

LBM

Decision No. 20072

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
HOME TELEPHONE AND TELEGRAPH COMPANY)
OF PASADENA, a corporation, for an)
order authorizing the issuance of)
common capital stock of the par value)
of \$3,981,000.00.)

Application No. 14849

Pillsbury, Madison and Sutro; James G. Marshall,
James T. Shaw, Lawler and Degnan, by
Oscar Lawler, for applicant.

BY THE COMMISSION:

O P I N I O N

In this application, as amended at the hearing had on August 17th before Examiner Fankhauser the Commission is asked to enter its order authorizing Home Telephone and Telegraph Company of Pasadena to issue \$3,981,000.00 of its common capital stock to pay indebtedness and authorizing The Pacific Telephone and Telegraph Company to acquire and hold such stock.

The Home Telephone and Telegraph Company of Pasadena (Exhibit A) reports as of May 31, 1928, assets and liabilities as follows:-

ASSETS:

| | |
|------------------------------------|----------------|
| Intangible capital | \$210,725.00 |
| Right of way | 24,738.15 |
| Land and buildings | 776,604.60 |
| Central office equipment | 1,951,602.42 |
| Station equipment | 955,956.60 |
| Exchange lines | 3,383,601.93 |
| Other plant | 61,341.85 |
| General equipment | 64,762.13 |
| Total fixed capital..... | \$7,429,332.68 |

| | |
|--|-----------------|
| Construction work in progress | \$5 34.17 |
| Miscellaneous investments | 5,764.18 |
| Cash and deposits | 93,083.02 |
| Bills receivable | 1,143.61 |
| Accounts receivable | 79,599.85 |
| Materials and supplies | 15,746.13 |
| Prepayments | 14,673.09 |
| Unextinguished discount on capital stock . . . | 300,000.00 |
| Other deferred debits | <u>4,111.96</u> |

Total assets..... \$7,943,488.69

LIABILITIES-

| | |
|--|---------------------|
| Capital stock | \$3,519,000.00 |
| Funded debt | 471,500.00 |
| Advances from system corporations for construction, etc | 5,312,448.14 |
| Bills payable | 138,600.00 |
| Accounts payable | 604,274.28 |
| Accrued liabilities not due | 149,116.98 |
| Employees' benefit reserve | 11,993.35 |
| Liability on account of provident funds . . . | 5,000.00 |
| Other deferred credit items | 18,418.43 |
| Reserve for accrued depreciation | 122,694.33 |
| Reserve for amortization of intangible capital | 2,572.81 |
| Deficit | <u>2,412,129.63</u> |

Total liabilities..... \$7,943,488.69

The Commission by Decision No. 14133 dated October 4, 1924 (Vol. 25, Opinions and Orders of the Railroad Commission of California, page 436) authorized the Home Telephone and Telegraph Company of Pasadena to issue \$3,000,000.00 of its common capital stock to finance construction expenditures and the cost of other assets up to May 31, 1924.

In Exhibit one filed in this proceeding applicant reports that from June 1, 1924 to May 31, 1928, it incurred a gross expenditure for additions to its plant and equipment in the amount of \$6,717,914.83. From this it deducts \$621,395.73 said to represent gross wire gain(\$124,065.64), interest during construction(\$64,237.60) and salvage (\$433,092.49), leaving a net expenditure as reported in Exhibit one of \$6,096,519.10. In Exhibit "A" attached to the petition, applicant, however, reports that its investment in fixed capi-

tal from May 31, 1924 to May 31, 1928 increased by the sum of \$3,826,768.82, as compared with a net expenditure of \$6,096,519.10 reported in Exhibit one. The reason for the difference between the two amounts is accounted for primarily by the fact that the \$6,096,519.10 represents gross expenditures, with the exception of the three items mentioned above. In our opinion the record in this proceeding does not warrant us to recognize the \$6,096,519.10 as a basis for the issue of additional stock. For the purpose of this proceeding we will recognize the net increase in applicant's fixed capital, as shown in Exhibit "A".

Applicant asks permission to issue \$3,981,000.00 of its common stock at par and use the proceeds insofar as adequate therefor, for the purpose of paying indebtedness incurred by applicant for the construction, completion, extension and improvements of its facilities prior to May 31, 1928 which have not been already capitalized by the proceeds derived by the sale of the stock authorized by Decision No. 14133, dated October 4, 1924. The order herein will authorize the issue of \$3,826,800.00 of stock for such purpose.

O R D E R

Home Telephone and Telegraph Company of Pasadena having applied to the Railroad Commission for permission to issue \$3,981,000.00 par value of its common capital stock, a public hearing having been held and the Railroad Commission being of the opinion that applicant should be permitted to issue \$3,826,800.00 par value of such stock, that the money, property or labor to be procured or paid for by the issue of such stock is reasonably required by applicant, that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expense or to income and that this application insofar as it

involves the issue of \$154,200.00 of stock should be denied without prejudice, therefore,

IT IS HEREBY ORDERED as follows;-

1. Home Telephone and Telegraph Company of Pasadena may sell on or before December 31, 1928, at not less than par 38,268 shares (\$3,826,800.00 par value) of its common capital stock and use the proceeds to pay indebtedness incurred for the construction, completion, extension and improvement of its facilities referred to in this application.
2. The Pacific Telephone and Telegraph Company may purchase and hold the said \$3,826,800.00 par value of stock or any part thereof which the Home Telephone and Telegraph Company of Pasadena is hereby permitted to issue.
3. This application, insofar as it involves the issue of \$154,200.00 of stock be, and the same is hereby, denied without prejudice.
4. Home Telephone and Telegraph Company of Pasadena shall file with the Railroad Commission a report, as required by the Commission's General Order No. 24, which order insofar as applicable, is made a part of this order.
5. The authority herein granted to issue stock will become effective within ten days after the date hereof.

DATED at San Francisco, California, this 28th day of September, 1928.

Commissioners.