

Decision No. 32570

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
ASSOCIATED TELEPHONE COMPANY, LTD.,
a corporation, for an order author-
izing it to issue certain securities.

Application No. 23122

BY THE COMMISSION:

O P I N I O N

Associated Telephone Company, Ltd., a corporation, asks permission, in this proceeding, to issue and sell at 105-3/4 per cent of their face value and accrued interest \$10,300,000 face value of First Mortgage 3 1/2% Bonds, Series A, due December 1, 1969, for the purpose of paying on or about January 1, 1940 \$10,300,000 of 4% bonds.

Applicant also asks permission to execute a trust indenture to secure the payment of the bonds. A copy of the proposed trust indenture in its final form has not yet been filed with the Commission.

Associated Telephone Company, Ltd. is a corporation duly organized and existing under and by virtue of the laws of the State of California. It owns and operates telephone systems in the following cities and towns, and territory contiguous thereto: Azusa, Baldwin Park, Covina, Claremont, Glendora, Hermosa Beach, Lancaster, La Verne, Long Beach, Malibu, Manhattan Beach, Ocean Park, Pomona, Puente, Redondo Beach, San Dimas, Santa Monica, Signal Hill, Venice and West Los Angeles, all being located in the County of Los Angeles; Huntington Beach, Laguna

Beach, Seal Beach and Westminster, all located in the County of Orange; and Chino, Lake Arrowhead, Crestline, Ontario, San Bernardino and Upland, all located in the County of San Bernardino; all in the State of California.

As of September 30, 1939, applicant in its Exhibit "A" filed in this proceeding reports its assets and liabilities as follows:

<u>ASSETS</u>		
FIXED CAPITAL:		
Property, Plant, etc.	\$20,062,093.54	
TOTAL FIXED CAPITAL		\$20,062,093.54
INVESTMENTS:		
Stocks of Affiliated Companies	269,550.35	
Other Investments	592.20	
TOTAL INVESTMENTS		270,142.55
CURRENT ASSETS:		
Cash	782,301.62	
Special Deposits	574.00	
Working funds	73,259.95	
Due from Customers & Agents	467,543.85	
Accounts Receivable	12,592.52	
Materials and Supplies	196,501.85	
TOTAL CURRENT ASSETS		1,832,773.79
INTER-COMPANY ITEMS:		
Accounts Receivable	59.14	
TOTAL INTER-COMPANY ITEMS		59.14
DEFERRED DEBIT ITEMS:		
Prepaid Rents	3,727.96	
Prepaid Taxes	333,348.39	
Prepaid Insurance	11,368.33	
Prepaid Directory Expenses	1,564.02	
Other Prepayments	8,049.60	
Capital Stock Expense	14,572.75	
Discount on Funded Debt	946,964.57	
Extraordinary Maintenance & Retirements	10,350.00	
Other Deferred Charges	6,310.04	
TOTAL DEFERRED DEBIT ITEMS		1,336,235.66
TOTAL ASSETS		\$23,521,354.66

LIABILITIES

CAPITAL STOCK:		
Common	\$ 4,257,075.00	
Preferred	<u>3,295,358.00</u>	
TOTAL CAPITAL STOCK		\$ 7,552,433.00
FUNDED DEBT:		
TOTAL FUNDED DEBT	<u>10,300,000.00</u>	10,300,000.00
CURRENT LIABILITIES:		
Accounts Payable	355,834.50	
Customers' Deposits	8,993.55	
Advance Billing & Payments	129,475.69	
Other Current Liabilities	<u>5,071.76</u>	
TOTAL CURRENT LIABILITIES		499,375.50
INTER-COMPANY ITEMS:		
Accounts Payable	<u>16,781.11</u>	
TOTAL INTER-COMPANY ITEMS		16,781.11
ACCRUED LIABILITIES NOT DUE:		
Taxes Accrued	652,551.26	
Interest Accrued	103,000.00	
Unmatured Dividends Accrued	29,791.67	
Other Accrued Liabilities Not due	<u>3,856.19</u>	
TOTAL ACCRUED LIABILITIES NOT DUE		789,199.12
DEFERRED CREDITS AND RESERVES:		
Depreciation Reserve	3,473,234.33	
Amortization Reserve	966.87	
Other Deferred Credits	<u>2,645.66</u>	
TOTAL DEFERRED CREDITS AND RESERVES		3,476,846.86
DONATIONS:		
TOTAL DONATIONS	<u>482,806.51</u>	482,806.51
SURPLUS:		
Earned Surplus	<u>403,912.58</u>	
TOTAL SURPLUS		<u>403,912.58</u>
TOTAL LIABILITIES		\$23,521,354.68

The \$10,300,000 of 4% bonds which the company reports outstanding were issued under the authority granted by the Railroad Commission in its Decision No. 28055, dated June 24, 1935 in Application No. 20015, and by Decision No. 30314, dated November 8, 1937, as amended by Decision No. 30372, dated December 1, 1937 in Application No. 21524. By the former decision, the Commission authorized applicant to issue \$8,500,000 of bonds and by the latter

\$1,800,000. Upon issuing the bonds the company reserved the right to redeem the bonds on any interest payment date, on or before July 1, 1940, by paying to the holders thereof the face value of the bonds, the accrued interest and a premium of 5% of the face value of the bonds. Applicant has concluded to exercise its option and to redeem the \$10,300,000 of 4% bonds on or about January 1, 1940.

Applicant intends to sell, privately, the said \$10,300,000 of First Mortgage 3½%, Series A, Bonds, due December 1, 1969. It will use the proceeds to pay the 4% bonds and the expense incidental to the sale thereof. Under the system of accounts prescribed by the Commission, the expenses will be amortized through charges to income or surplus accounts.

Applicant reports that as of September 30, 1939, it had on its books unamortized discount and expense applicable to its 4% bonds in the amount of \$946,964.57. It requests permission to amortize said \$946,964.57 over the period ending July 1, 1965, the date on which the 4% bonds would have matured. For accounting purposes, we have no objection to the company's proposal.

As indicated, the Commission has not yet been supplied with a copy of the company's proposed trust indenture in final form. The order herein will authorize the issue of the said \$10,300,000 of 3½% bonds, subject to the condition that the authority will not become effective until the Commission has authorized applicant to execute a trust indenture to secure payment of the bonds.

O R D E R

Associated Telephone Company, Ltd. having asked permission to issue \$10,300,000 of its First Mortgage 3½% Bonds, Series A, due December 1, 1969, for the purposes stated in the foregoing opinion; the Commission having considered applicant's request, and it being of the opinion that this is not a matter in which a hearing is necessary, and ^{that} the money, property or labor to be procured and paid for by the issue of said bonds is reasonably required for the purposes herein stated and that the expenditures for such purposes, except as to the amounts necessary to pay expenses incident to the issue of bonds are not reasonably chargeable to operating expenses or income, and that this application should be granted subject to the provisions of this order, therefore

IT IS HEREBY ORDERED that Associated Telephone Company, Ltd. be and it is hereby, authorized to issue and sell, after the effective date hereof and prior to February 1, 1940, at not less than 105-¾ per cent of their face value and accrued interest, \$10,300,000 of its First Mortgage, 3½% Bonds, Series A, due December 1, 1969, and use the proceeds other than accrued interest, for the purpose of paying its \$10,300,000 of 4% bonds now outstanding and to pay expenses incidental to the issue and sale of said 3½% bonds. The accrued interest may be used for general corporate purposes...

IT IS HEREBY FURTHER ORDERED that the authority herein granted will become effective when the Railroad Commission has authorized Associated Telephone Company, Ltd. to execute a trust indenture to secure the payment of said \$10,300,000 of First

Mortgage 3½% Bonds, Series A, due December 1, 1969.

IT IS HEREBY FURTHER ORDERED that, Associated Telephone Company, Ltd. may, through appropriate annual charges to income and surplus accounts, amortize, on or before July 1, 1965, \$946,964.57 recorded on its books as of September 30, 1939, as bond discount and expense provided that said permission is granted for accounting purposes only, and is not an admission by the Commission that said annual charges constitute a part of the cost of the funds obtained through the issue and sale of said \$10,300,000 of First Mortgage 3½% Bonds, Series A, due December 1, 1969.

IT IS HEREBY FURTHER ORDERED that within thirty (30) days after the issue of said \$10,300,000 of First Mortgage 3½% Bonds, Series A, due December 1, 1969, Associated Telephone Company, Ltd. shall file with the Railroad Commission a report in compliance with the Commission's General Order No. 24-A, which General Order is hereby made a part of this order insofar as applicable.

Dated at San Francisco, California, this 21st day of November, 1939.

Rafael J. P.
Stark Miller
Ray & Rice
Justus J. Coomer
Commissioners.