

Decision No. 14394

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of )  
ASSOCIATED TELEPHONE COMPANY for a )  
permit to sell two hundred thousand ) Application Number 10671  
dollars par value of its first mort- )  
gage and collateral trust gold bonds. )

John E. Marble and Sam R. Heffley,  
for Applicant.

BY THE COMMISSION :

O P I N I O N

In this application Associated Telephone Company asks for an order authorizing it to issue and sell, at not less than 97 per cent. of face value plus accrued interest, \$200,000.00 of its first mortgage and collateral trust bonds for the purpose of paying indebtedness and of financing the cost of betterments, improvements and extensions.

The bonds proposed to be issued are part of an authorized issue of \$2,000,000.00 of bonds, the payment of which is secured by a mortgage the Commission authorized to be executed by Decision Number 8685, dated March 3, 1921. The bonds are dated as of November 1, 1920, bear interest at six per cent. per annum, mature November 1, 1950 and are callable at 105. Heretofore, pursuant to orders from the Commission, applicant has issued \$1,329,200.00 of bonds, of which \$829,200.00 were delivered in exchange for a like amount of bonds of Union Home Telephone and Telegraph Corporation, and \$500,000.00 were sold to pay indebtedness and to finance the cost of additions and betterments.

Applicant now asks permission to issue additional bonds in the aggregate face amount of \$200,000.00. It proposes to sell its

bonds at 97 per cent. of face value plus accrued interest and to use the proceeds to pay indebtedness and to finance the cost of additions and betterments. In Exhibit No. "1" it reports that up to November 31, 1924 it has expended for additions and betterments the sum of \$229,284.43, which has not been financed through the issue of stock or bonds, and estimates its capital expenditures up to April 1, 1925 at \$290,381.21, the two items aggregating \$519,665.64. These expenditures are described as follows :-

|  |                      |
|--|----------------------|
| Balance, November 31, 1924 . . . . .   | \$ 229,284.43        |
| Four party-line boards for East Office and one individual line board . . . . .   | 25,075.13            |
| Labor in installing . . . . .  | 1,500.00             |
| Sixteen reels of 600 pr. cable . . . . .   | 13,000.00            |
| Labor in placing and splicing . . . . .  | 1,500.00             |
| Switchboard and equipment received from Automatic Electric Company and paid by note dated October 29, 1924 - installed . . . . .                         | 23,776.96            |
| Cable received from Western Electric Company and paid by note dated October 15, 1924 - installed and on hand . . . . .                                   | 20,996.13            |
| Telephone and miscellaneous equipment received from Kellogg Switchboard & Supply Company and Automatic Electric Company - on hand and in plant . . . . . | 10,000.00            |
| Automatic contract for San Bernardino central office installation . . . . .  | <u>194,532.99</u>    |
| Total . . . . .  | <u>\$ 519,665.64</u> |

According to the testimony of Sam R. Heffley, applicant's general manager, the expenditures of \$229,284.43 have been made with moneys borrowed from its depreciation fund and on short term notes, the notes payable, as of November 30, 1924, aggregating \$109,773.09. The estimated expenditures of \$290,381.21 are reported necessary to take care of the company's rapidly expanding business. In this connection it reports 12,284 stations on October 1, 1920, 14,670 on October 31, 1921, 16,568 on October 31, 1922, 20,641 on October 31, 1923 and 24,305 on October 31, 1924, a gain during the four years of

12,021 stations. Of the total of 24,305 stations on October 31, 1924, the company reports 19,508 at Long Beach and 4,797 at San Bernardino.

The company has entered into a contract for the purchase and installation, at a total cost of \$194,532.99, of automatic telephone equipment to replace the present manual equipment in San Bernardino. A copy of the contract has been filed in this proceeding as part of applicant's Exhibit Number "6". The equipment is being purchased from Automatic Electric Company of Illinois, which will install the equipment. Of the purchase price \$10,000.00 was paid on execution of the contract, \$100,000.00 will be payable upon receipt of equipment the value of which equals or exceeds that amount, and the balance \$84,532.99 will be payable four months after receipt of final shipment, all payments to bear interest at the rate of six per cent. per annum after they become due. It appears from the testimony that a payment of \$100,000.00 will become due about the first of April, 1925.

#### O R D E R

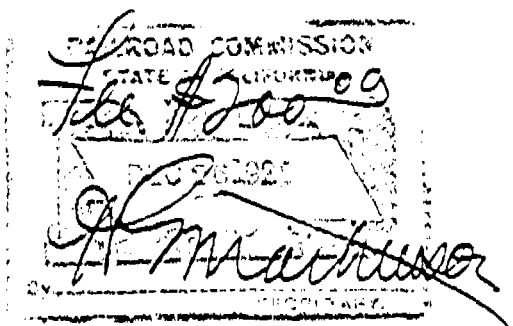
Associated Telephone Company, having applied to the Railroad Commission for permission to issue and sell \$200,000.00 of bonds, a public hearing having been held before Examiner Fankhauser, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for through such issue and sale is reasonably required for the purposes specified herein and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that ASSOCIATED TELEPHONE COMPANY be, and it is hereby, authorized to issue and sell on or before June 30, 1925, at not less than 97 per cent. of face value plus accrued interest \$200,000.00 of its first mortgage and collateral trust six per cent. bonds due August 1, 1950, for the purpose of reimbursing its treasury, paying indebtedness and of financing the cost of extensions, additions and betterments, all as set forth in the foregoing opinion.

IT IS HEREBY FURTHER ORDERED that ASSOCIATED TELEPHONE COMPANY shall keep such record of the issue, sale and delivery 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 Number 24, which order in so far as applicable, is made a part of this order.

IT IS HEREBY FURTHER ORDERED that the authority herein granted will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$200.00.

DATED at San Francisco, California, this 22<sup>nd</sup> day of December, 1924.



*[Signature]*

*[Signature]*

*[Signature]*

Commissioners.