

ORIGINAL

Decision No. 40707

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
ASSOCIATED TELEPHONE COMPANY, LTD. :  
for an Order authorizing it to issue ) Application  
to the Holder of its presently : No. 28671  
outstanding Common Stock 150,000 shares )  
of \$20.000 par value Common Stock. :  
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O'Melveny & Myers, by Harry L. Dunn; and  
Marshall K. Taylor, for applicant.

O P I N I O N

In this application, Associated Telephone Company, Ltd. asks permission to issue and sell, at \$20 per share, 150,000 shares of its common stock and use the proceeds to discharge notes.

Associated Telephone Company, Lt. is a corporation duly organized and existing under the laws of California. It owns and operates telephone systems in the following cities and towns and territory contiguous thereto: Artesia, Azusa, Baldwin Park, Bellflower, Covina, Claremont, Downey, Glendora, Hermosa Beach, Lancaster, La Verne, Long Beach, Malibu, Manhattan Beach, Norwalk, Ocean Park, Romona, 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; Chino, Crestline, Etiwanda, Lake Arrowhead, Ontario, San Bernardino and Upland, all located in the County of San Bernardino; and Carpinteria, Goleta, Guadalupe, Lompoc, Los Alamos, Montecito, Santa Barbara, Santa Maria and Santa Ynez, all located in the County of Santa Barbara, all in the State of California.

Applicant through stock ownership controls San Joaquin Associated Telephone Company, which owns and operates telephone properties in Reedley, Fowler and Lindsay and in areas adjacent thereto.

Applicant as of July 31, 1947, reports assets and liabilities as follows:

Assets

Telephone property, plant and equipment		\$38,894,899.70
Stocks of affiliated companies		306,465.35
Current assets:		4,647,380.04
Cash	\$ 523,600.16	
Special deposits	684,906.59	
Working funds	263,002.50	
Due from customers and agents	1,642,376.30	
Accounts receivable	21,021.25	
Materials and supplies	1,512,473.24	
Inter-company items:		275,839.22
Accounts receivable	318.39	
Notes receivable	275,000.00	
Interest and dividends receivable	520.83	
Deferred debit items:		2,070,707.71
Prepaid rents	8,233.38	
Prepaid taxes	824,393.35	
Prepaid insurance	28,933.46	
Prepaid directory expense	6,747.32	
Other prepayments	40,349.87	
Capital stock expense	72,457.41	
Discount on long-term debt	1,017,255.64	
Other deferred charges	72,337.28	
Total Assets		<u>\$46,195,292.02</u>

Liabilities

Capital stock:		
Common	\$ 5,977,075.00	\$11,583,315.00
Preferred-4½% cumulative	<u>5,606,240.00</u>	
Funded debt:		11,668,000.00
First mortgage bonds, Series B		
3½% due Dec.1,1969	1,368,000.00	
First mortgage bonds, Series C		
3½% due Nov.1,1974	<u>10,300,000.00</u>	
Current liabilities:		5,379,981.75
Notes payable	3,100,000.00	
Accounts payable	1,963,736.20	
Customers' deposits	7,050.64	
Advance billing and payments	<u>309,194.91</u>	
Inter-company accounts payable		50,214.42
Accrued liabilities not due:		2,544,831.97
Taxes accrued	2,416,015.13	
Interest accrued	91,097.50	
Other accrued liabilities		
not due	<u>37,719.34</u>	
Deferred credits and reserves:		13,444,208.07
Premium on long-term debt	612,383.29	
Provident reserve	75,000.00	
Depreciation reserve	12,682,838.49	
Amortization reserve	4,216.71	
Other deferred credits	<u>69,769.58</u>	
Donations		723,659.00
Surplus:		801,081.81
Earned surplus	770,693.81	
Capital surplus	<u>30,388.00</u>	
Total Liabilities		<u>\$46,195,292.02</u>

Applicant, under its Articles of Incorporation as recently amended, is authorized to issue two classes of shares of stock, designated respectively, cumulative preferred stock \$20 par value, consisting of 750,000 shares, and common stock consisting of 750,000 shares. The common shares also have a par value of \$20 per share. The company has presently outstanding 298,854 shares of common stock and 280,312 shares of cumulative preferred stock, 4½% series. All of the company's outstanding common stock is owned by General Telephone Corporation. Such stock has been issued and sold since June 21, 1929, pursuant to the Commission's orders.

Applicant in its construction budget for 1947 estimates its gross construction expenditures for the year at \$16,390,000 and its net construction expenditures at \$13,342,000. Because of the difficulty in getting some material and equipment, the testimony in this proceeding shows that approximately 30% of its estimated 1947 net construction expenditures may be carried over into 1948. To finance in part its 1947 expenditures, applicant has, up to September 11, 1947, borrowed from several Banks on 90-day unsecured 1½% notes, \$4,325,000. This money was borrowed from the following Banks:

Citizens National Trust and Savings Bank of Los Angeles	\$ 865,000.00
Bank of America National Trust and Savings Association	865,000.00
Security-First National Bank of Los Angeles	2,595,000.00

The notes are listed in applicant's Exhibit "2".

The testimony shows that all of the note proceeds have been expended to pay for the acquisition and construction of properties. It is applicant's intention to use the proceeds realized from the issue of its 150,000 shares of common stock to discharge notes in the principal amount of \$3,000,000 listed in Exhibit "2" or notes issued in renewal of said notes.

#### O R D E R

A public hearing having been held on the above entitled application by Examiner Fankhauser, the Commission having considered the evidence submitted at such hearing and it being of

the opinion that the money, property or labor to be procured or paid for by the issue of 150,000 shares of common stock by Associated Telephone Company, Ltd. is reasonably required by it for the purpose herein stated, that such purpose is 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 as follows:

1. Associated Telephone Company, Ltd. may, after the effective date hereof and on or before November 1, 1947, issue and sell to the Holder of its presently outstanding common stock, 150,000 shares of its \$20 par value common stock for a consideration equal to the par value thereof. Associated Telephone Company, Ltd. shall use the proceeds realized through the issue and sale of said 150,000 shares of common stock to discharge in part notes listed in Exhibit "2" or notes issued in renewal thereof.

2. The authority herein granted is effective upon the date hereof.

3. Associated Telephone Company, Ltd. shall file with the Commission within thirty (30) days after the issue of said stock, a statement showing the number of shares of stock issued and sold under the authority herein granted, the consideration received for said shares of stock, and a list of the notes discharged through the use of said stock proceeds.

Dated at San Francisco, California, this 16<sup>th</sup> day  
of September, 1947.

Harold A. Kuhl

Justin F. Gamm

Wesley P. Gamm

R. F. Gamm

Commissioners