

Decision No. 32597

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
CONSOLIDATED TELEPHONE COMPANY, formerly
Whittier Home Telephone and Telegraph
Company, for an order of the Railroad
Commission of the State of California
authorizing Consolidated Telephone
Company to issue its first mortgage
bonds in the aggregate principal amount
of \$400,000, to sell the same, and to
execute a trust indenture as security
therefor, all in accordance with the
terms and conditions in this application
hereinafter set forth.

ORIGINAL

Application No. 23051

Miller and Kepple, by Gerald C. Kepple,
for Applicant.

BY THE COMMISSION.

O P I N I O N

In this proceeding, Consolidated Telephone Company, formerly Whittier Home Telephone and Telegraph Company, asks permission to issue and sell, at not less than 101% of their face value and accrued interest, \$400,000 of First Mortgage Bonds, Series A, 4%, due November 1, 1964, and use the proceeds to pay indebtedness and the cost of additions and betterments to its telephone properties. Applicant also asks permission to execute a trust indenture substantially in the same form as the proposed trust indenture filed in this proceeding as Exhibit No. 1, for the purpose of securing the payment of said bonds and such additional bonds which the company may from time to time issue under the terms and conditions of said trust indenture.

The Railroad Commission, by Decision No. 32467, dated October 24, 1939, as amended by Decision No. 32520, dated October 31, 1939, in Application No. 23038, authorized Downey Home Telephone

and Telegraph Company to convey, transfer, and assign all of its properties, franchises, permits and rights of every character to Consolidated Telephone Company. The Commission has been informed that this conveyance was made on November 1, 1939. By said Decision No. 32487, the Commission authorized Consolidated Telephone Company to issue \$280,200 par value of stock.

The Consolidated Telephone Company, formerly Whittier Home Telephone and Telegraph Company, is a corporation, duly organized and existing under and by virtue of the laws of the State of California, and has its principal place of business in the City of Whittier, California. It owns and operates telephone plants and properties with exchanges in the following cities, towns and unincorporated communities:- Artesia, Bellflower, Downey, La Habra, Norwalk, Pico, Rivera and Whittier.

In Exhibit No. 4, applicant's investment in plant, property and equipment is, as of September 30, 1939, reported at \$1,607,411.63. This includes the investment of Downey Home Telephone and Telegraph Company. Against this investment there is a stock issue of \$830,900.00 and a depreciation reserve of \$502,643.27.

Applicant has no bonded indebtedness. As said in this application, it asks permission to issue and sell, at 101% of their face value and accrued interest, \$400,000 of first mortgage bonds, Series A, 4%, due November 1, 1964. In Exhibit No. 2, it reports capital expenditures and indebtedness as follows:

Outside plant requirement, 1939-1940,	\$162,188.00
Outside Office, P.B.X. and miscellaneous equipment, 1939-1940;	216,262.88
Pay cash advances by employees,	130,925.00
Pay expenses incident to bond issue,	<u>15,583.33</u>
Total,	\$524,959.21

Exhibit No. 3 shows that from June 30, 1939, to October 31, 1939, applicant has constructed, or had on October 31, 1939, in

process of construction, net additions and betterments costing \$80,686.58. This sum is included in the \$524,959.21.

Applicant will use the bond proceeds to pay the \$15,583.33 of bond sale expenses, the \$130,925.00 of indebtedness due its employees, and reimburse its treasury for the \$80,686.58 expended for additions and betterments. The balance of the bond proceeds will be deposited with the trustee and withdrawn from time to time to finance in part the cost of additions and betterments described in Exhibit No. 2.

To secure the payment of the said \$400,000 of bonds, applicant will execute a trust indenture to Bank of America National Trust and Savings Association, trustee. A copy of applicant's proposed trust indenture is on file in this proceeding as Exhibit No. 1. It defines the terms and conditions under which applicant is issuing the said \$400,000 of bonds, and the terms and conditions under which it may issue additional bonds. The company reserves the right, at its option, to redeem, upon any interest payment date, prior to maturity, said \$400,000 of bonds at the following prices:

If redeemed on or before November 1, 1944, at 105% of the principal amount thereof; if redeemed after November 1, 1944 and on or before November 1, 1949 at 104% of the principal amount thereof; if redeemed after November 1, 1949 and on or before November 1, 1954 at 103% of the principal amount thereof; if redeemed after November 1, 1954 and on or before November 1, 1959 at 102% of the principal amount thereof; if redeemed after November 1, 1959 and prior to maturity at 101% of the principal amount thereof, in each case together with interest accrued to the date fixed for redemption; all on the conditions and in the manner provided in the Indenture.

While the order herein will authorize applicant to execute a trust indenture, the authority so granted does not carry with it the right to issue any bonds or execute supplemental trust indentures.

O R D E R

Consolidated Telephone Company having asked permission to issue \$400,000 of its first mortgage bonds, Series A, 4%, due November 1, 1964, and to execute a trust indenture to secure the payment of its bonds, a hearing having been held before Examiner Fankhauser, and the Commission having considered the record in this proceeding, and it being of the opinion that the money, property or labor to be procured or paid for by the issue of said \$400,000 of bonds is reasonably necessary for the purposes herein stated, and that the expenditures for said purposes, except as to the payment of bond sale expenses, are not 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. Consolidated Telephone Company may, after the effective date hereof and prior to December 31, 1939, execute a trust indenture substantially in the same form as the trust indenture filed in this proceeding as Exhibit No. 1, provided that the authority herein granted is for the purpose of this proceeding only, and is granted in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of such trust indenture as to such other legal requirements to which it may be subject, and provided further, that the authority herein granted to execute said indenture does not authorize applicant to issue any bonds or execute a supplemental indenture or indentures.

2. Consolidated Telephone Company may, after the effective date hereof and prior to December 31, 1939, issue and sell, at not less than 101% of their face value and accrued interest,

\$400,000 of its first mortgage bonds, Series A, 4%, due November 1, 1964, and use the proceeds at any time subsequent to the date of this order for the purposes stated in the foregoing opinion.

3. The authority herein granted will become effective when Consolidated Telephone Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is four hundred dollars (\$400.00).

4. Consolidated Telephone Company shall, on or before February 1, 1940, file with the Railroad Commission two certified copies of the trust indenture executed under the authority herein granted.

5. Consolidated Telephone Company shall file with the Railroad Commission monthly reports in compliance with the Commission's General Order No. 24-A, which order, in so far as applicable, is hereby made a part of this order.

Dated at Los Angeles, California, this 29th day of November, 1939.

Raymond C. King
Ray C. King
W. D. King

Commissioners.

