

Decision No. 23139

## BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of )  
 SANTA BARBARA TELEPHONE COMPANY, )  
 a corporation, for authority to issue )  
 and sell its common capital stock of )  
 the par value of \$100,000 and its )  
 general and refunding mortgage bonds )  
 in the principal amount of \$400,000. )

ORIGINAL

Application No. 17024

Chickering & Gregory, by W. C. Fox,  
 for applicant.

BY THE COMMISSION:

O P I N I O N

Santa Barbara Telephone Company has applied to the Railroad Commission for authority to issue and sell \$100,000.00 par value of its common capital stock at par and \$400,000.00 of its general and refunding mortgage five percent bonds, due 1961, at not less than 97 percent of face value plus accrued interest, for the purpose of paying indebtedness, reimbursing its treasury and financing construction costs.

The application shows that Santa Barbara Telephone Company has an authorized capital stock of \$2,500,000.00 divided into 25,000 shares of the par value of \$100.00 each, of which 5,000 shares are non-cumulative preferred, 10,000 shares are cumulative preferred and 10,000 shares are common. The Articles of Incorporation of the company provide that the cumulative preferred stock is entitled to receive cumulative dividends at the rate of six percent per annum before dividends are paid on the non-cumulative preferred stock or

the common stock; that the non-cumulative preferred stock is entitled to receive, after all cumulative dividends have been paid on the cumulative preferred stock, annual dividends, non-cumulative, at the rate of six percent per annum; and that the common stock is entitled to receive, after said dividends have been paid on the cumulative and non-cumulative preferred stock, dividends at the rate of seven percent per annum. Whenever all dividends have been paid on the cumulative and non-cumulative preferred stock, and dividends at the rate of seven percent per annum on the common stock, the Board of Directors of the company may, out of any remaining surplus profits, declare an additional dividend at the same rate upon the non-cumulative preferred stock and the common stock equally.

At present there are issued and outstanding no shares of the cumulative preferred stock, 5,000 shares of the non-cumulative preferred stock, of the par value of \$500,000.00, and 2,500 shares of the common stock, of the par value of \$250,000.00. In addition, the company has outstanding \$1,180,900.00 of bonds, consisting of \$375,900.00 of first mortgage five percent bonds, due 1946, and \$805,000.00 of general and refunding mortgage five and one-half percent bonds, due 1946, and also \$123,000.00 of short term notes. Its corporate surplus and undivided profits, as of October 31, 1930, are reported at \$335,814.84 and its reserve for accrued depreciation at \$278,750.10.

In making this application to issue additional stock and bonds in the aggregate amount of \$500,000.00, the company reports that up to October 31, 1930 it has expended for additions and betterments the sum of \$565,525.95 which had not been paid or provided through the issue of stock or bonds or the investment of moneys represented by the reserve for accrued depreciation. In addition, it reports its estimated expenditures for the year 1931 at \$327,966.46,

as set forth and described in Exhibit No. 3 and in the oral testimony in connection therewith.

The company proposes to use the proceeds which it will obtain through the issue and sale of its stock and bonds to pay the outstanding notes of \$123,000.00 which it alleges were issued to pay in part the reported uncapitalized expenditures of \$565,525.95, to reimburse its treasury because of said expenditures and to finance the 1931 construction costs of \$327,966.46. It appears to us that the expenditures made or estimated by applicant are not unreasonable and that an order granting the application should be entered.

#### ORDER

Santa Barbara Telephone Company having applied to the Railroad Commission for permission to issue stock and 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 through the proposed issue is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expense or to income, and that this application should be granted subject to the provisions of this order, therefore,

IT IS HEREBY ORDERED, that Santa Barbara Telephone Company be, and it hereby is, authorized to issue and sell, on or before December 31, 1931, \$100,000.00 of its common capital stock at not less than par and \$400,000.00 of general and refunding mortgage five percent bonds, Series "B", due 1961, at not less than 97 percent of face value plus accrued interest, and to use \$123,000.00 of the proceeds to pay outstanding notes and to use the remainder of said

proceeds to reimburse its treasury and to finance its 1931 construction expenditures described in Exhibit No. 3.

The authority herein granted is subject to further conditions, as follows:

(1) Applicant shall keep such record of the issue and sale of the stock and 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.

(2) The authority herein granted to issue stock will become effective upon the date hereof. The authority granted to issue bonds will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$400.00.

DATED at San Francisco, California, this 19<sup>th</sup> day of December, 1930.

C. J. Sawyer  
Emilio J. ...  
Leon ...  
...  
...  
Commissioners.

Fee \$ 400.<sup>00</sup>/<sub>100</sub>  
RAILROAD COMMISSION  
OF THE STATE OF CALIFORNIA  
DEC 22 1930  
...  
SECRETARY  
Fee # 28510