

ORIGINAL

Decision No. 42287

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

| | | |
|--------------------------------------|---|-------------|
| In the Matter of the Application of |) | |
| INTERSTATE TELEGRAPH COMPANY, a | = | |
| corporation for authority to execute |) | Application |
| a First Supplemental Indenture and | = | No. 29823 |
| to issue 4% Series B First Mortgage |) | |
| Bonds. | = | |
| ----- |) | |

Douglas L. King and Donald J. Carmen, for
Applicant.

O P I N I O N

In this application, Interstate Telegraph Company asks permission to issue, for the purposes hereafter stated, \$1,000,000 face amount of 4% Series B First Mortgage Bonds, due December 1, 1998, and execute a first supplemental indenture dated December 1, 1948.

Interstate Telegraph Company is a corporation organized under the laws of the State of Nevada. It renders public utility telephone and telegraph service in the Counties of Mono, Inyo, Kern, San Bernardino and Riverside, in the State of California, and in the Counties of Nye and Esmeralda, in the State of Nevada. All of its outstanding stock amounting to \$2,375,000, and all of its outstanding bonds amounting to \$356,000, are owned by California Electric Power Company. Both the stock and bonds are deposited with the trustee under the indenture securing the payment of the bonds of the Power Company. A subsidiary of the Power Company owns all of the outstanding stock of The United Farmers' Telephone and Telegraph Company, which renders telephone and telegraph

service in and around Gardnerville and Minden, Nevada, in part of the resort area on the Nevada shore of Lake Tahoe, and in and around Markleeville, Alpine County, California. Steps are being taken presently to merge The United Farmers' Telephone and Telegraph Company properties with those of Interstate Telegraph Company.

For the year 1947, Applicant reports operating revenues of \$721,537.17 and for the eight months ending August 31, 1948, of \$555,131.54. Its net operating income for 1947 amounted to \$104,905.18, and for the eight months ending August 31, 1948, to \$92,522.83.

As of August 31, 1948, Applicant reports assets and liabilities as follows:

Assets

| | | |
|--|----------------|-----------------------|
| Investments | | \$3,241,492.14 |
| Telephone plant in service | \$2,537,581.68 | |
| Telephone plant under construction | 703,890.46 | |
| Special deposits for redemption of bonds | 20.00 | |
| Current assets | | 631,404.65 |
| Cash | \$ 67,174.84 | |
| Accounts receivable | 159,974.34 | |
| Due from The United Farmers' Telephone and Telegraph Co. | 100,967.21 | |
| Materials and supplies | 291,958.28 | |
| Interest receivable | 11,329.98 | |
| Deferred debits | | 10,999.14 |
| Prepayments | \$ 3,379.12 | |
| Preliminary survey | 6,025.91 | |
| Construction work in progress | 1,261.23 | |
| Miscellaneous | 332.88 | |
| | | <hr/> |
| Total Assets | | <u>\$3,883,895.93</u> |

CORRECTION

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HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

service in and around Gardnerville and Minden, Nevada, in part of the resort area on the Nevada shore of Lake Tahoe, and in and around Markleeville, Alpine County, California. Steps are being taken presently to merge The United Farmers' Telephone and Telegraph Company properties with those of Interstate Telegraph Company.

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Liabilities

| | | |
|---|--------------------------|------------------------------|
| Capital stock | | \$1,000,000.00 |
| Long-term debt | | 1,731,000.00 |
| First mortgage 6% bonds | \$ 356,000.00 | |
| Advances from California Electric Power Company | 1,375,000.00 | |
| Current liabilities | | 121,393.31 |
| Accrued liabilities | | 63,244.78 |
| Depreciation reserve | | 425,506.58 |
| Other reserves | | 26,910.90 |
| Customers' advances for construc- tion--refundable | | 17,951.27 |
| Miscellaneous deferred credits | | 7,686.67 |
| Earned surplus | | <u>490,202.42</u> |
| | Total Liabilities | <u>\$2,882,895.92</u> |

The testimony shows that on November 17, 1948, Applicant issued to California Electric Power Company \$1,375,000 of its common stock in payment of \$1,375,000 advanced to Applicant by California Electric Power Company.

Applicant estimates that its construction expenditures during 1949 will amount to about \$1,000,000. Its construction budget for 1949 has not yet been approved by Applicant's board of directors. Its Budget Committee has recommended gross construction expenditures of \$1,245,450 (Exhibit "2") segregated as follows:

| | |
|-----------------------------------|---------------------------|
| Toll rebuilds | \$ 37,500 |
| Toll additions | 273,500 |
| Exchange additions | 733,850 |
| General (exclusive of automotive) | 165,000 |
| General (automotive) | 30,600 |
| Contingencies | <u>5,000</u> |
| Total | <u>\$1,245,450</u> |

The testimony shows that some of said expenditures would be carried over into 1950.

Applicant proposes to refund its outstanding 6% bonds and thereby reduce its annual interest charges, and to set up a

new bond issue in conformity with its estimated credit rating. Of the \$1,000,000 of 4% bonds which Applicant asks permission to issue, \$356,000 will be used to refund, redeem and retire \$356,000 of 6% first mortgage bonds now held by California Electric Power Company. The remaining \$644,000 of 4% bonds will be issued to California Electric Power Company in consideration of its \$644,000 demand note. As Applicant proceeds with its construction program, California Electric Power Company will make payments on the demand note and thus provide Applicant with construction funds.

The supplemental indenture filed in this application as Exhibit "A", in addition to defining the terms of the Series B bonds, specifically conveys to the trustee real property which Applicant acquired subsequent to September 1, 1931, the date of its original indenture securing the payment of its bonds issued at that time. We find the supplemental indenture to be in satisfactory form and are of the opinion that its execution should be authorized.

O R D E R

The Commission having considered the evidence submitted at the hearing had on the above entitled application, and it being of the opinion that the money, property or labor to be procured or paid for by Interstate Telegraph Company through the issue of said \$1,000,000 face amount of bonds is reasonably required by said Interstate Telegraph Company for the purposes herein stated, which purposes are 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. Interstate Telegraph Company may, after the effective date hereof and on or before March 1, 1949, execute and deliver a supplemental indenture in, or substantially in, the form of the supplemental indenture on file in this application as Exhibit "A".
2. Interstate Telegraph Company may, after the effective date hereof and on or before March 1, 1949, issue to California Electric Power Company \$356,000 face amount of its 4% Series B First Mortgage Bonds, due December 1, 1998, in exchange for and redemption of a like face amount of Applicant's outstanding 6% Series A First Mortgage Bonds, and may issue and sell, for the purpose of financing in part construction expenditures set forth in Exhibit "2", \$644,000 face amount of its 4% Series B First Mortgage Bonds, due December 1, 1998, said bonds to be sold at not less than their face amount plus accrued interest.
3. The authority herein granted will become effective when Interstate Telegraph Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is six hundred forty-four (\$644.00) dollars.
4. Interstate Telegraph Company shall file with the Commission within thirty (30) days after its execution, two (2) certified copies of the supplemental indenture to which reference is made herein, together with a statement showing the amount of bonds issued under the authority herein granted, the purpose for which said bonds were issued, and the consideration received

therefor. Until the proceeds from the sale of said bonds have been expended, Applicant shall file with the Commission monthly reports showing its gross and net charges to telephone plant accounts.

Dated at San Francisco, California, this 7th day of December, 1948.

R. J. [Signature]
Justin J. [Signature]
[Signature]

Commissioners

