

**ORIGINAL**

Decision No. 18252

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 SOUTHWESTERN HOME TELEPHONE COMPANY, )  
 a corporation, for an order author- )  
 izing the issue and sale of \$58,500. )  
 par value of its first and unified )  
 mortgage gold bonds. )

Application No. 13550.

Ernest Irwin, for applicant.

BY THE COMMISSION:

O P I N I O N

Southwestern Home Telephone Company asks permission to issue and sell \$58,500.00 of its first and unified mortgage six percent gold bonds.

Applicant is engaged in the business of furnishing telephone service in and about the cities or towns of Redlands, Banning, Beaumont, Elsinore, Hemet, Marietta, Perris, San Jacinto and Temecula, in the Counties of San Bernardino and Riverside. By Decision No. 13866, dated August 4, 1924, as amended, in Application No. 10260, it was authorized to execute a mortgage or deed of trust on its properties and to issue \$340,000. of bonds to retire outstanding indebtedness.

The initial series of bonds to be issued under the mortgage or deed of trust is limited to \$1,000,000.00. These

bonds are known as Series "A", are dated October 1, 1924, bear interest at the rate of six percent per annum and mature October 1, 1954. The \$340,000.00 of bonds heretofore authorized by Decision No. 13866, and those now proposed to be issued, are Series "A" bonds.

Applicant proposes to sell the additional \$58,500.00 of bonds at not less than 95 percent of face value plus accrued interest and it asks permission to use the proceeds from the sale of \$34,500.00 thereof to reimburse its treasury on account of expenditures for extensions and additions made prior to December 31, 1926, and to use the proceeds from the sale of the remaining \$24,000.00 to finance the estimated cost of additional construction work to be made in the future.

The expenditures made prior to December 31, 1926, for which applicant seeks to reimburse itself in part with proceeds from the sale of its bonds, are described in some detail in Exhibit "B", attached to the petition. This exhibit shows that during the period from October 1, 1924 to December 31, 1926, applicant expended for construction the sum of \$64,630.59 and that it retired property amounting to \$21,241.80, leaving net expenditures for the period of \$43,388.79. Applicant asks permission to issue \$34,500.00 of bonds against the expenditures of \$43,388.79. At the hearing it developed that the expenditures were temporarily financed in part with moneys borrowed on a short term note and only in part with surplus earnings. We believe, then, that to the extent borrowed moneys were used to pay construction costs, bond proceeds should be used to pay indebtedness and the order herein, therefore, will direct the use of \$10,000.00 of bond proceeds to pay indebtedness, that being the amount of the short

term indebtedness said to have been incurred for construction purposes. The remainder of the proceeds from the sale of the \$34,500.00 of bonds may be used to reimburse the treasury.

Coming to the request to use the proceeds from the sale of \$24,000.00 of bonds to meet future construction work, applicant reports that due to the growth in business it proposes to purchase and install a four section eight position long distance switchboard in Redlands, an automatic exchange in Palm Springs and additional cable.

Subsequent to the hearing on this application, applicant submitted a detailed estimate of the cost of the new switchboard and of the cost of the Palm Springs exchange. The cost of the former is reported at \$10,505.00 and the cost of the latter at \$26,486.75. No detailed estimate of the cost of the cable was submitted, though the testimony shows the cost of the cable at \$10,000.00. It does not show where such cable will be installed.

In reference to the exchange at Palm Springs applicant submitted no evidence showing the probable revenues and expenses of that exchange, nor has it submitted any proposed rates which it intends to charge at that exchange. We feel that the record both as to the Palm Springs exchange and the installation of the additional cable is incomplete, and that therefore no bonds should at this time be authorized against such estimated expenditures. The order herein will authorize the issue of \$43,500.00 of bonds against the expenditures reported in applicant's Exhibit B and the estimated cost of the new/<sup>toll</sup>switchboard.

O R D E R

Southwestern Home Telephone Company having applied to the Railroad Commission for permission to issue and sell 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 the issue of \$43,500.00 of bonds 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 Southwestern Home Telephone Company be, and it hereby is, authorized to issue and sell, on or before August 31, 1927, at not less than 95 percent of face value plus accrued interest \$43,500.00 of its Series "A" first and unified mortgage six percent bonds due October 1, 1954.

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

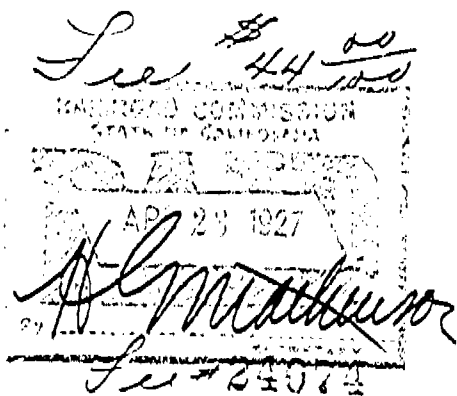
1. Applicant shall use the proceeds to be received from the sale of \$34,500.00 of the bonds herein authorized to pay outstanding indebtedness in the amount of \$10,000.00 and to reimburse its treasury in part on account of expenditures for extensions and additions to its plant made prior to December 31, 1926. The proceeds from the sale of the remaining \$9,000.00 of bonds herein authorized shall be used to pay in part for the new toll switchboard referred to in the foregoing opinion.

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

3. 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 Forty-Four (\$44.00) Dollars.

IT IS HEREBY FURTHER ORDERED that this application insofar as it involves the issue of \$15,000.00 of bonds be, and the same is hereby, dismissed without prejudice.

DATED at San Francisco, California, this 20<sup>th</sup> day of April, 1927.



*E. J. ...*  
*H. H. Bourdige*  
*A. Seavey*  
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Commissioners.