

ORIGINAL

Decision No. 40822

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 and)
 sell 150,000 shares of its Cumulative)
 Preferred Stock, \$20 Par Value, _____%,)
 1947 Series, and \$6,000,000 First Mort-)
 gage Bonds, Series D, _____%, and to)
 issue and deliver to Security-First)
 National Bank of Los Angeles, as Trus-)
 tee, an Indenture supplemental to the)
 existing indenture securing said com-)
 pany's bonded indebtedness.)
 -----)

Application
No. 28770

O P I N I O N

In this application, Associated Telephone Company, Ltd. asks permission to issue and sell, for the purposes hereinafter stated, \$6,000,000 of its first mortgage bonds, due November 1, 1977, and 150,000 shares of its cumulative preferred stock, 1947 Series. It also asks permission to execute an indenture supplemental to its existing indenture securing the payment of the bonds.

Applicant 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: Artesia, Azusa, Baldwin Park, Bellflower, Covina, Claremont, Downey, Glendora, Hermosa Beach, Lancaster, La Verne, Long Beach, Malibu, Manhattan Beach, Norwalk, 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; 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's operating revenues, operating expenses, other income, interest and other deductions, and net income for 1944, 1945, 1946 and the eight months ended August 31, 1947, may be summarized as follows:

	<u>1944</u>	<u>1945</u>	<u>1946</u>	<u>8 months ended 8/31/47</u>
Operating revenues	\$8,430,095	\$9,141,750	\$10,154,974	\$7,589,019
Operating expenses and taxes	<u>6,764,171</u>	<u>7,997,784</u>	<u>8,746,456</u>	<u>6,404,074</u>
Net operating income	1,665,924	1,143,966	1,408,518	1,184,945
Other income less miscellaneous de- ductions	<u>(4,463)</u>	<u>(11,249)</u>	<u>(33,639)</u>	<u>(243,800)</u>
Income available for fixed charges	1,661,461	1,132,717	1,374,879	941,145
Interest and other fixed charges	<u>938,600</u>	<u>397,134</u>	<u>407,922</u>	<u>283,769</u>
Net income	<u>\$ 722,861</u>	<u>\$ 735,583</u>	<u>\$ 966,957</u>	<u>\$ 657,376</u>

As of August 31, 1947, applicant reports assets and liabilities as follows:

Assets

Telephone properties		\$39,636,642.91
Stocks of affiliated companies		306,465.35
Current assets -		4,974,367.64
Cash	\$ 677,294.75	
Special deposits	582,577.60	
Working funds	279,077.50	
Due from customers and agents	1,782,712.21	
Accounts receivable	18,750.01	
Material and supplies	<u>1,633,955.57</u>	
Inter-company items -		302,244.70
Accounts receivable	1,144.26	
Notes receivable	300,000.00	
Interest and dividends receivable	<u>1,100.44</u>	
Deferred debit items -		1,963,613.11
Prepaid rents	6,594.72	
Prepaid taxes	744,718.58	
Prepaid insurance	28,102.69	
Prepaid directory expense	6,336.41	
Other prepayments	37,644.12	
Capital stock expense	68,689.15	
Discount on long-term debt	1,003,459.91	
Other deferred charges	<u>68,067.53</u>	
		<u>\$47,183,333.71</u>

Liabilities

Capital stock -		\$11,583,315.00
Common	\$ 5,977,075.00	
Preferred	<u>5,606,240.00</u>	
Funded debt		11,668,000.00
Current liabilities -		6,041,765.80
Notes payable	3,700,000.00	
Accounts payable	2,024,806.27	
Customers' deposits	6,902.64	
Advance billing and payments	<u>310,056.89</u>	
Inter-company accounts payable		52,476.56
Accrued liabilities not due -		2,834,247.00
Taxes accrued	2,527,938.92	
Interest accrued	122,698.33	
Unmatured dividends accrued	140,565.00	
Other accrued liabilities not due	<u>43,044.75</u>	
Deferred credits and reserves -		13,508,126.27
Premium on long-term debt	610,487.20	
Provident reserve	75,000.00	
Depreciation reserve	12,749,823.45	
Amortization reserve	4,216.71	
Other deferred credits	<u>68,598.91</u>	
Contributions of telephone plant		723,486.98
Surplus -		771,916.10
Earned surplus	741,528.10	
Capital surplus	<u>30,388.00</u>	
		<u>\$47,183,333.71</u>

Total Liabilities

\$47,183,333.71

Since August 31, 1947, applicant has issued at par \$3,000,000 of common stock and has used the proceeds to pay \$3,000,000 of outstanding notes. Applicant's outstanding preferred stock consists of 280,312 shares \$20 par value 4½% Series. Its outstanding funded debt consists of \$1,368,000 first mortgage bonds, Series B, 3¼%, due December 1, 1969, and \$10,300,000 first mortgage bonds, Series C, 3¼%, due November 1, 1974.

Applicant estimates that it will be called upon to expend for construction purposes from September 1, 1947, to December 31, 1948, the following amounts:

	9/1/47- 12/31/47	Year 1948	Total 9/1/47- 12/31/48
Right of Way	\$ 8,000	\$ 25,000	\$ 33,000
Land	8,000	180,000	188,000
Buildings	770,000	1,800,000	2,570,000
Central Office Equipment	1,100,000	4,000,000	5,100,000
Station Equipment	1,340,000	5,300,000	6,640,000
Outside Plant	930,000	3,400,000	4,330,000
Furniture and Office Equipment	20,000	100,000	120,000
Vehicles and other Work Equipment	90,000	225,000	315,000
Total Gross Additions	<u>\$4,266,000</u>	<u>\$15,030,000</u>	<u>\$19,296,000</u>
Retirements	980,000	3,262,000	4,242,000
Net Additions	<u>\$3,286,000</u>	<u>\$11,768,000</u>	<u>\$15,054,000</u>

Applicant asks permission to issue and sell 150,000 shares of its cumulative preferred stock, Series of 1947, and \$6,000,000 of its first mortgage bonds, Series D, due November 1, 1977, and use the proceeds of said bonds and said stock for the reimbursement of moneys actually expended from income or from other moneys in its treasury not secured by or obtained from the issue of stock, bonds or evidences of indebtedness for purposes stated in Section 52 of the Public Utilities Act, to pay

indebtedness incurred for construction purposes and to finance in part the construction expenditures referred to above. It will invite bids for the purchase of both the bonds and the stock. Applicant's Statement of Terms and Conditions Relating to Bids for the purchase of said bonds and stock provides that each bid for bonds must specify the coupon rate of the bonds, which shall be in multiples of $1/8$ of 1%, and the price to be paid applicant for the bonds, which shall not be less than 100% of the principal amount of the bonds plus accrued interest from November 1, 1947, to the date of payment therefor and delivery thereof. Each stock bid must specify the dividend rate, expressed in terms of percentage of the par value of the preferred stock, and the price to be paid to applicant for the preferred stock, expressed in terms of dollars per share, which amount shall not be less than the par value thereof plus accrued dividends from November 1, 1947, to the date of delivery of the preferred stock and payment therefor. Applicant reserves the right to accept a bond bid and reject all stock bids, or to accept a stock bid and reject all bond bids, or to reject all bond bids and all stock bids.

Applicant filed a copy of its proposed supplemental indenture on October 16, 1947. It conveys to the trustee certain properties recently acquired by the applicant which, though not described in the original indenture or prior supplements, are nevertheless subject to the lien of the indenture by reason of the after-acquired property clause therein contained. It also sets forth certain of the terms and provisions of the new series of bonds, and conforms the original indenture to the requirements of the Trust Indenture Act of 1939.

The order herein will authorize applicant to issue said bonds and preferred stock subject to the condition that such authority will not become effective until the Commission, by supplemental order, has fixed the prices at which applicant may sell said bonds and shares of preferred stock.

ORDER

The Commission having considered the requests of Associated Telephone Company, Ltd. and it being of the opinion that this is not a matter on which a hearing is necessary, that the money, property or labor to be procured or paid for through the use of the proceeds from the sale of \$6,000,000 of first mortgage bonds, Series D, _____%, due November 1, 1977, and 150,000 shares of cumulative preferred stock, \$20 par value, _____%, 1947 Series, is reasonably required by Associated Telephone Company, Ltd. for the purposes herein stated, that the expenditures for said purposes, other than the accrued interest and accrued dividends 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. Associated Telephone Company, Ltd. may, after the effective date hereof and on or before December 31, 1947, issue and sell at the prices fixed by a supplemental order, or orders, \$6,000,000 of its first mortgage bonds, Series D, _____%, due November 1, 1977, and 150,000 shares of cumulative preferred

stock, \$20 par value, _____%, 1947 Series.

2. Associated Telephone Company, Ltd. may execute, on or before December 31, 1947, a supplemental indenture in, or substantially in, the same form as the supplemental indenture filed with the Commission on October 16, 1947.

3. Associated Telephone Company, Ltd. shall use the proceeds realized from the sale of said bonds and said preferred stock, other than the accrued interest and accrued dividends, for the acquisition of property and/or for the construction, completion, extension and/or improvement of its public utility telephone facilities and/or for the improvement of its telephone service and/or for the discharge of outstanding notes, the proceeds of which have been expended for such purposes and/or for the reimbursement of its treasury for funds spent for such purposes.

4. Pending the preparation and delivery of definitive bonds, Associated Telephone Company, Ltd. may issue, sell and deliver temporary bonds in the face amount of \$6,000,000, under the same terms and conditions as those under which it is authorized to issue and sell said \$6,000,000 of definitive bonds.

5. The authority herein granted to issue said \$6,000,000 of bonds and said 150,000 shares of preferred stock will become effective when the Public Utilities Commission has entered a supplemental order, or orders, fixing the prices at which said bonds and said shares of preferred stock may be sold by Associated Telephone Company, Ltd., and when Associated Telephone Company, Ltd. has paid the fee prescribed by Section 57 of

the Public Utilities Act, which fee is three thousand five hundred (\$3,500.00) dollars. All other authority granted by this order is effective upon the date hereof.

6. Associated Telephone Company, Ltd. shall, within thirty (30) days after the sale of said bonds and said shares of preferred stock, file a report showing to whom said bonds and said shares of preferred stock were sold, and the price received for said bonds and said shares of preferred stock. Until Associated Telephone Company, Ltd. has expended all of the proceeds from the sale of said bonds and said shares of preferred stock, it shall file with the Commission monthly reports showing the purposes for which it expended said proceeds, the first of such reports to be filed on or before the close of the month following the sale of said bonds and said shares of preferred stock.

7. Within thirty (30) days after the issue and sale of said bonds and said shares of preferred stock, Associated Telephone Company, Ltd. shall file with the Public Utilities Commission a complete copy of the registration statement filed with the Securities and Exchange Commission covering the issue of said bonds and said shares of preferred stock.

8. Within six (6) months after the issue and sale of said bonds and said shares of preferred stock, Associated Telephone Company, Ltd. shall file with the Public Utilities Commission a statement showing in detail the expenses incurred by it in connection with the issue and sale of said bonds and said shares of preferred stock.

Dated at San Francisco, California, this 21st day
of October, 1947.

Harold P. Hull

Justin J. Coenen

A. J. Morrison

Henrietta Patten
Commissioners

