

Decision No. _____

ORIGINAL

Decision No.

2575

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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In the matter of the application)
of CALIFORNIA TELEPHONE & LIGHT) Application No. 2303.
COMPANY for authority to issue)
\$25,000.00 face value of bonds.)

Chas. P. Cutten, for applicant.

BY THE COMMISSION:

O P I N I O N

As amended, this application of California Telephone & Light Company, a California corporation, requests of this Commission authority to issue additional bonds and capital stock of a total face value of \$25,000.00, said securities to consist at the option of applicant either of its preferred stock, to be issued so as to net applicant not less than 85% of the par value thereof, or of applicant's first mortgage 6-per cent bonds, to be issued so as to net applicant not less than 94% of their face value, or of both such preferred stock and bonds to be issued at the respective prices above set forth but not exceeding in aggregate the face value of \$25,000.00.

Applicant desires to use the proceeds from the sale of said stock and bonds for reimbursing its treasury for materials and supplies used in making certain additions and betterments, for the acquisition of property.

and for the construction and extension of its facilities. Applicant further alleges that it set forth in connection with Application No. 498 decision No. 721, (reported in Vol. 2, Opinions and Orders of the Railroad Commission of California, p. 1002), a certain schedule marked Exhibit "J" showing a detailed description of the construction contemplated by said company together with its estimated cost; that said Exhibit "J" showed a total contemplated construction in the telephone and electric departments of the said company, amounting to \$265,900.00; that between March 1, 1913 and March 1, 1916 applicant has expended in such additions and betterments to its electric and telephone plants the sum of \$175,033.33; and that a portion of the cost to applicant of making such additions and betterments has been obtained as follows:

Sale of bonds under Dec. No. 721.....	\$15,225.70
Sale of preferred stock under Dec. No. 1086-34,402.83	
Sale of bonds under Dec. No. 1086.....	<u>95,641.17</u>
Total.....	\$145,269.70

The balance of the cost of making said additions and betterments, amounting to \$29,763.63, has, according to the application, been paid from income or is represented by current bills payable for materials and supplies.

A public hearing was held at Santa Rosa June 27, 1916. Applicant submitted the following balance sheet as of May 31, 1916:

A S S E T S

CAPITAL ASSETS:

Fixed Capital Prior to 1-1-16	1 505 678 93
Capital Expenditures since 1-1-16:	

Telephone Construction	1 856 23
Electric Construction	9 020 70
General	787 33
Construction in Progress	1 234 18

Total

11 523 78

Total

1 517 002 71

CURRENT ASSETS:

Accounts Receivable Not Due	4 924 51
Bills and Accounts Rec. Due	21 258 64
Cash	7 628 87
Material & Supplies	13 997 79
Miscellaneous	4 075 86

Total

51 883 67

DEFERRED DEBITS:

57 253 36

TOTAL

1 626 139 74

LIABILITIES

CAPITAL LIABILITIES:

Common Stock	766 000 00
Preferred Stock (6% Cumulative)	340 586 66
Bonds 1st Mortgage 6%	450 000 00
Total	

1 556 586 66

CURRENT LIABILITIES:

Bills Payable	1 395 18
Accounts Payable Not Due	1 500 51
Accounts Due and Payable	27 912 58
Customers Deposits	464 95
Interest Accrued not due	4 583 30
Service Billed in Advance	5 255 56
Miscellaneous	693 73

Total

41 785 81

DEFERRED CREDITS:

14 977 20

SURPLUS:

12 790 07

TOTAL

1 626 139 74

Applicant submitted its Income Statement for the years 1913, 1914 and 1915 as follows:

	1 9 1 5	1 9 1 4	1 9 1 3
Operating Revenues	\$124,109.83	\$118,697.83	\$91,892.74
Operating Expenses	<u>76,110.69</u>	<u>65,526.70</u>	<u>54,603.01</u>
Net Operating Revenues	47,999.14	53,171.13	37,289.73
Other Income:			
Interest	268.16	- - -	- - -
Miscellaneous	<u>252.32</u>	<u>639.18</u>	<u>680.32</u>
Total	<u>520.48</u>	<u>639.18</u>	<u>680.32</u>
Gross Corporate Income	48,519.62	53,810.31	37,970.05
Deductions:			
Bond Interest	25,271.22	22,211.51	8,647.01
Other Interest	268.23	443.83	7,188.88
Uncollectible Bills	1,067.71	1,325.00	1,929.10
Rent	1,198.85	1,281.89	- - -
Amortization of Discount	1,320.00	960.00	738.33
Miscellaneous	<u>180.00</u>	<u>- - -</u>	<u>- - -</u>
Total	<u>29,306.01</u>	<u>26,222.23</u>	<u>18,503.32</u>
Net Income	19,213.61	27,588.08	19,466.73

It will be noted from this statement that no proper allowance is made for depreciation.

Applicant further submitted the following income statement for the first five months of

1916, as compared with the similar portion of 1915:

<u>GROSS REVENUE</u>	<u>1916</u>	<u>1915</u>	<u>Increase</u>		<u>Decrease</u>	
			<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Telephone	19 527 06	18 924 28	402 78	.021		
Electric	26 754 73	25 330 30	1 424 43	.056		
Miscellaneous	340 38	205 77	134 61	.65		
Total	45 422 17	44 460 35	1 961 82	.044		
Expenses inc. Taxes	29 691 67	27 607 43	2 084 24	.075		
Net Revenue	16 730 50	16 852 92			122 42	.007
Interest Accrued	11 366 02	10 618 66	747 16	.07		
Balance	5 364 48	6 234 06			869 58	.13
Amort. Debt Disc. & Depr.	1 704 40	2 034 40			330 00	.16
Balance	3 660 08	4 199 66			539 58	.12

From the testimony it appears that the line loss, as evidenced by the difference between the electric energy purchased by applicant at wholesale and that distributed by it at retail, is unusually large. We believe that a saving could be effected in this respect, and we suggest that applicant take such steps as may be advisable to avoid any unnecessary losses in the future.

Applicant was ordered by this Commission in 1913, as a condition precedent to being permitted to issue bonds for raising the \$75,000 which applicant desired to pay to the stockholders of Cloverdale Light & Power Company for the property of that company, as follows (Decision No. 721 - supra):

"California Telephone and Light Company shall set aside from income each year, during the next ten years, beginning with the calendar year 1914, the sum of

\$2500, in addition to such sums as it may be required to set aside for sinking fund or depreciation under its mortgage and deed of trust and in addition to such sum as the Commission may hereafter require it to set aside for depreciation. Said sum of \$2500 thus set aside annually shall be used either for the retirement of applicant's bonds to the amount of \$25,000 before 1925, in the manner provided under its mortgage for sinking fund purposes, or shall be invested annually in additions and betterments to its properties; and if the money is invested in additions and betterments to its properties, it shall not be urged as a basis upon which to apply for an issue of either stock, bonds, notes or other evidences of indebtedness."

not

Applicant has apparently/complied with this order. We are of the opinion that this reserve should be kept under a distinct account apart from and in addition to all other funds or reserves; and we shall expect applicant to comply promptly with this suggestion.

The construction and extension work included in the schedule designated as Exhibit "J" filed with Application No. 498 and authorized in this Commission's Decision No. 721 (supra), and the progress thus far made by the same according to applicant's testimony are as follows:

(1) Cloverdale District

<u>Electric</u>	<u>Contemplated Expenditure</u>	<u>Work done</u>
Preston Extension	\$ 2850.	
Cloverdale Extension, East Side	2850.	Completed
Alder Glenn Extension	2850.	Completed
Oriental Extension	9500.	Completed
Geyserville, East Side	1900.	Completed
Geyserville, East South	9500.	Partly "
Cozzens, No. Dry Creek	3800.	Completed
Dry Creek to Healdsburg	9500.	Completed
West Dry Creek	1900.	
Lower Dry Creek	7600.	Completed
Sotoyome	950.	Completed
West Windsor, South	950.	Completed
East Windsor to Chisholms	<u>2850.</u>	Completed
	\$57000.	
Substation at Geyserville (including land)	10000	
300 services	6000	Installed
Miscellaneous	<u>5000</u>	Partly completed
Total Electric	\$78000	
<u>Telephone</u>		
Ornbaum Valley Extension	\$1000	Completed
Cloverdale, Pieta and Hopland	1500	
Miscellaneous	<u>500</u>	Completed
Total Telephone	<u>3000</u>	
Total-Cloverdale District	\$81000	

(2) Russian River & Sonoma Districts.

Electric

Forestville to Waller Ranch	\$2850	
Spring Hill to Freestone	2850	
Freestone to Bodega	4750	
Cotati to Denman	2850	Under Construction
Cotati to Roberts, et al	9500	
Graton to Green Valley	2850	Completed
Occidental to Pine Flat	1900	Partly completed
Xenwood to Warm Springs	2850	
Fulton to Mark West	1900	Completed
Extensions Russian River	<u>5700</u>	Partly completed
	38000	
Sub-station at Sonoma	10000	20% completed
200 services	4000	Installed
Miscellaneous	<u>5000</u>	
Total Electric	\$57000	

Telephone

Additions to exchange		
Equipment, Guerneville		
Sonoma	4000	5% completed
Extensions toll lines	25000	4% completed
Miscellaneous	<u>5000</u>	
Total Telephone	<u>34000</u>	
Total - R. R. & S. Districts	\$91000	

(3) Lake County District, including Calistoga.

Telephone

Additions to Exchange Eqpt.	\$ 4000	
Extensions toll lines	25000	20% completed
Miscellaneous	<u>5000</u>	
Total	\$34000	

(4) Ukiah and Potter Valley District.

Electric

Cunningham to Riverside	\$6,650	Completed
Riverside to Potter Valley	7,600	Partly completed
Riverside to Hemlock	4,750	
Cunningham, west	4,750	Work started
Talmage, south along Russian R.	4,750	Work started
Potter City to Willets	<u>14,400</u>	Work started
	\$42,900	
100 Services	2,000	20% installed
Miscellaneous	2,000	
Sub-station near Riverside	6,000	Completed
Automobiles for construction	5,000	Acquired
Teams, wagons, harness for construction	<u>2,000</u>	Acquired
	\$59,900	

Summary

(1) Cloverdale District	\$ 81,000
(2) Russian R. and Sonoma Districts	91,000
(3) Lake County District, ^{including} Calistoga	34,000
(4) Ukiah and Potter Valley District	<u>59,900</u>
Total	\$265,900

Under all the circumstances we do not feel justified in authorizing the issue of any additional preferred stock at this time nor the issue of bonds for the purpose of reimbursing applicant's treasury. We find, however, that applicant should be authorized to issue \$25,000.00 face value of bonds for the purpose of paying

that portion of its outstanding accounts incurred for the acquisition of property or for the construction, extension or improvement of its facilities or service, the remainder of the proceeds to be devoted to additions, extensions or improvements above set forth in the schedule heretofore referred to as Exhibit "J".

O R D E R.

CALIFORNIA TELEPHONE AND LIGHT COMPANY, a California corporation, having applied to the Railroad Commission for authority to issue additional securities of a total face value of \$25,000.00 as set forth in the foregoing opinion, and a public hearing having been held, and it appearing to this Commission that the purposes for which the proceeds of the proposed bond issue, as authorized in this order, are to be used are not in whole or in part reasonably chargeable to operating expenses or to income, and that the application should be granted in part and subject to the conditions hereinafter set forth,

IT IS HEREBY ORDERED that applicant be and the same is hereby authorized to issue \$25,000.00 face value of its first mortgage six-per cent bonds maturing April 1, 1943.

The authority herein granted is granted upon the following conditions and not otherwise:

(1) California Telephone and Light Company shall issue said bonds so as to net said company not less than 94% of the par value of the principal thereof in addition to accrued interest thereon.

(2) The proceeds of the bonds herein authorized to be issued shall be applied as follows:

(a) To refunding the following outstanding obligations:

FOR MATERIAL AND SUPPLIES:

Benjamin Electric Manufacturing Co.	Electric Light Fixtures	28.72	
Dixon & Elliott	Hardware	9.55	
E. W. Jacobs	Electric Supplies	10.50	
Kellogg Switchboard & Supply Co.	Telephone Supplies	2.31	
Lee Bros.	Freight and Drayage	7.25	
Northern Coast Timber Co.	Poles	404.88	
Pacific Gas & Electric Co.	Electric Supplies	13,145.53	
Pacific States Electric Co.	" "	100.00	
Payne Bolt Works	Bolts, Etc.	148.06	
Pierson, Roeding Co.	Insulators, etc.	104.48	
G. W. Remmel	Hardware	3.75	
John A. Roebling & Sons	Wire	442.93	
E. Starrett	Poles	7.75	
Safety Ins. Wire Co.	Wire	30.09	
Western Electric Co.	Telephone Supplies	731.66	15,177.46

FOR AUTOMOBILES AND MOTORCYCLES:

Girrens Bros.	Ford Cars	649.75	
International Harvester Co.	I. H. C. Truck	389.00	
Miscellaneous Auto Expense Bills aggregating \$840, 25% of which is estimated as properly chargeable to Capital.		210.00	1,248.75
Labor and Miscellaneous Expenses aggregating \$3600 of which 25% is estimated as properly chargeable to Capital			900.00

NOTES PAYABLE:

Snow Mountain Water & Power Co.	Purchase of Plant Ukiah Dist.	790.18	
International Harvester Co.	I.H.C. Truck	150.00	
Westinghouse Electric & Mfg. Co.	Electrical Supplies	455.00	1,395.18
Total.....			18,721.39

(b) To extensions, additions and improvements heretofore authorized under the designation of Exhibit "J" by this Commission's Decision No. 721, and referred to and set forth in the foregoing opinion

4,778.61

TOTAL..... \$23,500.00

(3) The authority herein granted shall apply to such bonds as shall be issued on or before June 30, 1917.

(4) Applicant shall report to the Railroad Commission within thirty (30) days the issue of the bonds herein authorized, the face value of the bonds so issued, the net

amounts received therefor and the disposition of the proceeds thereof, all in accordance with this Commission's General Order No. 24, which order insofar as applicable is made a part of this order.

(5) This order shall not become effective until applicant has paid the fee prescribed in Section 57 of the Public Utilities Act.

Dated at San Francisco, California, this
12th day of August, 1916.

Max Thelen
H. S. Cleveland
W. L. Gordon
Stuart R. Dyer
Commissioners.

Sealed Commission State of California
Fee \$ 5.00
AUG 23 1916
J. S. Matthews
Assistant Secretary