

Decision No. 10203.

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA

* * *

In the Matter of the Application of)
POMONA VALLEY TELEPHONE AND TELEGRAPH)
UNION for an order authorizing the) Application No. 7533
issue of bonds.)

R.K. Pitzer for applicant.

ROWELL, Commissioner.

O P I N I O N

POMONA VALLEY TELEPHONE AND TELEGRAPH UNION, a corporation, asks permission to issue and sell at not less than 95 per cent. of their face value and accrued interest \$100,000.00 of its 6 per cent. first mortgage bonds payable March 1, 1938, and use the proceeds for the following purposes:

1.--To refund note to First National Bank,.....	\$5,000.00
2.--To refund accounts payable,.....	4,000.00
3.--To pay for extensions and improvements to provide for normal growth,.....	25,000.00
4.--To pay for garage building and equipment on lot now owned by applicant,.....	10,000.00
5.--To pay North Electric Company as per contract for switchboard equipment for Chino, Claremont, La Verne and San Dimas, about \$8,000.00 of which has been advanced from other funds,.....	31,000.00
6.--To pay for reconstruction of lines now depreciated,.....	25,000.00
Total,.....	\$100,000.00

Applicant has an authorized stock issue of \$100,000.00 divided into 20,000 shares of \$5.00 each. All of this stock was issued according to applicant's reports at par or more. Pursuant to the authority granted by Decision No. 494, dated March 1, 1913, (Vol. 2, Opinions and Orders of the Railroad Commission of California,

page 272), the company issued \$100,000.00 of its 6 per cent. bonds at par.

Applicant operates and conducts a telephone business in Pomona, Claremont, Chino, La Verne and San Dimas. It operates five switchboards and reports 6004 telephones in use.

Applicant's balance sheet as of December 31, 1921, shows no accumulated surplus. It has apparently been following the questionable practice of varying its charges for depreciation, with the variations in its earnings. If after the payment of interest and dividends any net earnings remained, such earnings were charged to depreciation and reported under operating expenses. During the past five years, applicant has included in its operating expenses on account of depreciation the sum of \$96,429.54. During the same period, it has charged against its reserve for accrued depreciation only the sum of \$5,171.98. Applicant has expended the money represented by its reserve for accrued depreciation for the payment of additions and betterments. It now needs funds to replace properties and the manner in which applicant proposes to replace the money heretofore invested in plant additions and betterments to its reserve for accrued depreciation is through the sale of bonds. It follows that the money thus returned to the reserve for accrued depreciation must be used to pay the cost of replacing property or in any event must be kept in applicant's business.

It appears from the testimony that applicant has entered into a contract with the North Electric Company for switchboard equipment for its Chino, Claremont, La Verne and San Dimas exchanges and that such equipment will cost applicant \$31,000.00. The testimony shows that it is necessary for applicant to construct a garage building. The cost of this building is estimated at \$10,000.00.

Mr. Carl E. Lorbeer, manager of Pomona Valley Telephone and Telegraph Union, testified that the company within the near future

will have to expend \$25,000.00 for reconstructing its lines, and that from time to time an additional \$25,000.00 must be expended to extend and improve its service. It is not the intention of the company to sell all of its bonds forthwith, but to dispose of them as it may be in need of funds.

I herewith submit the following form of Order.

O R D E R.

POMONA VALLEY TELEPHONE AND TELEGRAPH UNION having applied to the Railroad commission for permission to issue and sell \$100,000.00 of bonds, 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 herein authorized are not in whole or in part reasonably chargeably to operating expenses or to income;

IT IS HEREBY ORDERED, that POMONA VALLEY TELEPHONE AND TELEGRAPH UNION be, and it is hereby, authorized to issue and sell at not less than 95 per cent. of their face value and accrued interest \$100,000.00 of 6 per cent. bonds due March 1, 1938.

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

- 1.--Of the proceeds realized from the sale of the bonds, not exceeding \$31,000.00 may be used to pay the North Electric Company for switchboard equipment for applicant's Chino, Claremont, La Verne and San Dimas exchanges, or reimburse applicant's treasury on account of moneys expended to pay for such switchboard equipment. Proceeds in the amount of \$9,000.00 may be used to pay notes and accounts payable and approximately \$10,000.00 for the construction of a garage building and equipment. The remainder of the proceeds may be used by applicant to reimburse its trea-

sury on account of earnings expended for plant additions and betterments, provided that all of such remaining proceeds be expended for reconstructing applicant's lines and extending and improving its service.

2.--Pomona Valley Telephone and Telegraph Union 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 by Section 57 of the Public Utilities Act, which fee amounts to \$100.00.

4.--The authority herein granted will apply only to such bonds as may be issued, sold and delivered on or before December 31, 1922.

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 17th day of March, 1922.

W. B. Brundage

James Martin
Oliver Howland

J. F. Brundage
Commissioners.

