

ORIGINAL

Decision No. 17570

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 for)
 cash.)

Application No. 13228.

Mott, Vallee & Grant, by
 Paul Vallee for applicant.

BY THE COMMISSION:

OPINION

Santa Monica Bay Telephone Company asks permission to issue and sell at not less than \$99.00 a share, 3,500 shares of its capital stock of the aggregate par value of \$350,000.00, and to use the proceeds to finance the cost of additions, extensions, betterments and improvements to its existing plants and properties.

In a former proceeding, Application No. 12228, the company filed an exhibit showing estimated expenditures up to December 31, 1926, of \$484,800.00. It now reports, in the pending application, that up to August 31, 1926, it had expended \$60,568.86, in excess of the expenditures reported, for which no proceeds were provided through former issues of stock and bonds,

as shown in Exhibit "B" as follows:-

	Additions & Betterments For Which Funds Were Provided by Prev. Financing	Actual Expenditures up to Aug. 31, 1926.	Unexpended Balance on Unfinished Projects	Ex- penditures in Excess of Funds Provided
Land	\$25,000.	\$23,836.57	\$1,163.43	\$
Buildings.	125,000.	51,516.40	73,483.60	
C.O. Telephone Equipment	93,400.	67,677.40	25,722.60	
Other equipment of C.O.	900.	1,117.81		217.81
Station Apparatus.	29,000.	31,666.26		2,666.26
Station Installations.	6,000.	12,442.99		6,442.99
Private Branch Exchanges	10,000.	5,867.43	4,132.57	
Exchange Pole Lines.	17,700.	39,367.92		21,667.92
Exchange Aerial Cable.	72,200.	80,581.23		8,381.23
Exchange Aerial Wire	11,000.	32,057.62		21,057.62
Exchange Undergrd. conduit.	22,600.	22,016.35	583.65	
Exchange Undergrd. cable.	58,000.	51,356.91	6,643.09	
Office equipment	3,000.	3,135.03		135.03
Garage equipment	10,000.	7,093.69	2,906.31	
Tools and Implements	1,000.	367.96	632.04	
	<u>\$484,800.</u>	<u>\$430,101.57</u>	<u>\$115,267.29</u>	<u>\$60,568.86</u>

The corporation asks permission to use \$60,568.86 of the proceeds to be obtained from the sale of the stock herein applied for to reimburse its treasury on account of the excess expenditures of \$60,568.86 in order to provide funds thereafter to finance in part the unexpended balances on other projects. It asks permission to use the remaining proceeds, amounting to approximately \$285,931.14 to finance capital expenditures it is estimated will be made up to the close of 1927, which expenditures are also described in Exhibit "B" and

are as follows:-

Ocean Park, New Mar Vista Central Office	\$57,590.00
C. O. Equipment, Ocean Park Office	20,000.00
Substation Equipment, Ocean Park Area	15,600.00
Plant Additions, Line & Drop Wire, Ocean Park.	3,600.00
C. O. Equipment, Sawtelle Exchange	13,000.00
Substation Equipment, Sawtelle Area	10,930.00
Plant Additions, Line & Drop Wire, Sawtelle Area.	2,140.00
Plant Additions, New Poles and Combinations	7,000.00
C. O. Equipment, Santa Monica Exchange	28,600.00
Buildings - Enlarge Basement at Santa Monica to Provide Additional Battery Space.	1,000.00
Substation Equipment Santa Monica Area	26,500.00
Plant Addition, Line and Drop Wire, Santa Monica Area	3,700.00
Ocean Park - Underground Cable.	31,355.00
Sawtelle - Underground Cable	8,330.00
Sawtelle - Aerial Cable	8,660.00
Santa Monica - Aerial Cable.	20,510.00
Santa Monica - Underground Cable	6,775.00
Brentwood Heights - Pole Lines, Aerial Cable & Wire.	11,880.00
Automotive Equipment, Tools, Etc..	8,761.14
Total.	<u>\$285,931.14</u>

It appears that the additional expenditures are necessitated by the growth in applicant's business. The company reports 8,826 telephones in service on January 1, 1925, 10,034 on January 1, 1926, and 11,407 on September 1, 1926. It reports its revenues and expenses for the eight months ending August 31, 1925, and the eight months ending August 31, 1926, as follows:-

Item	Eight Months ending August 31, 1925	1926
Operating revenues	\$241,246.29	\$291,535.69
Operating expenses	93,801.07	120,210.50
Net Operating Revenues	<u>147,445.22</u>	<u>171,325.19</u>
Non-operating revenues:		3,104.21
Gross Income	<u>147,445.22</u>	<u>174,429.40</u>
Depreciation	35,966.74	47,942.23
Balance	<u>\$111,478.48</u>	<u>\$126,487.17</u>
Deductions:		
Miscellaneous rents	1,780.22	193.75
Interest on bonds	37,969.18	50,654.20
Other interest	1,707.75	608.78
Amortization	788.56	1,116.61
Miscellaneous	6,954.25	365.20
Total	<u>\$49,199.96</u>	<u>\$52,938.54</u>
Balance	<u>\$62,278.52</u>	<u>\$73,548.63</u>

The company at present has outstanding \$1,347,500.00 of bonds and \$923,600.00 of stock, consisting of \$650,600.00 of common and \$273,000.00 of preferred. It reports reserve for

depreciation of \$257,031.76 and corporate surplus unappropriated of \$50,381.98. We have given consideration to the request to issue additional preferred stock and believe such request should be granted, except that it does not seem to us the corporation should be authorized to use \$60,568.86 of proceeds to reimburse its treasury. The record does not warrant the granting of the request to reimburse applicant's treasury. The order herein will authorize the use of the \$60,568.86 to pay indebtedness representing moneys invested in applicant's properties and/or finance the construction of extensions, additions and betterments to applicant's properties referred to herein.

ORDER

Santa Monica Bay Telephone Company having applied to the Railroad Commission for permission to issue stock, 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 the issue and sale of such stock 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 expense or to income,

IT IS HEREBY ORDERED that Santa Monica Bay Telephone Company be, and it hereby is, authorized to issue and sell, on or before June 30, 1927, at not less than \$99.00 a share net 3,500 shares of its seven percent cumulative preferred stock at the

aggregate par value of \$350,000.00, and to use \$60,568.86 of the proceeds to pay indebtedness representing moneys invested in applicant's properties, or use said \$60,568.86 together with all other net proceeds obtained from the sale of the \$350,000.00 of stock to finance the construction expenditures referred to in the opinion which precedes this order.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall become effective upon the date hereof, and further, that applicant shall keep such record of the issue and sale of the stock 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.

DATED at San Francisco, California, this 5th
November
day of ~~October~~, 1926.

H. W. Bunnell
C. L. Bunnell
James E. Scott
John A. White
Thos. J. Bunnell

Commissioners.