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ORIGINAL

Decision No. 9559.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

* * *

In the Matter of the Application of)
SOUTHERN CALIFORNIA TELEPHONE COMPANY)
for authority to purchase land in the)
City of Los Angeles from the Mercantile)
Fireproof Building Company, and for)
authority to issue a promissory note in)
payment therefor and for authority to)
execute a mortgage as security for said)
note.)

Application
Number
7054

H.D. Pillsbury, James D. Shaw and Arthur Wright for
Southern California Telephone Company;
O.P. Schoonmaker for Mercantile Fireproof Building
Company.

BRUNDIGE, Commissioner.

O P I N I O N

SOUTHERN CALIFORNIA TELEPHONE COMPANY asks permission
to issue a \$150,000.00 6 per cent. serial note and execute a mort-
gage to secure the payment of the note.

The company reports that it has arranged to purchase at
a cost of \$150,000.00 from the Mercantile Fireproof Building Company
a parcel of land situated in the City of Los Angeles and described
as follows:

"The Southerly 250 feet of Block "A" of the
Obear Tract, in the City of Los Angeles, County of
Los Angeles, State of California, as per map recor-
ded in Book 2 page 40 of Maps, in the office of the
County Recorder of said County, more particularly
described as follows:

Beginning at the South West corner of said Block "A";
thence Northerly along the Easterly line of San Pedro
Street, 250 feet, thence Easterly to a point in the
Easterly line of said Block "A", distant Northerly

"250 feet from the South East corner of said Block; thence Southerly along said Easterly line to the South East corner of said Block; thence Westerly along the Southerly line of said Block, to the point of beginning.

Also a right-of-way for ingress and egress over the following described strip of land, to-wit:

Beginning at the point in the Westerly line of said Block "A" of the Obear Tract, distant Northerly 250 feet from the South West corner of said Block; thence Easterly to a point in the Easterly line of said Block, distant Northerly 250 feet from the South East corner of said Block; thence Northerly along said Easterly line 56 feet; thence Westerly to a point in the Westerly line of said Block, distant Northerly 56 feet from the point of beginning; thence along said Westerly line 56 feet to the point of beginning.

Subject to taxes fiscal year 1921-1922."

I.F. Dix, applicant's plant superintendent, testified that it was necessary for the company to purchase the property and to construct a building thereon to be used by the company for garage, repair shop and storeroom purposes. A statement submitted shows that through the acquisition of the properties and the construction of the necessary building, the company will be able to save approximately \$18,786.00 a year.

The deed of trust of Southern California Telephone Company contains an after-acquired property clause. Because of this clause, it is probable that the properties which the company intends to acquire will be purchased from the Mercantile Fireproof Building Company by an individual, who in turn will transfer the property to applicant subject to the indebtedness issued by him in payment for the properties. It appears that the owner of the properties is unwilling to accept a second mortgage securing the notes issued in payment for the properties. If the properties are acquired by an individual and notes issued by him in payment therefor and a mortgage executed to secure the payment of such notes, the mortgage will constitute a first lien and the deed of trust of Southern California Telephone Company, when it acquires the properties, a second lien.

In its original application, it was the intention of the Southern California Telephone Company to issue in payment for the properties a promissory 6 per cent note in the sum of \$150,000.00 payable within ten years and to execute a mortgage on the properties to secure the payment of the note. A copy of both the note and mortgage has been filed in this proceeding. The company agrees to pay the note in ten equal installments, the first installment being due and payable July 7, 1922. I believe the order herein should permit applicant to proceed either under its original plan or to acquire the properties subject to an indebtedness of \$150,000.00 secured by a first mortgage.

I herewith submit the following form of Order.

O R D E R

SOUTHERN CALIFORNIA TELEPHONE COMPANY having applied to the Railroad Commission for permission to issue a \$150,000.00 note and execute a mortgage, 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 specified in this order and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED, that SOUTHERN CALIFORNIA TELEPHONE COMPANY be, and it is hereby authorized to issue a \$150,000.00 6 per cent. note payable within ten years, in the same form as the note filed in this proceeding and marked Exhibit "A", said note being authorized to be issued for the purpose of paying for the properties described in the foregoing opinion; or may acquire said properties subject to the payment of a \$150,000.00 indebtedness secured by a first mortgage and assume the payment of such indebtedness.

IT IS HEREBY FURTHER ORDERED, that SOUTHERN CALIFORNIA TELEPHONE COMPANY be, and it is hereby, authorized to execute a

mortgage substantially in the same form as the mortgage filed in this proceeding and marked Exhibit "B", provided that the authority herein granted to execute said mortgage is for the purpose of this proceeding only and is granted in so far as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said mortgage as to such other legal requirements to which said mortgage may be subject.

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

1.---The Commission will not, because of the authority herein granted to issue a note, be bound to include in a rate base the consideration being paid for the properties which Southern California Telephone Company intends to acquire from the Mercantile Fireproof Building Company.

2.---Southern California Telephone Company shall keep such record of the issue and sale of the note herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order Number 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 \$150.00.

4.--The authority herein granted will apply only to such notes as may be issued on or before December 1, 1921.

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 27th day of September, 1921.

H. B. Brundage

George H. ...
J. J. ...
Commissioners.

Railroad Commission State of California
FEE \$150.00
OCT 2 1921
H. M. ...