

LEM

Decision No. 22348.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of)
ASSOCIATED TELEPHONE COMPANY, LTD.,)
for an order authorizing it to execute)
its mortgage and/or deed of trust and)
to issue and sell certain bonds.)

Application No. 16380

Mott, Vallee and Grant, by Paul Vallee;
O'Melveny, Tuller and Myers, by Harry L. Dunn;
and Ernest Irwin, for applicant.

BY THE COMMISSION:

O P I N I O N

In this proceeding Associated Telephone Company, Ltd. asks permission to execute a mortgage and/or otherwise encumber its property in the manner set out in its proposed trust indenture, and to issue and sell at not less than 90 percent of their face value plus accrued interest \$6,000,000.00 of its first mortgage five per cent gold bonds, Series "A", due March 1, 1965, for the purpose of paying indebtedness and to pay the cost of additions and betterments to its properties.

Associated Telephone Company, Ltd., a corporation organized under and existing by virtue of the laws of the State of California, owns and operates telephone systems in the following cities and towns and territory contiguous thereto--Azusa, Baldwin Park, Glendora, Hermosa Beach, Long Beach, Manhattan Beach, Ocean Park, Puente, Redondo Beach, Santa Monica, Signal Hill, Venice, and West Los Angeles, all being located in the County of Los Angeles;

Huntington Beach, Laguna Beach, Los Alamitos, Seal Beach and Westminster, all located in the County of Orange; and San Bernardino, located in the County of San Bernardino.

By Decision No. 21268 dated June 21, 1929 in Application No. 15494 the Railroad Commission authorized the Associated Telephone Company, Home Telephone Company of Covina, Huntington Beach Telephone Company, Laguna Beach Telephone Company, Redondo Home Telephone Company and Santa Monica Bay Telephone Company to sell their properties to the Associated Telephone Company, Ltd. It further authorized Associated Telephone Company, Ltd. to assume the then existing indebtedness of the vendor companies.

For the year ending December 31, 1929 the Associated Telephone Company, Ltd. and its predecessor companies submit in Exhibit "B", the following income account:-

<u>I. OPERATING INCOME</u>	
Telephone operating revenues	\$2,297,969.07
Telephone operating expenses	1,162,553.77
Net telephone operating revenue	1,135,415.30
Total net operating revenues	1,135,415.30
Uncollectible operating revenue	22,549.20
Taxes assignable to operation	228,230.10
Deductions from net operating revenues	250,779.30
Operating income	\$ 884,636.00
<u>II NONOPERATING INCOME</u>	
Rent revenues from lease of telephone plant	\$ 505.60
Miscellaneous rent revenues	3,659.80
Dividend revenues	226,480.02
Interest revenues	14,392.09
Sinking and other reserve fund accretions	17.45
Miscellaneous nonoperating revenues	848.01
Total Nonoperating revenues	\$ 245,902.97
Rent expense	9.10
Nonoperating taxes	1,238.38
Deductions from nonoperating revenues	\$ 1,247.48
Nonoperating income	244,655.49
Gross income	\$ 1,129,291.49

	Brought	
	Gross income- / Forward.....	\$1,129,291.49
III. DEDUCTIONS FROM GROSS INCOME		
Rent deductions for telephone offices		3,728.69
Rent deductions for conduits, poles, other supports		2,553.44
Rent deductions for instruments and equipment		2,990.77
Miscellaneous rent deductions		3,105.37
Interest deductions for funded debt		198,239.26
Other interest deductions		34,323.12
Amortization of debt discount and expense		6,113.00
Miscellaneous deductions from income		809.69
Total deductions from gross income	\$	251,863.34
Net income	\$	877,428.15
IV. DISPOSITION OF NET INCOME.		
Dividend appropriations of income	\$	509,584.26
Total appropriations of income	\$	509,584.26
Amount transferred to credit of corporate surplus or deficit	\$	367,843.89

The assets and liabilities of the Associated Telephone Company, Ltd., on December 31, 1929 are reported in applicant's Exhibit "B" as follows:-

<u>A S S E T S</u>		
<u>FIXED CAPITAL:</u>		
Property, plant, etc	\$9,956,524.56	
Construction work in progress	513,414.72	
Total fixed capital		\$10,469,939.28
<u>INVESTMENTS:</u>		
Funded debt of system corporations	13,265.00	
Total investments		13,265.00
<u>CURRENT ASSETS:</u>		
Cash	89,308.18	
Special deposits	3,542.00	
Employees' working funds	7,310.65	
Notes receivable	1,344.15	
Due from subscribers and agents	161,704.15	
Miscellaneous accounts receivable	36,499.76	
Interest and dividends receivable	1,516.65	
Materials and supplies	544,459.31	
Total current assets		845,684.85
<u>INTER-COMPANY ITEMS:</u>		
Accounts receivable from system corporations	7,061.15	
Notes receivable from system corporations	113,000.00	
Accounts and notes receivable-Associated Telephone Utilities Company	1,392.14	
Total inter-company items		123,453.29
<u>DEFERRED DEBIT ITEMS:</u>		
Sinking fund assets	30,576.86	
Prepayments	37,227.80	
Unamortized debt discount and expense	98,207.58	
Other suspense	3,028.90	
Undistributed clearing account balances	13,383.44	
Total deferred debit items		182,424.58
Total assets		<u>\$11,634,767.00</u>

LIABILITIES

<u>CAPITAL STOCK:</u>		
Common	\$3,117,717.64	
Preferred	2,445,176.00	
Total capital stock		\$5,562,893.64
Funded debt		3,259,300.00
<u>CURRENT LIABILITIES:</u>		
Notes payable	150,000.00	
Audited vouchers and wages unpaid	590,519.51	
Subscribers' deposits	1,669.03	
Service billed in advance	4,435.98	
Total current liabilities		746,624.52
<u>ACCRUED LIABILITIES NOT DUE:</u>		
Taxes accrued	176,151.32	
Interest accrued on funded debt	68,180.00	
Interest accrued on notes payable	675.00	
Dividends accrued on preferred stock	26,578.00	
Other accrued liabilities not due	2,282.12	
Total accrued liabilities not due		273,866.44
<u>INTER-COMPANY ITEMS:</u>		
Notes payable to system corporations	150,000.00	
Interest accrued on system corporation notes	1,423.00	
Accounts and notes payable-Associated Telephone Utilities Company	59,000.00	
Interest accrued on notes payable-Associated Telephone Utilities Company	295.00	
Total inter-company items		210,718.00
<u>DEFERRED CREDIT ITEMS:</u>		
Reserve for accrued depreciation	1,174,255.68	
Reserve for uncollectible accounts	12,901.00	
Other deferred credit items	51,253.04	
Total deferred credit items		1,238,409.72
Surplus		342,954.68
<u>TOTAL LIABILITIES.....</u>		<u>\$11,634,767.00</u>

It will be observed that the company reports funded debt of \$3,259,300.00. In Exhibit No. 2 the funded debt of the company is reported on March 31, 1930 at \$3,243,600.00 and consists of the following bonds:-

Associated Telephone Company 6% bonds due Aug.1,1950	\$1,487,200.00
Huntington Beach Telephone Company 6% serial bonds due from 1930-1935	30,000.00
Home Telephone Company of Covina first and refunding mortgage 6% bonds due July 1,1943	170,900.00
Home Telephone Company of Covina general and refunding mortgage 6% bonds due September 1, 1953	103,000.00
Santa Monica Bay Telephone Company first and refunding mortgage 6% bonds due Sept. 1, 1944	1,257,500.00
Redondo Home Telephone Company first mortgage 6% bonds due Sept. 1, 1946	195,000.00
Total.....	<u>\$3,243,600.00</u>

In Exhibit No. 4 applicant as of March 31, 1930 reports notes payable to banks in the amount of \$450,000.00; notes payable to system corporations in the amount of \$203,000.00; trade acceptances in the amount of \$75,833.77; and accounts payable to system corporations of \$100,000.00, making an aggregate indebtedness of \$828,833.77.

It is of record that this indebtedness was incurred for construction purposes. In Exhibit "E" the net amount required for new construction by Associated Telephone Company, Ltd. for 1930 is reported at \$2,493,850.00. A summary of the proposed expenditures follows:

Location:	Cost of New Plant in Place	Removal Cost of old Plant	Salvage on Plant Removed	Net Amount Required
Long Beach	\$1,292,540.	\$18,310.	\$19,130.	\$1,291,720.
Huntington Beach and Westminster	61,220.	3,270.	790.	63,710.
Laguna Beach	20,230.	1,240.	1,180.	20,290.
South Coast District	\$1,373,990.	\$22,820.	\$21,090.	\$1,375,720.
Santa Monica, West Los Angeles & Malibu	\$ 543,120.	\$11,000.	\$28,770.	\$ 525,350.
Redondo	377,980.	5,390.	20,920.	362,450.
West Coast District	\$ 921,100.	\$16,390.	\$49,690.	\$ 887,800.
San Bernardino	\$ 186,870.	\$ 3,450.	\$ 2,650.	\$ 187,670.
Covina	42,090.	2,100.	1,530.	42,660.
Valley District	\$ 228,960.	\$ 5,550.	\$ 4,180.	\$ 230,330.
T O T A L	\$2,524,050.	\$44,760.	\$74,960.	\$2,493,850.

It is the intention of the Associated Telephone Company, Ltd. to redeem as soon as possible all of the outstanding bonds of its predecessor companies. Under the trust indentures securing the payment of the bonds, those of Associated Telephone Company can be redeemed on August 1, 1930; those of Huntington Beach Telephone Company and Home Telephone Company of Covina (general and refunding) can be redeemed on July 1st; and those of Santa Monica Bay Home Telephone Company, Redondo

Home Telephone Company and Home Telephone Company of Covina (first mortgage) can be redeemed on September 1, 1930.

The redemption of these bonds will call for an expenditure of approximately \$3,400,000.00. It is for the purpose of providing itself with funds to redeem the bonds to which reference has been made, to pay the indebtedness of \$828,833.77, referred to in Exhibit No. 4, and to finance part of its 1930 construction expenditures that the applicant asks authority to issue \$6,000,000.00 face value of its first mortgage bonds.

Applicant has submitted a copy of its proposed mortgage and/or deed of trust which it intends to execute to secure the payment of its bonds. Information on file, however, indicates that some of the provisions of the mortgage may be changed. The order herein will, therefore, authorize applicant to issue and sell at not less than 92 percent of their face value and accrued interest \$6,000,000.00 of bonds subject to the condition that none of the bonds may be delivered nor any of the proceeds expended until the Commission has authorized applicant to execute a mortgage and/or deed of trust to secure the payment of such bonds.

While the order herein will authorize applicant to issue \$6,000,000.00 of its bonds and use part of the proceeds to pay outstanding bonds, it should be understood that the Commission will not consider the unamortized discount and expense applicable to the bonds now outstanding, or the premium which the company may pay upon the redemption of such bonds, as part of the cost of the money obtained through the issue of the \$6,000,000.00 of bonds.

ORDER

Associated Telephone Company, Ltd. having asked permission to issue \$6,000,000.00 of its first mortgage five percent gold bonds, Series "A", due March 1, 1965, and to execute a mortgage and/or deed

of trust to secure the payment of such bonds and such further bonds as it may from time to time issue, a public hearing having been held before Examiner Fankhauser, and the Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of said \$6,000,000.00 of bonds is reasonably required by applicant for the purposes herein stated and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that this application should be granted as herein provided, therefore,

IT IS HEREBY ORDERED that Associated Telephone Company, Ltd. be, and it hereby is, authorized to issue and sell, on or before September 1, 1930, at not less than 92 percent of their face value and accrued interest, \$6,000,000.00 of its first mortgage five percent gold bonds, Series "A", due March 1, 1965, and use the proceeds to reimburse its treasury because of earnings expended for additions and betterments and for the purpose of paying the outstanding bonds and other indebtedness to which reference is made in the preceding opinion and to pay, in part, the cost of additions and betterments set forth in Exhibit "E" filed in this proceeding; provided that none of said bonds may be delivered, nor any of the proceeds realized from the sale of said bonds expended until the Commission has, by supplemental order, authorized applicant to execute a mortgage and/or deed of trust to secure the payment of said bonds and such further bonds as applicant may from time to time issue.

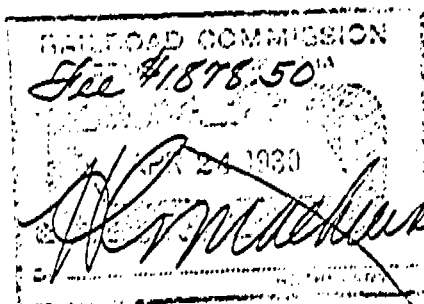
IT IS HEREBY FURTHER ORDERED that the authority herein granted will become effective when Associated Telephone Company, Ltd. has paid the fee prescribed by Section 57 of the Public Utilities Act, and 50/100 which fee is One Thousand Eight Hundred Seventy-eight (\$1,878.50) Dollars.

IT IS HEREBY FURTHER ORDERED that Associated Telephone Company, Ltd. shall keep such record of the issue and sale 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, insofar as applicable, is made a part of this order.

DATED at San Francisco, California, this 18th day of April, 1930.

C. L. Seely
[Signature]
[Signature]
[Signature]
M. J. Carr

Commissioners.



Fee # 27999