LBM

Decision No. 23972

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of INTERSTATE TELEGRAPH COMPANY, a corporation, for an order authorizing the issue and sale of $96,000. par value of first mortgage bonds.	Application No. 17532

J. S. Bordwell, for applicant.

ORIGINAL

BY THE COMMISSION:

OPINION

The Interstate Telegraph Company in this proceeding asks permission to issue and sell at not less than 98 percent of their face value and accrued interest, $96,000.00 of its first mortgage six per cent 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 in Inyo, Mono, Kern, Riverside and San Bernardino Counties in California; and Esmeralda and Nye Counties in Nevada. It was engaged in such business on March 23, 1912, the effective date of the Public Utilities Act.

The company has an authorized stock issue of $500,000.00 divided into 500,000 shares of the par value of One Dollar each. All of this stock was issued prior to the effective date of the Public Utilities Act. However, in view of the fact that the company is organized under the laws of the State of Nevada, this Commission has no jurisdiction over the issue of stock of applicant.

Applicant has an authorized bond issue of $500,000.00, of which $250,000.00 was issued prior to the effective date of the Public Utilities Act. Bonds in the amount of $151,000.00 were issued under the authority granted by the Railroad Commission in Decision No. 15362. As of May 31, 1931 the company had $362,000.00 of bonds outstanding. The payment of the company's 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 company's bonds are dated March 1, 1912 and mature on March 1, 1937. They all bear interest at the rate of six percent per annum. The mortgage securing the payment of the company's bonds requires the company to pay to the trustee semi-annually on and after September 1, 1917, twenty percent of its net earnings, which payments the trustee shall use to redeem bonds. It is through the use of these payments that the $401,000.00 of bonds issued by applicant have been reduced to $362,000.00.

In addition to the outstanding $362,000.00 of bonds, the company reports an indebtedness due system corporations in the amount of $122,854.08. The money obtained from the system corporations was expended by applicant for additions and betterments. Exhibit "B" filed in this proceeding shows that the company expended from January 1, 1926 to December 31, 1930 the sum of $179,656.17 for additions to its properties. The construction of these additions has replaced properties which, according to the company's books, cost $59,559.56. Deducting the $59,559.56 from the total cost of $179,656.17 leaves a net increase in the cost of the company's properties of $120,096.61. It is because of this net increase of $120,096.61 that the company at this time asks permission to issue bonds in the amount of $96,000.00. The amount of bonds which the company asks permission to issue is approximately 80 percent of the increase in the net cost of the company's additions to its properties.

It appears from information on file with the Commission that if the company issues the $96,000.00 of bonds that its total outstanding indebtedness will be substantially less than 80 percent of the cost of its physical properties. For the past five years the company has reported its net income, that is, the amount available for dividends and surplus as follows: 1930, $28,381.00; 1929, $27,516.00; 1928, $23,474.00; 1927, $16,986.00; and for 1926, $28,198.00. This net income has been used by the company to redeem bonds and acquire additional properties. It has paid no dividends on its outstanding stock.

We believe that the company should sell its bonds for not less than par.

O R D E R

Interstate Telegraph Company having applied to the Railroad Commission for permission to issue $96,000.00 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 for the purposes herein stated, 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 31, 1931, at not less than par and accrued interest, $96,000.00 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 Exhibit "A" filed in this proceeding.

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 Ninety-six ($96.00) Dollars, 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 insofar as applicable, is made a part of this order.

DATED at San Francisco, California, this 24th day of August, 1931.

Leon O Whitsell

M B Harris

Fred G. Stevenot.

Commissioners.

Fee $96 00/100

R. J. Pigalink
Asst
Fee # 23263