

ORIGINAL

Decision No. 4601

Decision No. _____.

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA.

* * * *

In the Matter of the Application of)
TULARE HOME TELEPHONE AND TELEGRAPH)
COMPANY for an order authorizing the) Application No. 2951.
issue of bonds.)

Harris & Hayhurst by L.B. Hayhurst for applicant;
James T. Shaw for Sunset Telephone and Telegraph
Company and The Pacific Telephone
and Telegraph Company.

GORDON, Commissioner.

O P I N I O N .

In this application TULARE HOME TELEPHONE AND
TELEGRAPH COMPANY asks authority to execute a deed of trust
to secure the payment of \$25,000.00 face value of 6 per cent.
serial bonds, and to issue of said bonds at this time
\$15,000.00 at not less than 93 per cent. of their face value
plus accrued interest.

Applicant asks permission to expend the proceeds
from the sale of the bonds for the following purposes:

- (a).-- To pay one-day 8 per cent. \$4,500.00 note,
dated May 20, 1914, held by First
National Bank of Tulare, \$4,500.00
- (b).-- To pay one-day 8 per cent. \$3,500.00 note,
dated June 10, 1914, held by
National Bank of Tulare, 3,500.00

(c).-To pay for extensions, additions and betterments \$ 6,000.00

The extensions, additions and betterments which applicant intends to install, consists of the following:-

(a)-New Switchboard,	\$ 3,437.00
(b)-Freight and Incidental expenses in connection with new switchboard,	525.00
(c)-Labor, etc., installing new switchboard	200.00
(d)-375 Harmonic Ringers.	690.00
(e)-Installing ringers in present telephones	100.00
(f)-Installing approximately 50 telephones, hanging small amount of cable, building lines, etc., during next 9 months.	1,033.00
(g)-Miscellaneous Expense	<u>15.00</u>
Total	\$ 6,000.00

In the Railroad Commission's Exhibit Number "1", the assets and liabilities of applicant, as of April 30, 1917, are reported as follows:-

ASSETS:

Plant and Equipment:

Central Office Equipment.	\$ 6,028.52
Construction Outside,	25,177.47
Subscribers Stations,	9,147.28
Miscellaneous Equipment	2,371.21
Buildings and Improvements,	<u>344.40</u>
Total	\$43,068.88
Less Depreciation Reserve	<u>19,304.16</u> \$23,764.72

Cash	2,306.51
Accounts Receivable	761.94
Stock Discount	8,937.47

Suspense:

Construction Changes Account of State Law,	540.40
Construction in Process,	163.65
Bond Expense	<u>74.20</u> \$36,548.89

LIABILITIES:

Capital Stock	\$24,930.00
Notes Payable	8,000.00
Advance Rentals	312.09
Accounts Payable	267.70
Surplus	<u>3,039.10</u>
	\$36,548.89

In arriving at the surplus as of April 30, 1917, no allowance was made for taxes and depreciation during the period

from January 1, 1917 to April 30, 1917.

The revenues and expenses for the years 1915, 1916 and the four months ending April 30, 1917, in Railroad Commission's Exhibit No. 1, are reported as follows:-

<u>I t e m</u>	<u>1915</u>	<u>1916</u>	<u>4 months ending Apr. 30, 1917</u>
Operating Revenues	\$17,043.87	\$17,764.27	\$ 5,999.07
Operating Expenses	12,080.01	13,254.75	2,954.46
Net Telephone Op. Revenues	4,963.86	4,509.52	\$ 3,044.61
Less taxes assignable to Operations	756.01	739.88	—
Operating Income	4,207.85	3,769.64	3,044.61
Non-Operating Revenue	—	62.70	21.00
Gross Income	4,207.85	3,832.34	3,065.61
Deductions:			
Rent	804.45	752.00	281.50
Interest	640.60	640.30	160.00
Total Deductions	1,445.05	1,392.30	441.50
Net Income	2,762.80	2,440.04	2,624.11
Surplus beginning of Year	1,024.01	1,679.49	1,661.05
Miscellaneous Additions to Surplus	388.38	51.25	2.95
Deductions from Surplus Balance	2.70	16.73	2.51
Less Dividends Paid	4,172.49	4,154.05	4,285.60
	2,493.00	2,493.00	1,246.50
Surplus End of Year	\$ 1,679.49	\$ 1,661.05	\$ 3,039.10

Reference is here made to Decision Number 4501, dated August 1, 1917, authorizing The Pacific Telephone and Telegraph Company to convey and transfer certain telephone properties.

Applicant alleges that it is the owner of two franchises, - one a 25-year franchise granted to Sunset Telephone and Telegraph Company in 1896, the other a 50-year franchise granted in 1912 to S.P. Sibley. The validity of the latter franchise was questioned at the hearing because applicant had failed to pay to the City of Tulare 2% of its gross receipts as required by the franchise. Since the hearing of this application, applicant has filed with the Commission a statement showing that it has paid the back license taxes due under the Sibley franchise. Apparently, the city authorities of Tulare

recognizes the Sibley franchise as valid.

Applicant proposes to execute a deed of trust securing the payment of \$25,000.00 face value of 6% bonds. These bonds to be issued in two series:

Series "A" comprising	\$15,000.00
Series "B" comprising	10,000.00

Of the Series "A" bonds \$500.00 are to mature September 1, 1919 and \$500.00 annually thereafter to and including September 1, 1927; while \$1,000.00 of said bonds are to mature annually from September 1, 1928 to September 1, 1937, both years inclusive. The Series "B" bonds are to mature September 1, 1937. At this time applicant desires to issue all of its Series "A" bonds at not less than 95% of their face value plus accrued interest.

At the hearing of this application counsel for applicant stated that he would submit to the Commission for approval the revised copy of applicant's proposed deed of trust. Until such copy is filed with the Commission and approved by it, it is obvious that no final authority to issue the bonds can be given at this time.

The testimony shows that the proceeds from the notes which applicant desires to pay, have been expended for proper capital purposes. The engineering department of the Commission has checked the estimated cost of the proposed extensions, additions and betterments and finds such cost to be reasonable.

I recommend that this application be granted subject to the conditions indicated in the order, and submit the following form of order:

O R D E R

TULARE HOME TELEPHONE AND TELEGRAPH COMPANY having applied to this Commission for authority to execute a deed of trust

securing the payment of \$25,000.00 face value of 6 per cent bonds, and for authority to issue at this time \$15,000.00 of said bonds.

And 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 for the purpose or purposes specified in the order and that such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income

IT IS HEREBY ORDERED that Tulare Home Telephone and Telegraph Company be and it is hereby granted authority to execute a deed of trust securing the payment of \$25,000.00 face value of 6 per cent bonds.

IT IS HEREBY FURTHER ORDERED that Tulare Home Telephone and Telegraph Company be and it is hereby granted authority to issue \$15,000.00 face value of its bonds, the payment of which is to be secured by the aforesaid deed of trust.

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

1. The bonds hereby authorized to be issued shall be issued at not less than 93 per cent of their face value plus accrued interest in cash.

2. None of the bonds hereby authorized to be issued, shall be issued until this Commission has made its order authorizing applicant to execute a deed of trust to secure the payment of said bonds.

3. The proceeds obtained from the sale of the bonds shall be expended for the following purposes and none other:

a.--The sum of \$8,000.00 to pay the following notes:

- (1) A \$4,500.00 eight per cent note dated May 20, 1914, held by First National Bank of Tulare.
- (2) A \$3,500.00 eight per cent note dated June 10, 1914, held by National Bank of Tulare.

b.--The remainder, approximately \$6,950.00 to pay in whole or in part for the following extensions, additions and betterments:

1.--New Switchboard	\$ 3,437.00
2.--Freight and Incidental expenses in connection with new switchboard.	525.00
3.--Labor, etc., installing new switchboard	200.00
4.--375 Harmonic Ringers.	690.00
5.--Installing ringers in present telephones	100.00
6.--Installing approximately 50 telephones, hanging small amount of cable, building lines, etc., during next 9 months.	1,033.00
7.--Miscellaneous expense	15.00
Total	\$ 6,000.00

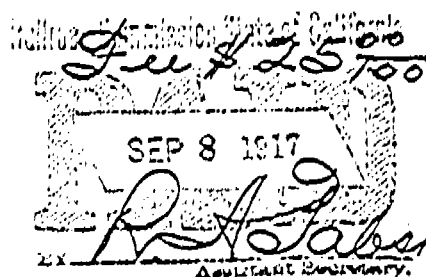
4. Tulare Home Telephone and Telegraph Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the bonds hereby authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Commission stating the sale or sales of said bonds during the preceding month, the terms and conditions of the sale, the moneys realized therefrom and the use and application of such moneys, all in accordance with the Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

5. The authority hereby granted is conditioned upon the payment by applicant of the fee prescribed in the Public Utilities Act as amended.

6. The authority hereby granted shall apply only to such bonds as shall have been issued on or before December 15, 1917.

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 30th day of August, 1917.



Max Miller
Alv. Gordon
Frank R. Deane
 Commissioners.