

LRA

Decision No. 19093

**ORIGINAL**

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
MONROVIA TELEPHONE & TELEGRAPH )  
COMPANY, )  
a corporation, for an order author- )  
izing the issue of bonds. )

Application No. 14193.

O'Melveny, Millikin and Tuller and  
Dunn & Sturgeon, for applicant.

BY THE COMMISSION:

O P I N I O N

In this application as amended at the hearing, the Monrovia Telephone & Telegraph Company asks permission to execute a mortgage and/or deed of trust on its properties; to issue and sell at par \$100,000.00 of its first mortgage six and one half percent 25 year bonds due October 1, 1952 for the purpose of paying outstanding indebtedness, reimbursing its treasury and financing the cost of additions and betterments, to which reference will be made hereafter.

Applicant is engaged in the business of owning and operating a telephone system in the City of Monrovia and in territory adjoining thereto, including territory situated within the unincorporated town of Duarte and in the City of Arcadia. It reports outstanding \$100,000.00 of common stock and \$25,000.00

of first mortgage six percent bonds due in 1934. Its other indebtedness as of September 30, 1927 appears in the following balance sheet:-

ASSETS:

PLANT AND EQUIPMENT.

Land and buildings . . . . .	\$15,635.36
Central office equipment . . . . .	29,973.03
Station equipment . . . . .	22,622.87
Exchange lines . . . . .	67,179.42
General equipment . . . . .	6,139.57
Plant and equipment in service 1/1/15. . . . .	<u>110,462.67</u>
Total plant and equipment . . . . .	\$252,012.92
Securities . . . . .	200.00
Cash . . . . .	1,388.36
Due from subscribers and agents. . . . .	4,412.61
Materials and supplies . . . . .	1,552.32
Prepayments. . . . .	1,265.68
Unamortized discount on capital stock. . . . .	2,850.00
Unamortized bond discount and expense. . . . .	100.00
Total Assets. . . . .	<u>\$263,781.89</u>

LIABILITIES AND CAPITAL:

Capital stock . . . . .	\$100,000.00
Funded debt . . . . .	25,000.00
Notes payable . . . . .	25,000.00
Contracts payable - switchboard equipment . . . . .	9,276.24
Accounts payable. . . . .	9,275.90
Accrued interest on bonds . . . . .	\$375.00
"    "    " notes . . . . .	<u>530.00</u>
905.00	
Depreciation reserve. . . . .	77,943.59
Surplus . . . . .	16,381.16
Total Liabilities and Capital	<u>\$263,781.89</u>

Applicant, as stated, asks permission to issue and sell at par \$100,000.00 of six and one half percent 25 year bonds due October 1, 1952. Its representatives are of the opinion that these bonds can be sold without any expense to the company. It proposes and asks permission to use the proceeds for the following purposes (Exhibit 4):-

To refund outstanding bonds. . . . .	\$25,000.00
To pay general bills . . . . .	\$13,865.59
To pay seven percent notes . . . . .	\$25,000.00
To pay toll bills. . . . .	\$ 6,782.90
To reimburse the company's treasury for moneys expended for additions and betterments from January 1, 1923 to October 31, 1927. . . . .	\$24,095.36
Balance to be used as per supplemental order . . . . .	5,256.15
Total . . . . .	<u>\$100,000.00</u>

Applicant's \$25,000.00 of bonds outstanding bear

interest at the rate of six percent per annum. They were issued in 1904 and mature on January 1, 1934. They are callable at 105.. It is applicant's intention to pay the bonds. If it pays a premium on the bonds, such premium must be charged to surplus.

The general bills to which reference has been made consist of:

a. Balance due Stromberg Carlson Co. for switchboard . . . . .	\$8,776.24
b. John A. Roebling Sons - Cable. . . . .	253.26
c. Addressing machine - Addressograph Co. . . . .	210.96
d. Kellogg Switchboard and Supply Co. . . . .	336.25
e. New section switchboard - Stromberg Carlson Co. . . . .	4,055.70
f. Kierulff and Ravenscroft . . . . .	233.18
Total . . . . .	<u>\$13,865.59</u>

It is of record that the \$13,865.59 represents expenditures incurred for the purpose of extending and enlarging applicant's telephone system. For the same purpose it has expended the \$25,000.00 obtained through the issue of notes, the \$6,732.90 of earnings which should have been used to pay toll bills and the \$24,095.36 for which it asks permission to reimburse its treasury.

In Exhibit 1 applicant reports that from August 1, 1923 to October 31, 1927, it expended for additions and betterments to its plants and properties \$92,540.01. It estimates that its loss on account of the retirement of its old switchboard will be \$10,000.00, leaving a net construction expenditure of \$82,540.01. The company asks permission to reimburse its treasury in the sum of \$24,095.36. While we are satisfied that applicant has expended for additions and betterments from income such sum, no satisfactory showing was made as to the amount of surplus earnings expended for additions and betterments. Until such a showing is made, we will not allow applicant to issue bonds to reimburse its surplus account. The order herein

will provide that the \$24,095.36 be used to reimburse applicant's depreciation reserve and that unless otherwise permitted by a supplemental order the \$24,095.36 be used to construct additions and betterments and replace and renew existing properties.

Applicant has filed a copy of its proposed mortgage and/or deed of trust with the Commission. We have examined the same and find it to be in satisfactory form except that the interest rate on the bonds should be changed from seven to six and one half percent. The proposed instrument secures the payment of an authorized bond issue of \$100,000.00 redeemable on any interest payment date at 102-1/2 percent of the par value of the bonds and accrued interest.

#### ORDER

Monrovia Telephone & Telegraph Company having asked permission to execute a mortgage and/or deed of trust and issue \$100,000.00 of six and one half percent 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 by such issue is reasonably required by applicant and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expense or to income and that this application should be granted, as herein provided, therefore,

IT IS HEREBY ORDERED as follows:-

1. Monrovia Telephone & Telegraph Company may execute a mortgage and/or deed of trust in substantially the same form as the mortgage and/or deed of

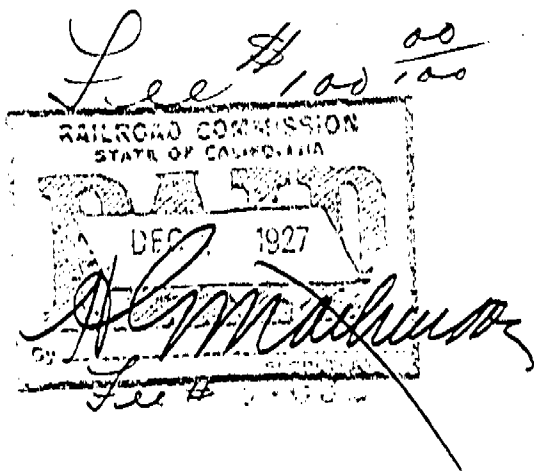
trust filed in this proceeding on November 4, 1927, provided that the interest rate be changed from seven to six and one half percent per annum, and provided further, that the authority herein granted to execute such mortgage and/or deed of trust is for the purpose of this proceeding only and is granted insofar as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of such mortgage and/or deed of trust as to such other legal requirements to which said mortgage and/or deed of trust may be subject.

2. Monrovia Telephone & Telegraph Company may issue and sell on or before June 30, 1928, at not less than par net to said company \$100,000.00 of six and one half percent 25 year bonds due October 1, 1952, and use the proceeds for the purposes set forth in Exhibit 4 filed in this proceeding, provided that, the \$24,095.36 which may be used to reimburse applicant's treasury be used to reimburse its depreciation reserve and used to pay for additions and betterments or to replace existing properties, and provided further, that any premium that is paid on outstanding bonds be charged to surplus, and provided further, that \$5,256.15 of said proceeds be expended only for such purposes as the Commission will hereafter authorize by a supplemental order or orders.
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 One Hundred (\$100.00) Dollars.

4. Within thirty (30) days after the execution of the mortgage and/or deed of trust herein authorized, Monrovia Telephone & Telegraph Company shall file with the Railroad Commission two certified copies of such instrument.

5. Monrovia Telephone & Telegraph Company shall keep such record of the issue, sale and delivery 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.

DATED at San Francisco, California, this 2nd  
December  
day of ~~November~~, 1927.



[Signature]  
[Signature]  
Leon Whipple  
[Signature]

Commissioners.