

Decision No. 18789

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 HOME TELEPHONE COMPANY OF COVINA,)
 a corporation, for an order author-)
 izing the issue and sale of)
 \$25,000.00 par value of its)
 general refunding six percent)
 bonds, \$70,000.00 par value of its)
 preferred capital stock and)
 \$55,000.00 par value of its common)
 stock.)

ORIGINAL

Application No. 13157.

Lloyd Wright, for applicant.

BY THE COMMISSION:

FIRST SUPPLEMENTAL OPINION

In a supplemental petition filed in the above entitled matter on August 8, 1927, Home Telephone Company of Covina asks the Railroad Commission to make a further order in this proceeding permitting it to sell at this time \$15,000.00 of the general refunding six percent bonds, \$25,000.00 of the seven percent preferred stock and \$20,000.00 of the common stock which the Commission, by Decision No. 17543, dated October 29, 1926, authorized it to issue.

By Decision No. 17543 the Commission authorized the company to issue \$25,000.00 of bonds, \$70,000.00 of preferred stock and \$55,000.00 of common stock. The order permitted the company to sell, at that time, \$10,000.00 of the bonds, \$20,000.00 of the preferred stock and \$20,000.00 of the common stock but provided that the remainder of the securities authorized to be issued might be sold only when the Commission had fixed the prices at which they

might be disposed of and authorized the use of the proceeds.

In now seeking to sell additional stock and bonds the company asks permission to sell the bonds at ninety-six percent of face value plus accrued interest, less a selling expense of not to exceed 3.5 percent of face value; the preferred stock at par, less a selling expense of not to exceed five percent of the par value; and the common stock at 105, less a selling expense of not to exceed five percent of the par value. It proposes to use the proceeds, amounting to \$57,625.00, for the following purposes:-

To reimburse operating revenues	\$19,686.26
To construct a toll circuit to San Gabriel Canyon	16,000.00
To pay North Electric Manufacturing Company invoice, No. 6086	6,500.00
To pay John A. Roebling Sons' Company invoice, No. 1092	5,071.63
To pay John A. Roebling Sons' Company invoice, No. 1093	4,698.39
To pay for additions to plant	5,068.72
To pay additional stock selling expense.	600.00
	<hr/>
Total.....	<u><u>\$57,625.00</u></u>

It appears that the company has expended for additions and betterments to its plant and properties the sum of \$19,686.26 which has not been paid or provided by the issue of stock or bonds. These expenditures are described in some detail in a schedule filed with the Commission and include the following:-

Station equipment	\$3,277.31
Pole lines	4,448.07
Aerial cable.	3,525.62
Aerial wire	5,611.48
Underground conduit	978.64
Underground cable	1,791.75
Toll pole lines.	53.39
	<hr/>
Total.....	<u><u>\$19,686.26</u></u>

Although the company asks permission to use these proceeds to reimburse its operating revenue, it seems that the expenditures were made rather with borrowed moneys and it appears to be the company's intention to use the \$19,686.25 to pay in part outstanding notes, which are reported at \$25,000.00. The order herein, accordingly, will so direct.

The second item in the tabulation is a proposed expenditure of \$16,000.00 for the purpose of building a five circuit toll line to the forks in the San Gabriel Canyon. There is, however, a toll line at present in San Gabriel Canyon owned and operated by the Estate of R. M. Follows under the firm name and style of Follows Toll Line. Applicant has made arrangements to purchase the Follows Toll Line and to increase the capacity of its facilities through the expenditure of the \$16,000.00 as proposed herein. To this end it recently has filed an application, jointly with the Estate of R. M. Follows, for an order authorizing the transfer of the existing system. Until this application (No. 13951) is granted, we do not believe that we should authorize the use of stock and bond proceeds to pay for the construction of the toll circuit. This portion of the supplemental petition therefore will be held in abeyance pending the determination of Application No. 13951.

It is of record that the three invoices hereinafter mentioned have been paid and that they represent expenditures for additional properties as follows:-

- 2-200 line bays primary and first selection, each equipped with 50 lines and 6 trunks, one for the Glendora office and one for the Azusa office..\$6,500.00
- 12,500 feet of 15 pair telephone cable and 20,000 feet of 50 pair cable 5,071.63
- 5,000 feet of 200 pair telephone cable and 6,000 feet of 100 pair cable 4,698.39

Some of the payments were made through borrowed funds and some through the use of earnings.

The proposed expenditures of \$5,068.72 are for additions to the lines to the Covina, Azusa, Glendora, Puente and Baldwin Park central offices, as set forth in the testimony in this matter.

The former order which authorized the sale of the \$20,000.00 of preferred stock and \$20,000.00 of common stock permitted the use of 3.5 percent of the par value of stock sold to pay selling expenses. The company now alleges that its Board of Directors authorized the payment of five percent of the proceeds from the sale of stock for these purposes and an agreement accordingly was made on that basis. It therefore asks permission to make an additional payment of 1.5 percent, amounting to \$600.00, for the \$40,000.00 of stock heretofore sold and pay five percent commissions on the stock it now desires to sell. This request will not be granted. The order herein will allow the company to use an amount equal to three and one half percent of the par value of stock and bonds sold to pay commissions and other expenses incident to the sale of the stock and bonds.

FIRST SUPPLEMENTAL ORDER


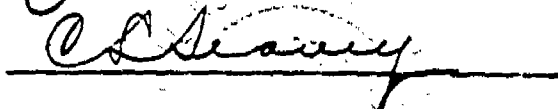
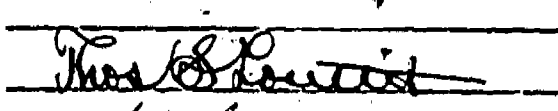
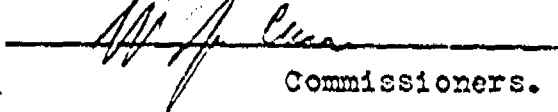
A supplemental petition having been filed with the Railroad Commission by Home Telephone Company of Covina asking permission to sell additional amounts of the stock and bonds authorized to be issued by Decision No. 17543, a further hearing having been held before Examiner Fankhauser, and the Railroad Commission being of the opinion that the supplemental petition should be granted only as provided herein and subject to the conditions set forth herein, and that the expenditures herein authorized are reasonably required for the purposes specified herein and are not, in whole or in part, reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED that Home Telephone Company of Covina be, and it hereby is, authorized to sell at not less than ninety-six percent of face value, plus accrued interest, \$15,000.00 of the general refunding bonds; at not less than par, \$25,000.00 of the preferred stock; and at not less than 105, \$20,000.00 of the common stock, the issue of which heretofore was authorized by Decision No. 17543, dated October 29, 1926.

IT IS HEREBY FURTHER ORDERED that Home Telephone Company of Covina be, and it hereby is, authorized to use an amount of the proceeds from the sale of the bonds and stock herein authorized to be sold, not exceeding 3.5 percent of the par value therefor, to pay commissions and expenses incident to the sale; to use the accrued interest from the sale of the bonds for general corporate purposes; and to use \$41,025.00 of the remainder of the proceeds to pay outstanding notes and reimburse its treasury on account of earnings expended for additions and betterments. The remaining proceeds and such portion of the \$41,025.00 not needed for the foregoing purposes may be used only when authorized by the Commission in subsequent orders.

IT IS HEREBY FURTHER ORDERED that the order in Decision No. 17543, dated October 29, 1926, as amended, shall remain in full force and effect, except as modified by this First Supplemental Order.

DATED at San Francisco, California, this 14th day of September, 1927.





Commissioners.