

LEM

Decision No. 15-708-

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 dollars per value of its)
first mortgage and collateral trust)
gold bonds.)

Application No. 12408

F. Von Schlegell and S. R. Heffley,
for applicant.

BY THE COMMISSION:

OPINION

Associated Telephone Company has applied to the Railroad Commission for permission to issue and sell \$200,000.00 of bonds for the purpose of reimbursing its treasury and of providing the cost of new construction, extensions and betterments.

The \$200,000.00 of bonds are part of an authorized issue of \$2,000,000.00 of first mortgage and collateral trust six percent bonds, dated October 1, 1920, due August 1, 1950 and callable at 105. Of the total amount the company heretofore, pursuant to authority granted by the Commission, has issued \$1,514,800.00 of which \$814,800. were delivered in exchange for the bonds of Union Home Telephone and Telegraph Corporation, whose properties applicant acquired, and \$700,000.00 were sold to finance in part construction expenditures made since October 1, 1920.

The company acquired the telephone properties in and about the Cities of Long Beach and San Bernardino as of October 1, 1920. Since that date and up to November 30, 1925, it reports that it has expended for capital purposes, the sum of \$1,862,852.87, of which,

however, \$1,576,020.00 has been provided through the issue and sale of the \$700,000.00 of bonds and of \$1,000,000.00 of common stock, leaving a balance of \$286,832.87 which is said to represent uncapitalized construction expenditures as of November 30, 1925 which have not been paid or provided for through the issue and sale of stock or bonds.

In addition to the \$286,832.87 applicant reports estimated expenditures during 1926 of \$250,000.00, making a total of \$536,832.87 to be provided. This amount consists of the following:-

Uncapitalized expenditures, Nov. 30, 1925	\$286,832.87	
Estimated expenditures for 1926:		
Central office equipment	\$112,300.	
Cable	43,000.	
Underground plant	9,700.	
Poles, lines, wires, etc.	10,000.	
Station apparatus, drop wire	75,000.	250,000.00
Total		<u>\$536,832.87</u>

The company reports the expenditures necessary to give adequate service. Applicant in its Exhibit No. 1 shows that since October 1, 1920 its average gain of telephone stations per month was 237. On October 1, 1920 the number of stations in service is reported at 12,284, while on November 30, 1925 the number of stations in service is reported at 27,051. For the year ending December 31, 1923 it reports gross income at \$507,835.48 and net income, after paying operating expense, providing for depreciation and making interest and other deductions, at \$131,019.95 for the year ending December 31, 1924, gross income at \$710,148.65 and net income at \$187,308.27; and for the eleven months ending November 30, 1925, gross income at \$719,372.45 and net income at \$247,728.50.

ORDER

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 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 December 31, 1926, at not less than 98 percent. of face value plus accrued interest, \$200,000.00 of its first mortgage and collateral trust six percent. bonds due August 1, 1950, and use the proceeds to reimburse its treasury on account of and to the extent that earnings have been expended for plant additions and betterments, pay indebtedness other than the amounts due the depreciation fund, incurred on account of additions and betterments, and finance in part the cost of the new construction, extensions and betterments to which reference is made in the foregoing opinion.

The authority herein granted is subject to further conditions as follows:-

1. Only such expenditures as are properly chargeable to capital accounts under the uniform system of accounts prescribed or adopted by the Railroad Commission may be financed with the proceeds to be received from the bonds herein authorized to be issued and sold.
2. Applicant shall keep such record of the issue and sale 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 Com-

mission's General Order No. 24, which order insofar as applicable, is made a part of this order.

3. The authority herein granted shall become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$200.

DATED at San Francisco, California, this 26th day of January, 1926.

H. H. Brandiger

C. Chauncy

George D. Ingers

Frank D. Scott

Leon Whitely

Commissioners.

Lee H. Lo
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STATE OF CALIFORNIA # 15405
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A. M. Mathison