exhibit A. The issue of said note is exempt from the Commission's competitive bidding rule in Decision No. 38614, dated January 15, 1946.
2. Los Angeles Transit Lines, after the effective date hereof and on or before March 31, 1951, may execute a First Amendment of Credit Agreement, in substantially the same form as that filed in this proceeding as Exhibit B.
3. Los Angeles Transit Lines shall use the proceeds from the issue of said note to finance in part the cost of paying and redeeming its outstanding first mortgage bonds.
4. Los Angeles Transit Lines shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.
5. The authority herein granted will become effective when Los Angeles Transit Lines has paid the fee prescribed by Section 57 of the Public Utilities Act.

Dated at San Francisco, California, this 19th day of
December, 1950.

R. Z. Friedman
Justus F. Green
Charles L. Lowell
Harold F. Huls
Benjamin P. Potter
Commissioners

