

Decision No. 24891**ORIGINAL**

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 INTERSTATE TELEGRAPH COMPANY,
 for an order authorizing it to refund
 and retire \$454,000.00 par value of
 its First Mortgage Bonds now outstand-
 ing, by exchanging therefor, par for
 par, a like amount of New Series First
 Mortgage Bonds, to be executed, certi-
 fied and delivered under the terms and
 provisions of a New Series First
 Mortgage Trust Indenture securing said
 Bonds and providing for future financing;
 also for an order authorizing and ap-
 proving said new Trust Indenture.

Application No. 18119

Charles K. Potter, for applicant.

BY THE COMMISSION:

O P I N I O N

In this proceeding the Railroad Commission is asked to make its order authorizing Interstate Telegraph Company to execute a trust indenture similar in form to that filed in this proceeding as Exhibit "A" and to issue under such trust indenture \$454,000.00 of bonds in exchange for a like amount of bonds which applicant now has outstanding.

Interstate Telegraph Company is a corporation organized and existing under and by virtue of the laws of the State of Nevada. It was incorporated on or about October 4, 1910. Under the Nevada laws, its term of existence is unlimited. It is engaged in the telegraph and telephone business in the Counties of Inyo, Kern, San Bernardino and Riverside in the State of California and also in

the Counties of Esmeralda and Nye in the State of Nevada.

Under date of March 1, 1912, applicant executed and delivered to The International Trust Company of Denver, Colorado, as Trustee, its first mortgage or deed of trust to secure the payment of an authorized \$500,000.00 ^{six per cent}/bond issue. Of these bonds \$250,000.00 were issued prior to the effective date of the Public Utilities Act of California (March 23, 1912). Bonds in the amount of \$151,000.00 were issued under authority granted by the Railroad Commission in Decision No. 15362, dated September 3, 1925, and \$96,000.00 were issued under authority granted by the Railroad Commission in Decision No. 23972, dated August 24, 1931. The total of the bonds thus issued aggregated \$497,000.00. Since the issue of these bonds, the company has redeemed \$43,000.00 face value, leaving \$454,000.00 of bonds outstanding. The bonds retired were some of the initial issue of \$250,000.00. All of the outstanding bonds, as well as all of applicant's outstanding stock, except directors' shares, are owned by The Nevada California Electric Corporation. This corporation has agreed to surrender to applicant for cancellation the \$454,000.00 of bonds upon condition that applicant issue to the said The Nevada California Electric Corporation \$454,000.00 of bonds under applicant's proposed new trust indenture.

There has been filed in this proceeding as Exhibit "A" a copy of applicant's "New Series First Mortgage Trust Indenture." This is to be executed to The International Trust Company, Denver, Colorado, as Trustee. This trust indenture is of the open-end type. It provides for an initial issue of Series "A" bonds not to exceed in face amount \$5,000,000.00. This series of bonds is to bear interest at the rate of six percent per annum, payable semi-annually on March 1st and September 1st of each year. The bonds are to mature September 1, 1981. The company reserves the right to redeem all or any part of the Series "A" bonds at its option, upon the payment of the principal, accrued

interest and a premium of three percent per annum upon the principal, prior to September 1, 1979 and thereafter at par. The company covenants that it will create a redemption fund by causing to be deposited to the credit of such fund semi-annually with the Trustee within thirty days after the first day of February and August of each year beginning with the year 1932, a sum equal to three-quarters of one percent of the aggregate par value of all bonds then outstanding and which shall have been outstanding for a period of at least three months prior to the date to which such payment relates. The moneys in the redemption fund may be used by the company for the purpose of acquiring additional properties against which the Trustee cannot certify any further bonds, or for the purpose of redeeming bonds outstanding at not exceeding the redemption price.

The trust indenture provides that upon the filing of the certificate defined in Section 18 of said trust indenture and the issuance of the necessary order or orders by the Railroad or Public Utility Commission having jurisdiction thereof, authorizing and stating the amount of said proposed bond issue and the purpose or purposes to which said issue or the proceeds thereof will be applied, the Trustee shall deliver to the Interstate Telegraph Company duly certified bonds authorized under the trust indenture to the face or par value aggregating in amount eighty percent of the stated value of the additional assets acquired by the Interstate Telegraph Company as shown by the property and property rights covered by said certificate.

We have no objection to applicant including such a provision in its trust indenture, but wish to put said applicant on notice that an order of this Commission permitting applicant to execute a trust indenture does not authorize applicant to issue any bonds. If it hereafter desires to issue any bonds, it should file a formal application or applications for permission to do so. In passing upon

such application or applications, the Commission will not, because of the aforesaid provision in the trust indenture, permit applicant to issue bonds in an amount equal to eighty percent of the cost of additions and betterments. Such application or applications must be justified by other reasons.

On page 74 of the proposed trust indenture, applicant sets forth the cost of its properties as of December 31, 1930. This cost amounting to \$733,547.13 is made up as follows:

Gillette appraised value as of December 31, 1914 was.....	\$401,984.00
Plus cost of all additions (net) to permanent property January 1, 1915 to December 31, 1930 both inclusive, (exclusive of construction work in progress December 31, 1930)..	<u>331,563.13</u>
Fair value of properties and assets of Interstate Telegraph Company as of December 31, 1930.....	<u>\$733,547.13</u>

While we have no objection to applicant incorporating these figures in its trust indenture, we are not thereby passing upon the value of applicant's properties, either for the purpose of issuing securities or for the purpose of fixing rates. There is nothing in the record to indicate the amount of accrued depreciation which should be set up against the \$733,547.13.

O R D E R

Interstate Telegraph Company having asked permission to execute a trust indenture and to issue \$454,000.00 of bonds, 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 bonds is reasonably required by applicant for the purposes herein stated, 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

subject to the provisions of this order, therefore,

IT IS HEREBY ORDERED as follows:

1. Interstate Telegraph Company may, on or before October 1, 1932, execute a new series first mortgage trust indenture similar in form to that filed in this proceeding as Exhibit "A", provided that the authority herein granted to execute said new series first mortgage trust indenture is for the purpose of this proceeding only, and is granted insofar as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said new series first mortgage trust indenture as to such other legal requirements to which said new series first mortgage trust indenture may be subject; and provided further that the Commission reserves the right in subsequent proceedings to determine the terms and conditions under which Interstate Telegraph Company may be permitted to issue bonds under said new series first mortgage trust indenture.

2. Interstate Telegraph Company may, on or before October 1, 1932, under the terms and conditions of said trust indenture refund and retire all of its issued and outstanding first mortgage bonds in the face amount of \$454,000.00 heretofore issued under its first mortgage or deed of trust dated March 1, 1912, and execute and cause to be certified and delivered in lieu thereof and in exchange therefor, on a basis of par for par, \$454,000.00 face amount of new series first mortgage bonds, the payment of which will be secured by the new series first mortgage trust indenture which applicant is herein authorized to execute.

3. Within thirty (30) days after the execution of the aforesaid new series first mortgage trust indenture, Interstate

Telegraph Company shall file with the Commission a certified copy of such instrument, together with a report under the Commission's General Order No. 24, which order, insofar as applicable, is made a part of this order.

4. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Two Hundred and Seven (\$207.00) Dollars.

DATED at San Francisco, California, this 20th day of June, 1932.

Fee \$207⁰⁰/₁₀₀
RAILROAD COMMISSION
STATE OF CALIFORNIA
JUN 25 1932
[Signature]
Fee # 29743

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Commissioners.