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ORIGINAL

Decision No. 8550

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of)
 HOME TELEPHONE COMPANY OF COVINA)
 to make and effect certain economies,)
 efficiencies and improvements to its)
 telephone service and additions to its) Application No. 6289.
 plant and for an order authorizing)
 the issue and sale of its bonds of the)
 issue of 1913 to defray the cost thereof.)

F. E. Wright, for Applicant.

BY THE COMMISSION:

O P I N I O N.

HOME TELEPHONE COMPANY OF COVINA asks permission to issue, at 88.5 per cent of face value, \$103,500.00 of its 6% first and refunding mortgage gold bonds due July 1, 1948.

A public hearing in this matter was held before Examiner Westover in Los Angeles on December 29, 1920.

The company at present serves about 2,000 subscribers in Los Angeles County, in the cities of Azusa, Baldwin Park, Bassett, Covina, Charter Oak, Glendora, Irwindale, La Fortuna Farms, North Whittier Heights, Otterbein, Puente, Rowland, San Dimas, Walnut Center, Valencia Heights and Valley View, operating with three exchanges, - one at Covina, one at Azusa, and the third at Puente. It is reported that the switchboards at these three exchanges have become congested with increased traffic and that it has become necessary to install two additional exchanges, one at Glendora and the other at Baldwin Park.

Applicant proposes to equip its exchanges with the auto-manual remote control system of switching apparatus with key board control from the Covina exchange to all outside exchanges. The proposed system of switching supplants the manual switchboard with a machine switching apparatus whereby subscribers lines are connected and disconnected mechanically by machines with manual control.

F. E. Wright, applicant's secretary and general manager, testified that the proposed installation of machine switching apparatus will improve the character of service, making it more prompt, accurate and secret and will effect economies by reducing the number of employees in switching operations from 24 to 7, eliminate the time and expense at present required in training operators, as well as effect economies in light, heating and janitor service in outside exchanges. The effect of these economies he estimates will result in saving \$10,539.84 per annum in operating expenses.

Applicant proposes to sell the \$103,500. of bonds at 88½% of their face value, plus accrued interest, and use the proceeds for the following purposes;-

To purchase and install switching apparatus	\$52,000.
For real estate and buildings	6,000.
For additional poles and trunk line cables	20,000.
To reimburse its treasury on account of earnings expended for additions and betterments	<u>3,000.</u>
TOTAL.....	<u>\$91,000.</u>

The testimony shows that the installation of the new switching apparatus will replace present apparatus costing \$13,600. but which has an estimated salvage value of \$3,400. The difference between the estimated cost and the salvage value must be charged to applicant's reserve for accrued depreciation.

To enable applicant to install its switching apparatus, the order herein will permit applicant to use approximately \$10,200. of the proceeds obtained from the sale of its bonds to reimburse its treasury on account of earnings invested in plant extensions,

additions and betterments, provided that after such reimbursement, the moneys be expended to acquire and install switching apparatus referred to in this application.

Applicant reports that it will have to expend approximately \$6,000. to acquire real estate and construct two 20' X 25' fire proof buildings for exchanges at Glendora and Baldwin Park. For poles and trunk lines connecting the new exchanges with the present plant, applicant estimates it will have to expend \$20,000.00. Of this amount, \$13,000. will be expended for 16,000 feet of 50-pair telephone cable and 15,000 feet of 25-pair telephone cable; and \$7,000. for poles. The company has entered into no contract for the purchase of either poles or cable and intends to buy these in the open market at the most reasonable price.

The testimony shows that applicant has heretofore expended \$3,397.15 for poles and cables, which are now in use. On account of this expenditure, it asks permission to reimburse its treasury in the sum of \$3,000.

Applicant intends to sell its bonds to its subscribers. Mr. Wright is of the opinion that the company will encounter no difficulty in selling all of the bonds at 88½% of their face value, plus accrued interest.

O R D E R.

HOME TELEPHONE COMPANY OF COVINA, having applied to the Railroad Commission for permission to issue \$103,500. of bonds, a public hearing having been held, and the Railroad 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 this order and that the expenditures for such purpose or purposes 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 on or before June 30, 1921 for cash at not less than 88½% of their face value, plus accrued interest, \$106,500. of its 6% first and refunding gold bonds due July 1, 1943.

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

1. The proceeds obtained from the sale of the bonds shall be used for the following purposes--

To purchase and install switching equipment and reimburse the company's treasury on account of replacement of property, approximately.....	\$52,000.
For real estate and buildings, approximately...	6,000.
For additional poles and cables, approximately	20,000.
To reimburse applicant's treasury on account of earnings expended for plant extensions, additions and betterments, approximately	3,000.

2. Any proceeds used for the purpose of reimbursing applicant's treasury on account of replacement of property, shall be, after such reimbursement, expended for switching equipment or for other plant extensions, additions and betterments.

3. Home Telephone Company of Covina shall keep such record of the issue and sale 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.

4. The authority herein granted will not become effective

until applicant has paid the fee prescribed in the Public Utilities Act.

Dated at San Francisco, California, this 17th day of January, 1921.

H. D. Loveland
Frank DeWitt
H. K. Bondage

Commissioners.

State of California
JAN 23 1921
BY H. M. [Signature]