

Decision No. 39562

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of, the Application)

of)

OXNARD HOME TELEPHONE COMPANY)

to issue not to exceed \$100,000)
principal amount unsecured promis-)
sory notes.)
-----)**ORIGINAL**Application
No. 27934O P I N I O N

Oxnard Home Telephone Company asks permission to execute a loan agreement and to issue promissory notes in the amount of \$100,000 to pay indebtedness and to finance the cost of additions to its properties.

Applicant is engaged in the operation of a telephone system in, and in the vicinity of, Oxnard, Ventura County. Its financial statement attached to the application shows its assets and liabilities as of September 30, 1946, as follows:

Assets

Investment in telephone plant	\$661,733.60
Cash and other current assets	28,349.08
Prepaid expenses	800.82
Discount on capital stock	<u>8,850.00</u>

Total	<u>\$699,733.50</u>
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Liabilities

Capital stock	\$ 75,000.00
Notes payable	55,000.00
Current and accrued liabilities	40,936.50
Depreciation reserve	241,090.00
Other reserves	1,243.41
Surplus	<u>286,463.59</u>

Total	<u>\$699,733.50</u>
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The company has made arrangements with American Trust Company to borrow a total amount of \$200,000 in order to pay, or to reimburse its treasury, for the cost of capital additions and betterments to its public utility properties made on or after August 1, 1946, or to discharge short-term obligations incurred for such purposes. Out of the proceeds of the first \$100,000 loan the company has agreed to pay a \$55,000 note in favor of Bank of California now outstanding.

A copy of a loan agreement with American Trust Company is filed in this proceeding as Exhibit "B". Under its terms American Trust Company has agreed to loan applicant \$100,000 on or before December 31, 1947, and \$100,000 if and as required by applicant, prior to the maturity of the last installment due under the first \$100,000 loan. The loan agreement definitely fixes the terms and conditions of the first \$100,000 loan and contains some of the provisions applicable to the second \$100,000 loan. Except as to the maximum amount, it does not fix the amount of the second \$100,000 loan nor its maturity, rate of interest, amounts and dates of installment payments. The order herein will authorize applicant to execute the loan agreement, but it will not authorize applicant to issue any notes to represent the second \$100,000 loan. If applicant concludes to borrow the second \$100,000, it should in due time file an application for permission to issue notes to represent said loan.

As to the first \$100,000 loan the loan agreement, among other things, contains the following provisions:

"(1) The total credit of \$100,000 shall be available and may be obtained by the company at any time or from time to time in installments of not less than \$10,000 on or before December 31, 1947, but not thereafter.

"(ii) Each note shall mature January 1, 1957, and shall be repaid in successive annual installments of 10% of the principal amount thereof on January 1, 1948, and on January 1 of each year thereafter to and including January 1, 1957.

"(iii) All payments on the notes shall be made at your principal office in San Francisco.

"(iv) Right of Prepayment: The company shall have the right, at its option, on the date of payment of any of said installments, to prepay, without penalty, in an amount of not less than 5% of the total of all notes then outstanding respecting the First \$100,000 Loan, provided that the total payments shall be a multiple of \$1,000, all or any part of the principal amount of the notes representing the First \$100,000 Loan remaining unpaid, with interest on the amount so prepaid accrued to such date of prepayment. Such prepayments shall be applied to the latest maturing installment or installments of the notes representing the First \$100,000 Loan remaining unpaid at the time. The company shall have the right to prepay the entire balance of the notes representing the First \$100,000 Loan, with interest thereon to date of such payment at any time."

The notes issued to represent the first \$100,000 loan will bear interest at the rate of 2-1/2% per annum, payable monthly. The payment of the notes will not be secured by a lien on applicant's properties.

The company proposes to use the proceeds to be received through the issue of the \$100,000 of notes for the following purposes:

To discharge demand note dated Sept. 17, 1946, to the Bank of California, the proceeds from which were used to pay for central office dial equipment	\$55,000.00
200 additional 10-party lines, including freight, tax and installation	8,250.00
800 substation dials	4,800.00
Construct manhole and place conduits	1,425.00
Additions to warehouse	1,200.00
Labor, extensions and incidentals	4,047.74
Additions to 1000 Oaks	3,200.00
50 pair cable to Hidden Valley	8,360.00
Additions to Camarillo office	1,052.00
Cable	460.00
Trunks-Oxnard to Camarillo	600.00
Additions to Hueneme office	1,450.00
Tax, freight and labor	3,000.00
To change telephones that are not adapted for conversion to dial equipment	4,680.00
Pole and wire plant along 101 Highway in Conejo Valley	1,600.00
Total	<u>\$99,124.74</u>

Applicant reports that it now has on file more than 900 requests for additional telephone service and that the purchase and installation of the equipment referred to is necessary to enable it to meet the increased demand for service. It appears that the proposed construction work will continue through 1947 and accordingly applicant requests that the authority to issue notes shall remain in effect until December 31, 1947.

O R D E R

Oxnard Home Telephone Company having applied to the Railroad Commission for permission to execute a loan agreement and to issue \$100,000 of notes, and the Commission having considered the matter and being of the opinion that a public hearing is not necessary and that the money, property or labor to be procured or paid for through the issue of said notes is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED as follows:

1. Oxnard Home Telephone Company, after the effective date hereof and on or before December 31, 1947, may execute a loan agreement in, or substantially in, the same form as the loan agreement filed in this proceeding as Exhibit "B", and may issue, for the purpose of paying outstanding notes of \$55,000 and of financing the cost of additions and improvements to its properties referred to in the preceding opinion, its promissory notes in the aggregate principal amount of \$100,000, such notes to be payable in annual installments on or before January 1, 1957, as provided in said loan agreement, with interest at the rate of 2-1/2% per

annum, payable monthly.

2. Oxnard Home Telephone Company shall file with the Commission reports of the issue of the notes herein authorized and of the disposition of the proceeds as required by the Commission's General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

3. Within thirty (30) days after the execution of said loan agreement, Oxnard Home Telephone Company shall file with the Commission a true and complete copy of said loan agreement.

4. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is One Hundred (\$100.00) Dollars.

Dated at San Francisco, California, this 29th day of October, 1946.

Harold Kula
Justus F. Craven
Francis J. ...
Dean ...

Commissioners

