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Decision No. 11422.

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA.

ORIGINAL

In the Matter of the Application of)
SANTA PAULA HOME TELEPHONE COMPANY)
for authority to issue and sell)
\$7,000.00 face value of its first)
mortgage five per cent. gold bonds.)

Application No. 6350.

Max Tholen for Applicant;
Arthur H. Blanchard and E. Clyde Harms,
for Santa Paula Chamber of Commerce;

BY THE COMMISSION:

O P I N I O N .

SANTA PAULA HOME TELEPHONE COMPANY asks permission to issue \$7,000.00 face value of five per cent. bonds and sell the same at not less than 85 per cent. of their face value and accrued interest and use the proceeds to reimburse its treasury and for such other purposes as the Commission may authorize.

A hearing was held in this application by Examiner Satterwhite at Santa Paula.

The Commission by Decision No. 11035, dated September 29, 1922, in Application No. 6349, revised applicant's rates. It is believed that the rates fixed by the Commission in that decision, including toll service and miscellaneous revenues, will produce a gross income of \$31,450.00. After deducting operating expenses, depreciation accruals, taxes and miscellaneous revenue deductions, the company should, in the opinion of the Commission, have a net income of about \$5,400.00, or a net return of approximately 8.1% on a valuation of \$66,800.00.

Applicant has outstanding \$60,000.00 of common stock. It has an authorized bond issue of \$40,000.00, of which \$35,000.00

was outstanding on December 31, 1921. On the same date it owed in the form of bills payable the sum of \$33,203.08, in the form of accounts payable to system corporations \$22,748.37 and in the form of audited vouchers and wages unpaid the sum of \$6,096.73. On December 31, 1921, the company was indebted to The Pacific Telephone and Telegraph Company in the amount of \$36,633.03.

It is of record that applicant in 1916 expended for additions and betterments the sum of \$29,616.66, in 1917 the sum of \$2,096.50, in 1918 the sum of \$2,975.87 and in 1919 \$3,063.86. The testimony shows that none of these expenditures have been paid through the issue of stock or bonds. Part of the expenditures have apparently been paid out of earnings and part out of borrowed moneys. It is not clear from the testimony how much of the construction expenditures have been financed through the investment of earnings. The order, therefore, will not permit the company to reimburse its treasury but will require that the proceeds obtained from the sale of the bonds be used to pay part of the company's current indebtedness. The issue of the bonds will in effect result in a substitution of one form of indebtedness for another.

O R D E R

SANTA PAULA HOME TELEPHONE COMPANY having applied to the Railroad Commission for permission to issue \$7,000.00 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 chargeable to operating expenses or to income;

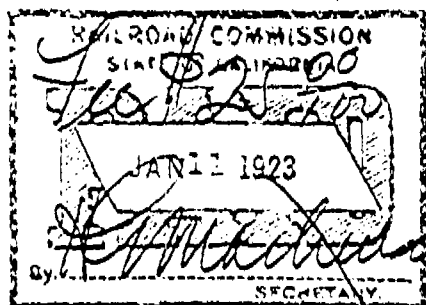
IT IS HEREBY ORDERED, that SANTA PAULA HOME TELEPHONE COMPANY be, and it is hereby, authorized to issue and sell for not less than 85 per cent. of their face value and accrued interest

\$7,000.00 of five per cent. bonds, and use the proceeds to finance construction expenditures and through such financing pay in part current indebtedness.

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

- (1) - Santa Paula Home Telephone Company 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.
- (2) - The authority herein granted will become effective upon the payment of the fee prescribed by Section 57 of the Public Utilities Act, but such authority will expire on July 1, 1923.

DATED at San Francisco, California, this 8th day of January, 1923.



H. H. Brundage

Livingston Martin

C. J. Seaver

O. T. Whitteley
Commissioners.