

ES

Decision No. 10189.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

* * *

In the Matter of the Application of)
HOME TELEPHONE COMPANY OF COVINA)
to modify your decision No. 8550,)
our Application No. 6289; and to)
sell \$50,000.00 of our bonds for re-)
funding and other legal purposes,)
and to sell and to acquire operative)
properties herein described.)

Application No. 7569.

F.H. Wright for applicant.

ROWELL, Commissioner.

ORIGINAL

O P I N I O N

HOME TELEPHONE COMPANY OF COVINA asks the Railroad Commission to make an order authorizing the sale of properties and the issue and sale of \$104,000.00 of first and refunding mortgage 6 per cent. bonds for the purpose of refunding indebtedness and acquiring and constructing new properties.

Home Telephone Company of Covina was organized in 1902. From reports filed with the Commission, it appears that the company has an authorized stock issue of \$200,000.00, divided into 4,000 shares of \$50.00 each. As of December 31, 1921, stock in the amount of \$92,450.00 was reported outstanding. As of the same date, applicant reports \$134,700.00 of bonds outstanding. Applicant's bonded debt consists of \$38,700.00 of first mortgage 5 per cent. bonds due July 1, 1923, and \$96,000.00 of first and refunding mortgage 6 per cent. bonds due July 1, 1943.

The Railroad Commission by Decision No. 8550, dated January 17, 1921, in Application No. 6289 (Volume 19, Opinions

and Orders of the Railroad Commission of California, pg. 310) authorized applicant to issue and sell \$103,500.00 face value of 6 per cent. first and refunding mortgage bonds. By the order of the Commission, the company was permitted to sell the bonds on or before December 31, 1921, at not less than 88-1/2 per cent. of their face value and accrued interest and use the proceeds for the following purposes:-

"To purchase and install switching equipment and reimburse the company's treasury on account of replacement of property, approximately,.....\$62,000.00
For real estate and buildings, approximately,..... 6,000.00
For additional poles and cables, approximately,..... 20,000.00
To reimburse applicant's treasury on account of earnings expended for plant extensions, additions and betterments, approximately,..... 3,000.00."

Of the \$103,500.00 of bonds, \$49,500.00 have been sold, leaving \$54,000.00 unsold. From the proceeds realized, applicant has expended \$20,501.34 pursuant to the order of the Commission and has on hand \$23,722.01. Applicant asks that the Commission's decision of January 17, 1921, be modified so as to permit it to sell the remaining \$54,000.00 of bonds on or before June 30, 1922 and to expend for real estate and buildings approximately \$14,000.00 instead of \$6,000.00. The matter of granting the company additional time within which the \$54,000.00 of bonds may be sold will be covered by an order in Application No. 6289. The \$104,000.00 of bonds referred to in the first paragraph of this opinion includes the \$54,000.00. Inasmuch as the sale of the \$54,000.00 of bonds will be covered by an order in Application No. 6289, the order in this proceeding will authorize the issue and sale of \$50,000.00 of bonds and the use and disposition of the proceeds obtained from the sale of such bonds.

Applicant reports that it is necessary for it to build a new exchange building at Covina. The testimony shows that its present exchange facilities are inadequate and that it has entered into a contract for new exchange equipment. The proper housing of this equipment requires a larger building. The total cost of the building, together

with the necessary warehouse and garage buildings is estimated at \$13,500.00. Adding to this the cost of the lot, \$2,500.00, makes a total of \$16,000.00. Applicant believes that it can realize from the sale of its present exchange building, its warehouse building and lot, \$8,000.00, leaving a balance of \$8,000.00 to be paid from the sale of bonds.

F.R. Wright, secretary of Home Telephone Company of Covina, reports that it is the intention of the company to sell its bonds through an investment banker. He does not believe that they can be sold locally. He is of the opinion that a better price can be obtained for the bonds if the lien of the company's first mortgage is released. The first mortgage bonds mature on July 1, 1923. The mortgage can be cancelled if there is deposited with the trustee an amount sufficient to pay the bonds and accrued interest at maturity. The company does not intend to call the bonds for payment prior to maturity, but proposes to deposit with the trustee sufficient cash to permit the trustee to release the mortgage. Through the release of the first mortgage, the company's first and refunding mortgage will become a first lien on all of the company's properties.

I herewith submit the following form of Order:

O R D E R

HOME TELEPHONE COMPANY OF COVINA having requested the Railroad Commission to modify its order in Application No. 6289 and having requested permission to issue bonds, and sell property, a public hearing having been held 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 are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED, that HOME TELEPHONE COMPANY OF COVINA, be, and it is hereby, authorized to issue and sell, for cash,

at not less than 87-1/2 per cent. of their face value and accrued interest \$50,000.00 of its first and refunding mortgage 6 per cent. bonds payable July 1, 1943.

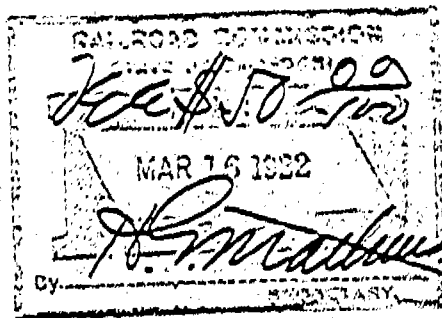
The authority herein granted is subject to further conditions as follows:-

- 1.--Of the proceeds realized from the sale of the bonds herein authorized not exceeding \$38,700.00 may be used for the purpose of paying or refunding \$38,700.00 of first mortgage 5 per cent. bonds due July 1, 1923. The remainder of the proceeds shall be used by applicant for the purpose of paying in part the cost of acquiring and constructing the properties and buildings described in this application, said properties consisting of a lot, warehouse and exchange building.
- 2.--Home Telephone Company of Covina 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 in so far as applicable is made a part of this order.
- 3.--The authority herein granted will not become effective until applicant has paid the fee prescribed in Section 57 of the Public Utilities Act, which fee amounts to \$50.00.
- 4.--The authority herein granted will apply only to such bonds as may be issued, sold and delivered on or before June 30, 1922.

IT IS HEREBY FURTHER ORDERED, that HOME TELEPHONE COMPANY OF COVINA be, and it is hereby, authorized to sell its present ^{Covina} central office building and lot and its warehouse building and lot, provided said central office building and warehouse building be replaced with a building or buildings of at least equal value and use to Home Telephone Company of Covina; and provided further, that possession of the present central office building and warehouse building be not relinquished until the new central office building and warehouse building are ready for use.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 14th day of March, 1922.



H. D. Loveland
Charles H. Brown
W. J. Pennington
Commissioners.