

LEM

Decision No. 15836.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SANTA MONICA BAY TELEPHONE COMPANY)
for authority to issue stock and bonds) Application No. 12228
for cash.)

Mott and Vallee, by John G. Mott, for applicant.

BY THE COMMISSION:

O P I N I O N

ORIGINAL

In this application Santa Monica Bay Telephone Company asks permission to issue and sell at 96, \$300,000.00 of its first and refunding mortgage "Series of 1924" six percent. bonds due September 1, 1944; and at 95, \$150,000.00 of its seven percent. cumulative preferred stock, and to use the proceeds to pay indebtedness, reimburse its treasury and finance the cost of additions, betterments, extensions and improvements.

Santa Monica Bay Telephone Company was organized on or about July 24, 1924 primarily for the purpose of acquiring and operating the properties formerly owned and operated by Santa Monica Bay Home Telephone Company. By Decision No. 14258, dated November 14, 1924, as amended, and Decision No. 14410, dated December 27, 1924, the Commission authorized the transfer of the properties and authorized applicant to issue \$650,000.00 of common stock, \$125,000.00 of seven percent. preferred stock and \$909,000. of first and refunding mortgage twenty year six percent. bonds of the "Series of 1924". The common stock was issued against the reported equity in the properties, \$259,000.00 of the bonds were issued to refund bonds of the old company, that had been assumed upon the

acquisition of the properties, and the remaining bonds, \$670,000.00 and the \$125,000.00 of preferred stock were sold for cash; the bonds at 94 and the stock at 95.

These prices yielded the company \$748,550.00. Of this amount it appears that \$480,293.50 was used to pay, in part, indebtedness, and to reimburse reserves that had been assumed as part of the purchase price of the properties, and the balance, \$268,256.50, to finance, in part, the cost of additions, betterments, extensions and improvements made by applicant during 1925.

It appears that applicant took over the properties it operates as of January 1, 1925. From that time up to October 31, 1925 the company reports that it expended for capital additions \$458,441.52, of which amount \$125,725.89 was not paid, or provided through the issue of securities. In addition, the company reports that during the last two months of 1925 and during 1926 its capital expenditures will aggregate \$383,800.00. The expenditures of \$458,441.52 and of \$383,800.00 are described in the application in some detail as follows:-

	Expended during first ten months 1925	Estimated for last two months of 1925 and for 1926
Organization	90,938.40	27,000.00
Land	850.45	25,000.00
Central office equipment	143,507.26	94,300.00
Building	23,345.35	125,000.00
Station apparatus	21,302.63	4,000.00
Station installation	4,274.37	5,000.00
Private branch exchange	2,937.19	6,000.00
Pole lines	28,530.30	8,200.00
Aerial cable	83,320.66	7,000.00
Aerial wire	19,824.50	30,200.00
Underground conduit	68,259.31	22,100.00
Underground cable	41,274.02	45,000.00
Office furniture and fixtures	7,102.41	--
General	6,964.67	12,000.00
Total.....	\$458,441.52	\$383,800.00

Applicant now asks permission to issue and sell the additional \$300,000.00 of bonds and \$150,000.00 of preferred stock, to fi-

nance in part the reported uncapitalized expenditures of \$125,725.89 made prior to October 31, 1925 and the estimated expenditures of \$383,800.00 made, or to be made, subsequent to that date. In this connection it asks permission to use \$59,089.03 of the proceeds to pay current indebtedness incurred in making such expenditures; \$36,362.06 to reimburse its treasury and reserves on account of earnings used for such purpose, and to use the remaining proceeds to pay in part the estimated expenditures of \$383,800.00.

ORDER

Santa Monica Bay Telephone Company, having applied to the Railroad Commission for permission to issue stock and bonds, a public hearing having been held before Examiner Fankhauser and the Commission being of the opinion that the money, property or labor to be procured or paid for through such issue, is reasonably required by applicant 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,

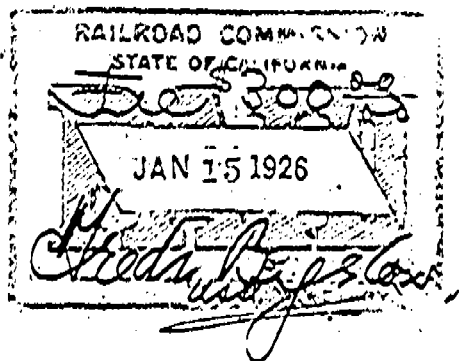
IT IS HEREBY ORDERED that Santa Monica Bay Telephone Company be, and it hereby is, authorized to issue and sell at not less than 96 percent. of face value plus accrued interest, \$300,000.00 of its first and refunding mortgage six percent. bonds of the "Series of 1924" and at not less than 95, \$150,000. of its seven percent. cumulative preferred stock, and to use the proceeds other than accrued interest and dividends, to reimburse its treasury and its reserves to the extent of \$36,362.06 representing earnings invested in property to pay current indebtedness in the amount of \$59,089.03, referred to in this application, and to finance in part the cost of the additions, betterments, extensions and improvements, reported at \$383,800. or pay indebtedness incurred because of the construction of said additions, betterments, extensions and improvements, as indicated in

the foregoing opinion, provided that only such expenditures as are properly chargeable to capital accounts, as defined by the Uniform Classification of Accounts prescribed or adopted by the Railroad Commission, may be financed with such proceeds. The accrued interest and dividends may be used for general corporate purposes.

The authority herein granted is subject to the following conditions:-

1. Applicant shall keep such record of the issue, sale and delivery of the stock and 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 No. 24, which order insofar as applicable, is made a part of this order.
2. The authority herein granted to issue bonds will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$300. The authority herein granted to issue stock will become effective upon the date hereof. Under such authority, however, no stock or bonds may be issued after December 31, 1926.

DATED at San Francisco, California, this 13th day of January, 1926.



W. B. ...
George D. Squires
Leon Whitell
Commissioners.