

LEM

ORIGINAL

Decision No. 11362.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 INTERSTATE TELEGRAPH COMPANY,)
 a corporation, for an order author-)
 izing the issue and sale of \$151,000.) Application No. 11506
 per value of first mortgage bonds.)

P. R. Ferguson, for applicant.

BY THE COMMISSION:

OPINION

The Interstate Telegraph Company asks permission to issue and sell \$151,000.00 face value of its first mortgage six percent, 25-year gold bonds due March 1, 1937 and use the proceeds to pay indebtedness.

The Interstate Telegraph Company was organized in 1910 under the laws of Nevada. It owns and operates a telephone and telegraph system at Inyo, Kern, Riverside and San Bernardino Counties, in California, and Esmeralda and Nye Counties, in Nevada. It operates telephone exchanges located at Bishop, Big Pine, Lone Pine, Independence, Zeeler, Randsburg, Victorville and Barstow, in California; and long distance telephone lines extending from San Bernardino to points in Inyo County. It operates no exchanges in Nevada but does operate in that state, long distance telephone lines.

The company has an authorized stock issue of \$500,000. divided into 500,000 shares of the par value of \$1.00 each. All

of the company's stock has been issued and is now outstanding.

Applicant has an authorized bond issue of \$500,000.00, of which \$237,000.00 of bonds are now outstanding. The payment of the bonds is secured by a deed of trust executed to the International Trust Company of Denver, as trustee. The deed of trust is a lien on all of the properties of the company owned at the time such mortgage was executed or thereafter acquired. The bonds of the company are dated March 1, 1912 and mature on March 1, 1937, with interest at the rate of six percent per annum. The mortgage securing the payment of the bonds provides for a sinking fund into which the company agrees to pay annually twenty percent of its net earnings. The payments made into the sinking fund shall be used to redeem bonds.

In addition to a bonded debt of \$237,000.00 applicant reports accounts payable due system corporations, of \$205,822.48. The company has no notes outstanding and its other accounts payable are of only a nominal amount. It is of record that the \$205,822.48 is payable to The Nevada-California Electric Corporation, which owns substantially all of applicant's outstanding stock. It is to pay part of this indebtedness that applicant asks permission to issue and sell \$151,000.00 of its first mortgage bonds.

There has been filed in this proceeding as applicant's Exhibit No. 1 a summary of the reproduction cost new of the properties of Interstate Telegraph Company as of December 31, 1914, together with summary figures showing the cash expended from such date to March 31, 1925 for additions to applicant's properties. The reproduction cost new of the company's properties as of December 31, 1914 is reported at \$343,917.00. Adding to such figure the cash expended for additions to property, and adjusting the accounts on account of replacements of property, results in a total of \$545,055.27 as of March 31, 1925.

Applicant in its Exhibit E reports in detail the cost of additions and betterments to its properties from January 1, 1916 to March 31, 1925. The total expenditure during such period is reported at \$242,656.59. From this amount there is deducted \$52,906.81 representing property displaced, leaving a net increase in fixed capital of \$189,749.78. Against this net increase applicant proposes to issue \$151,000.00 of its first mortgage bonds, which amount represents approximately eighty percent of the said net increase.

O R D E R

Interstate Telegraph Company, having applied to the Railroad Commission for permission to issue \$151,000.00 of its first mortgage bonds, a public hearing having been held before Examiner Fankhauser and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of such bonds 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 the Interstate Telegraph Company be, and it is hereby, authorized to issue and sell on or before December 1, 1925 at not less than 95 percent. of their face value and accrued interest, \$151,000.00 of its six percent first mortgage gold bonds due March 1, 1937 and use the proceeds obtained from the sale of such bonds to pay part of the indebtedness referred to in applicant's Exhibit C.

IT IS HEREBY FURTHER ORDERED that the authority herein granted to issue bonds will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$151.00, and that applicant shall keep such record

of the issue, sale and delivery 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.

DATED at San Francisco, California, this 3rd day of September, 1925.

H. W. Brundage
C. Seaver

Leon Whitcomb

Commissioners.

RAILROAD COMMISSION
STATE OF CALIFORNIA
Fee \$151.00
SEP 20 1925
A. C. Matthews