WOULD COST $45,375,027 TO REPRODUCE PORTLAND RAILWAY, LIGHT & POWER CO., PUBLIC SERVICE COMMISSION ESTIMATES

Three-Year Investigation by State Officials Fixes Value of Utility for Rate-Making Purposes. Only "Bare Bones" of Company Are Allowed.

SALIENT FACTS ABOUT P. R., L. & P. VALUATION.

Salient points of findings made regarding reproduction cost of Portland Railway, Light & Power Company by the Public Utilities Commission show:

Company's estimate of value of property, including $7,489,446 for going value		$61,040,004.00
Company's estimate reproduction cost (new) less going value		53,550,558.00
Commission's estimate reproduction (new)		45,375,027.00
Less than company estimate		6,325,531.00
Company estimate of reproduction, less depreciation		41,701,773.00
Commission's estimate, less depreciation		40,823,833.50
Less than company's estimate		877,940.50
Difference between company estimate of property value and commission estimate of reproduction, less depreciation, but not crediting company with going value, working capital, investments in subsidiary corporations, construction work in progress and undistributed construction accounts		12,626,714.50
Net income losses of company—		
1912	$ 33,480.02	
1913	102,105.22	
1914	294,175.22	
1915	820,211.87	
Deficit in surplus account—		
1913	$1,405,525.41	
1914	488,944.58	
1915	8,417.22	
(Decrease in deficit was caused by non-payment of dividends.)		
Outstanding securities—		
*Common stock	$20,000,000.00	
Preferred stock, 5 per cent	5,000,000.00	
Short term notes, 5 per cent	5,000,000.00	
Bonds	34,964,000.00	
Total outstanding securities	64,964,000.00	
Market value, June 30, 1915	42,459,879.00	

*Of the common stock issue 75 per cent has been paid, leaving an outstanding stock liability of $15,000,000, and a stock asset, subject to call, of $5,000,000.

The public utilities commission has determined that the "bare bones" of the Portland Railway, Light & Power company, technically known as "reproduction cost less depreciation" was worth June 30, 1915, the sum of $40,822,833.50. This is $877,940.50 less than the estimate of the company which was $41,701,733. The valuation makes no allowance for franchise valuations, or for "going value" estimated by the company at $7,489,446, which is given by the company as the cost of developing its business. It makes no allowances for working capital, or for investments in subsidiary corporations, for construction work in progress or for undistributed construction accounts.

The commission found that the "reproduction cost new" of the company's properties was the sum of $45,375,027. This estimate which will form the basis for future rate adjustment controversies both as to power and light and transportation rates, does not take into consideration the company's claims for going value, working capital, investments in subsidiary corporations, construction work in progress or undistributed construction accounts. Neither does it make any allowance for franchise values.

The findings mark the close of a three year investigation conducted by the utilities commission which has cost the commission $15,000 and the company $124,000. The purpose of it was to fix the reproduction cost of the company's holdings for the purpose of fixing transportation charges and rates for power and light furnished by the company to its consumers. The findings, which are preliminary, will furnish the basis for the future establishment of power and light charges made by the company throughout its territory and transportation charges on the Mt. Hood division, and those between Portland and Brookwild, Stanley, Wichita, Luther and Kendall on the Springwater division.

The investigation is the most far-reaching ever undertaken by a utility commission concerning a single utility in the United States.

Findings May Not Please.

It is doubtful if the findings of the commission will be satisfactory to the company and the possibility is not remote that the latter may ask for a rehearing. If this is not granted, it may appeal to the courts for a further investigation of the whole scope of the questions involved.

The findings comprise an intricate mass of comment and figures covering 91 typewritten pages, together with various tabulated exhibits from which the following facts regarding the operations and condition of the Portland Railway, Light & Power company are deducible:

It is found that when, in 1905, the Clark and Seligman interests of New York and Philadelphia effected the present consolidation of the old street railway systems, including the Portland Consolidated Railway company, the Portland General Electric company, the Oregon Water Power & Railway company and the Mount Hood Railway & Power company, they put in $9,887,625.82 in cash and by assuming liabilities and making other transfer arrangements with the old companies effected a consolidation representing a total cost to them and the present company of $30,514,747.82.

Much Spent in Betterments.

From the date of the consolidation in 1905 until June 30, 1915, the investors who had effected the consolidation of the companies increased the investment in the present company by betterments and extensions until at the latter date it represented an investment of $50,900,480.92.

This cost to investors, however, does not include the cost of the Yamhill Electric company, or a controlling interest in the Willamette Valley Southern Railway company, nor does it take into account sums standing to the credit of various funds, any allowance for going value, for working capital, for construction work in progress, for undistributed construction accounts or for franchise values. It is conceded by the commission that the aggregate cost to the investors, not including going value, has been $54,947,042.

For effecting this consolidation the bankers, represented by the Clark and Seligman interests, received an underwriting commission of $1,060,000 par value of common stock in the new company, worth an estimated market value at the time of $445,200.

In estimating the reproduction cost, the company submitted figures fixing the total value of all its property at $61,040,004, which included an estimate of $7,489,446 representative of the cost of developing its business, commonly known as "going value."

Working Capital Cut.

Included in this was a claim made by the company for $1,850,000 of working capital, which was refused by the commission. The commission allowed $1,110,000 for working capital, but split with the company on the allowance to be made for "going cost." It held that before the company's theory for estimating going cost could be accepted by the commission as being economically, logically or ethically sound, it must be made to appear:

A—That the rates charged were not in and of themselves unnecessarily high.

B—That they were not in fact fully compensatory.

C—That rates while in fact reasonable, were not unjustly discriminatory as between persons, places or localities.

D—That investments made were incurred with reasonable prudence and foresight.

E—That the properties of the company have been operated at all times with reasonable skill and efficiency.

F—That the accounts submitted are full, complete and accurate; that they relate to utility operations only and that all proper offsets have been made.

G—That the return claims should be upon the efficient investment.

H—That the period covered should be the normal period of development.

I—That the sacrifice of the investor should be shown.

"Non-Utility" Property Excluded.

The commission held in refusing to allow the company to estimate its "going value" that the method of computation employed by the company in arriving at its conclusions had been faulty and that without additional data the figures submitted could not be accepted.

The commission also refused to allow the company to include "non-utility" property or that which was not "actually used and useful for the convenience of the public," in its statement of reproduction cost. This included property owned by the company at Oregon City, now leased or used by the paper mills there; the Vancouver substation; that portion of the Electric building in Portland not actually used by the company for its own purposes; the old car shops at Twenty-third streets now idle; the Milwaukie and Gresham car houses; the Canemah terminal lands and Canemah park; the Oaks; the Portland baseball park, the Estacada park and the Estacada hotel property, together with various other segregated and scattered property holdings of the company over the state. The estimated value of these properties is $6,214,406.07.

Total Capital, $25,000,000.

The findings of the commission show that the company has a total outstanding capital of $25,000,000, consisting of $20,000,000 of common stock, and $5,000,000 of five per cent preferred, and that approximately 75 per cent of the capitalization is paid up. Added to this are $5,000,000 of five per cent short term notes, secured by mortgage, and $34,964,000 of issued and outstanding bonds, making a total outstanding security issues of $64,964,000, par value. The market value of these securities, estimated as of June 30, 1915, was $42,504,121, or $22,504,121 less than par.

The net income of the company from 1908 to 1915 inclusive, as shown by the company's books, is as follows:

1908, $681,032.12; 1909, $852,908.65; 1910, $1,381,244.37; 1911, $1,656,257.45; 1912, $1,622,777.46, a loss of $33,480.02 over the preceding year; 1913, $1,520,672.24, a loss of $102,105.22 over 1912; 1914, $1,226,497.02, a loss of $294,175.22 over 1913, and in 1915 an income of $406,285.15, a loss of $820,211.87 over the year 1914.

Deficit Comes In 1913.

The statement made by the company shows a surplus made each year up to and including 1912, when it notes a net surplus of $761,128.68. In this year the company paid dividends amounting to $999,977.50. In 1913 the company had a deficit of $1,405,525.41 in its surplus account after paying dividends of $2,437,500. In 1914 the company shows a deficit of $488,944.58 after paying dividends of $1,062,500. In 1915 the deficit is $8,417.22, with no dividend payments having been made. The dividend on preferred stock, if full paid, amounts to $250,000 annually, so it will be seen that in 1914 the company evidently cut its dividends down to common stock, while in 1915 neither common or preferred stock was given any earning.

The commission, in discussing the net earning power of the company, and its abnormal losses during the last few years says:

Reasons for Losses.

"It will be noted that the last few years has shown a marked falling off in earning capacity. This is shown by the record to be due to the following three causes: General and local depressed business conditions; the advent of competition in the electric lighting and power field, which has taken from the respondent a considerable proportion of its most profitable traffic and without correspondingly diminishing fixed and running charges and the practically uncontrolled destructive competition of jitneys, with the Portland city street railway system. While revenue has fallen off, it is evident that the effect has been kept to a minimum by rigid economy in other directions. To a very considerable extent the conditions shown for the last three years are abnormal; and the causes for the conditions have apparently reached the climax of their effect."

Rate Fixing Next Step.

The findings made are preliminary to the fixing of light and power rates throughout the territory of the company, and the determination of the complaints made regarding transportation charges on the Mt. Hood division, upon the Springwater division. These questions will be taken up for special consideration after 10 days' notice given to the company and the parties interested.

The commission in its findings made one definite order, compliance with which must be made within 30 days. This requires the company, in the submission of its monthly light and power statements to consumers, to state the amount of the bill in plain terms, in a single gross amount, keeping separate any discounts for prompt payment.

PRESIDENT GRIFFITH EXPRESSES VIEWS ON COMMISSION'S FINDING

Franklin T. Griffith, president of the Portland Railway, Light & Power company, in response to a request for the views of the company upon the utility commission's valuation findings said:

"The findings of the Public Service commission have just been served on us and we have, as yet, had no opportunity to analyze the values found. Since the inventory was commenced three years ago, the commission has prescribed a system of accounting which was not in use during the taking of the inventory and the making of the appraisal. The findings of the commission now rendered follow the form of accounting now prescribed by the commissionn, and for that reason comparisons between the commission's findings of value and the appraisals submitted by the company can be made only after an exhaustive analysis of the findings.

"From such study as we have been able to give the findings it appears that the commission materially reduced our claims as to cost of construction of the physical property and also the values claimed for our rather extensive holdings of real estate used in both utility and non-utility operations. To what extent the commission has been influenced by the abnormally low prices of real estate during the last two years of extreme depression, we are unable to determine.

Going Concern Value Overlooked.

"The large item of value claimed by the company and which is not included in the commission's findings is the intangible element of going value which is representative of the cost to the company of developing its business and which is not represented by tangible physical property. The claim of the company for this item was approximately seven and one-half million dollars, and this entire amount is excluded in the findings of the commission, although the findings state that going value is recognized in utility valuations as an important element and that the commission is willing to consider the allowance of a going value, provided that upon a further hearing the company is able to comply with certain specific conditions laid down by the commission in its findings as essential to the establishment of such a claim.

"The amount claimed by the utility as representing going value is equivalent to 16 per cent of the figure found by the commission as representing reproduction value of physical property. This percentage is of peculiar interest in view of the fact that this element of value in similar proceedings elsewhere in the United States has been found reasonable by courts and commissions when reaching a figure ranging from 20 to 30 per cent of the reproduction value of physical property.

"The developed water rights owned by the company are used about one third in non-utility operations and two-thirds in utility operations. Our total claim for water right values is six million dollars and while we cannot, from the findings, determine as yet the theory of value adopted by the commission, it appears that the commission has allowed us practically our appraisal of water powers used in non-utility operations, in which the rate paying public is not interested and on some of our developed water powers used in utility operations have allowed us not much more than nominal values.

Appraisal Made With Care.

"Our inventory and appraisal was made honestly, and we believe conservatively, and in such elaborate detail that errors were eliminated so far as humanly possible. Our inventory and appraisal was made under the direct charge of William J. Hagenah, one of the foremost engineers in the country and who is employed in similar work by state commissions and municipalities as well as utility companies. Mr. Hagenah and his trained assistants, as well as our entire organization, throughout the entire period covered by the inventory and appraisement, afforded the commission and its staff of engineers and accountants full and free access to all records and accounts of the company, and I am especially pleased to note that the commission, in its findings, recognized the desire of the company to deal openly and frankly with it and with the public.

"We are disappointed that greater weight was not given to our evidence but until we have been able to thoroughly analyze the findings of the commission we are unable to say just what action will be taken."

Prisoner Escapes From Court Room

C. Klain Slips Out When Policemen's Backs Are Turned in the Municipal Courtroom.

Taking advantage of the shelter offered by a crowd of policemen who stood behind the prisoner's dock and the bailiff, C. Klain, arrested by Patrolman Frank Ervin early yesterday morning for drunkenness, at Sixth and Stark streets, escaped from the municipal court room yesterday.

Klain was brought from the detention cell to the court room. A number of officers congregated about the clerk's desk and Klain, who was seated behind them, slid along the bench to the end and then calmly walked from the court room.

Negro "Breaker" Is Beaten Up by Six

Caught while on his way home, a negro strike breaker was badly beaten by six men last night.

The man was caught on Couch street between Second and Third and took considerable punishment before Patrolmen Gouldestone and Crane arrived.

Anticipating further trouble on the waterfront, Chief of Police Clark doubled the allotment of men to the harbor patrol last night.

NEW REPUBLICAN COMMITTEE WILL MEET ABOUT JULY 1

Chairman Moores Will Not Be a Candidate to Succeed Himself.

C. A. JOHNSON IS URGED

Bolo Men, According to Rumor, Willing to See Treasurer Harvey Wells Retired From Committee.

Charles B. Moores, chairman of the Republican state central committee, will call the new committee together for organization and the election of a state chairman about the first of the coming month. He intends to wait the return of National Committeeman Ralph E. Williams and Secretary E. D. Baldwin from Chicago in order to consult with them, as well as with the members of the committee regarding the most convenient date for the meeting.

Mr. Moores will not be a candidate to succeed himself as state chairman, but, after he has called the meeting together and turned it over to the temporary chairman, will retire.

T. C. Taylor, who was mentioned as a candidate for the position, has announced that he does not desire it, which leaves but one potential candidate, so far as now known, he being Charles A. Johns of Portland. Mr. Johns has been urged to become a candidate and is understood to be considering the matter.

E. D. Baldwin, present secretary of the committee, will in all probability seek reelection, and it is expected that Harvey Wells, treasurer, will do the same. Wells is looking forward to the position of national committeeman now held by Ralph E. Williams, so it is rumored, and would like to remain as treasurer of the state committee for the hold it would give him on the state organization. This fact is known to Williams and it is not believed by those who know the national committeeman that he will hunt up any votes for the insurance commissioner.

Besides that, it is whispered by some of the Bolo club men that they are tired of backing Wells for several different offices at once and that they are willing to see him retired. Inasmuch as Wells has attained his political prominence very largely as the result of a united support accorded him by the Spanish-American War Veterans. The defection in this support will probably mean his retirement from the treasurership of the state committee.

Viscount Dangan Enlists.

London, June 10. — (I. N. S.) — Viscount Dangan, the English actor, who is well known in the United States, has given up his military exemption and enlisted in the Royal Marine artillery.