

ORIGINAL

Decision No. 46734

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of INTERSTATE TELEGRAPH COMPANY, for Authority to Issue \$2,175,000 Series B 4% First Mortgage Bonds and 575,000 Shares of Common Stock.)	
-----	:	
)	Application No. 32958
	:	
)	
	:	

O P I N I O N

This is an application for an order authorizing Interstate Telegraph Company, a corporation, to issue and sell, at par, \$2,175,000 in principal amount of its Series B, 4% First Mortgage Bonds, due December 1, 1998, and 575,000 shares of its \$1 par value common stock. Applicant proposes to use the funds to be provided through the issue and sale of these securities to pay outstanding indebtedness and to provide in part the cost of constructing additions and betterments to its existing utility plant.

Applicant, a corporation organized under the laws of the State of Nevada, is a wholly owned subsidiary of California Electric Power Company. Its property consists of a telephone and telegraph system located in and serving portions of the counties of El Dorado, Alpine, Mono, Inyo, Kern and San Bernardino, California, and the counties of Ormsby, Douglas, Lyon and Esmeralda, Nevada. For the ten months ended October 31, 1951, it reports its total operating revenues at \$1,219,698.23, operating expenses including federal income taxes at \$1,017,145.14, and net income to surplus at \$134,581.37.

Applicant's assets and liabilities, as reflected in its October 31, 1951, balance sheet, have been summarized as follows:

Assets

Investments -		
Telephone plant in service	\$5,284,719.86	
Telephone plant under construction	<u>1,049,489.77</u>	
Total telephone plant	6,334,209.63	
Special deposit for bond redemption	<u>230.00</u>	\$6,334,439.63
Current assets -		
Cash and working funds	642,563.39	
Receivables net of reserves	133,086.42	
Materials and supplies	<u>414,179.52</u>	1,189,829.33
Deferred debits -		
Prepaid expenses	77,712.27	
Other deferred debits	<u>2,313.42</u>	<u>80,025.69</u>
Total assets		<u>\$7,604,294.65</u>

Liabilities

Stock -		
Common stock		\$2,425,000.00
Long-term debt -		
First mortgage 4% bonds-Series B	\$ 971,000.00	
Advances from affiliated companies	<u>2,330,000.00</u>	3,301,000.00
Current and accrued liabilities -		
Accounts payable	108,271.91	
Customers' deposits	190.00	
Advance billing and payments	3,388.13	
Taxes accrued	262,138.34	
Rents accrued	1,260.40	
Unmatured interest on first mortgage bonds	<u>16,183.34</u>	391,432.12
Deferred credits and reserves -		
Insurance reserves	31,566.89	
Depreciation reserve	579,071.58	
Customers' advances for construction	10,958.54	
Other deferred credits	<u>14,319.55</u>	636,016.56
Surplus -		
Earned surplus		<u>850,845.97</u>
Total liabilities		<u>\$7,604,294.65</u>

Included in the \$3,301,000 shown in the balance sheet as long-term debt is the amount of \$2,330,000 representing one-year 4% notes payable to applicant's parent, California Electric Power Company, which notes were issued from time to time commencing in November, 1948. Applicant, by this application, proposes to refinance this indebtedness by using the entire proceeds, other than accrued interest, to be realized from the sale of \$2,175,000 face value of its Series B, 4% first mortgage bonds and \$155,000 of the \$575,000 to be realized

from the issue and sale of 575,000 shares of its common stock. The remainder of the proceeds to be realized from the sale of common stock, or \$420,000, is to be used to finance in part the cost of additions and betterments to applicant's telephone properties. As shown in detail in Exhibit 1 filed at the hearing in this proceeding, applicant's construction expenditures for 1952 are estimated at \$883,996.

The bonds applicant proposes to issue will be dated December 31, 1951, and will bear a due date of December 1, 1998. They will be a part of applicant's Series B, 4% First Mortgage Bonds and will be issued under its First Mortgage Trust Indenture, dated September 1, 1931, as supplemented and amended by First Supplemental Indenture dated December 1, 1948.

The stock and bonds of applicant presently outstanding are held by California Electric Power Company, the parent company. Applicant proposes to issue and sell to California Electric Power Company, at par, the \$2,175,000 of first mortgage bonds and the 575,000 shares of capital stock referred to in this proceeding. It is reported that all of the outstanding stock and bonds of applicant are pledged under the First Mortgage Indenture of California Electric Power Company and it is further reported that under the terms of said indenture all stocks and bonds of applicant must be owned by said power company and must be pledged under its indenture so long as any of such stock is so pledged. Because of these reasons and because applicant believes that the securities here being considered could not be sold in the open market by competitive bidding, or otherwise, at more than the par or the face value thereof, it requests exemption from the competitive bidding rule heretofore promulgated by the Commission.

From a review of the evidence introduced in connection with this proceeding, it does not appear that it would be in the public interest to require applicant to sell its bonds at competitive bidding. The order herein will provide exemption from the competitive bidding rule.

O R D E R

A public hearing having been held on the above entitled matter, and the Commission having considered the evidence and being of the opinion that the application should be granted, as herein provided; that the money, property or labor to be procured or paid for through the issue of the bonds and shares of stock herein authorized is reasonably required by applicant for the purposes specified herein; and that such purposes, except as otherwise authorized, are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. Interstate Telegraph Company, after the effective date hereof and on or before September 30, 1952, may issue and sell, at par, \$2,175,000 in principal amount of its Series B, 4% First Mortgage Bonds, due December 1, 1998, and 575,000 shares of its \$1 par value common stock, and use the proceeds, other than accrued interest from the sale of the bonds, to pay indebtedness and to finance the cost of additions and betterments to its plants and properties. The accrued interest may be used for general corporate purposes.

2. The issue of said \$2,175,000 of bonds hereby is exempted from the provisions of the Commission's competitive bidding

rule set forth in Decision No. 38614, dated January 15, 1946.

3. Interstate Telegraph Company shall file with the Commission monthly reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

4. The authority herein granted will become effective when Interstate Telegraph Company has paid the fee prescribed by Section 1904 of the Public Utilities Code, which fee is one thousand five hundred eighty-seven dollars and fifty cents (\$1,587.50).

Dated at San Francisco, California, this 13th day of February, 1952.

R. J. Zimmerman
President

Justice F. Cravener
Harold P. Hub

Lawrence W. Potter
John E. McMill
Commissioners

