

ORIGINALDecision No. 40152

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 Sunland-Tujunga Telephone Company,)
 a corporation, for an Order of the)
 Commission authorizing it to borrow)
 \$400,000.)
 -----)

Application
No. 28255C O M M I S S I O N

Sunland-Tujunga Telephone Company asks permission to borrow \$80,000 from Bank of America National Trust and Savings Association and \$320,000 from Occidental Life Insurance Company of California under the terms and conditions of the credit agreement filed in this application as Exhibit "C".

Sunland-Tujunga Telephone Company, hereinafter sometimes referred to as applicant, is a corporation organized in 1910 under the laws of California. It owns and operates telephone properties in the communities of Sunland and Tujunga in Los Angeles County. On December 31, 1946 it had 2501 telephones in service and was holding 722 unfilled applications for service.

For 1946, applicant reports operating revenues of \$144,447.37, operating expenses of \$123,795.84, and net income of \$20,651.53.

As of December 31, 1946, applicant reports assets and liabilities as follows:

<u>Assets</u>	
Telephone plant and equipment	\$334,870.08
Materials and supplies	62,847.43
Cash	4,561.36
Accounts receivable	10,171.32
Prepayments	<u>2,993.60</u>
Total assets	<u>\$415,443.79</u>

<u>Liabilities</u>	
Capital stock	\$250,000.00
Accounts payable	17,036.65
Accrued liabilities	8,328.20
Advances by subscribers	1,382.45
Reserve for depreciation	84,642.57
Earned surplus	<u>54,053.92</u>
Total liabilities	<u>\$415,443.79</u>

Testimony submitted at the hearing had on March 27th shows that since January, applicant borrowed \$30,000 on short-term 5% unsecured notes and that it will be obliged to borrow \$10,000 additional before funds under the credit agreement become available to it. These loans will be paid when the initial loan is made under the credit agreement.

For the purpose of modernizing its telephone properties and providing adequate and suitable facilities to satisfy its public service obligations, applicant estimates that during the years 1947 and 1948 it must incur a construction expenditure of \$425,100. The expenditures are segregated by applicant as follows:

<u>Description</u>	<u>1947</u>	<u>1948</u>	<u>Total</u>
Materials	\$35,000	\$15,000	\$50,000
Labor erecting outside plant	63,600	32,400	96,000
Station apparatus	42,180	77,440	119,620
Vehicles and tools	1,500	500	2,000
Buildings	50,000	101,000	151,000
Office machines and furnishings	<u>2,500</u>	<u>3,000</u>	<u>6,500</u>
Total	<u>\$195,780</u>	<u>\$229,340</u>	<u>\$425,120</u>

Subject to the terms and conditions of the credit agreement. (Exhibit "C") applicant will borrow \$80,000 from the Bank of America National Trust and Savings Association, and \$320,000 from the Occidental Life Insurance Company of California. The commitment of the Bank to lend \$80,000 and the commitment of the Insurance Company to lend up to \$245,000 expires March 31, 1948.

The commitment of the Insurance Company to lend the balance of \$75,000 expires on August 31, 1948. The obligation of the Insurance Company to loan the last \$75,000 is subject to the condition that prior to the making of such loan applicant shall have received through the sale of additional capital stock the sum of \$75,000 net to applicant.

The first amount borrowed shall be not less than \$80,000 and shall be borrowed from the Bank. The first amount borrowed from the Insurance Company shall be not less than \$52,500. The next amount shall be \$55,000, the next amount shall be \$42,000 and the balance of \$164,500 may be borrowed from time to time in any principal amount of not less than \$40,000. The loans shall be evidenced by promissory notes in substantially the form of the note attached to the credit agreement as Exhibit "A". The note issued to the Bank will bear interest at the rate of 3% per annum and the note or notes issued to the Insurance Company will bear interest at the rate of 3-3/8 percent per annum. The bank loan matures in eight annual principal installments of \$10,000 each, commencing three years after the date of the note issued to the Bank. The loan made by the Insurance Company matures in 15 annual principal installments commencing 11 years after the date of the note issued to the Bank, as follows:

- 5 installments of \$10,500 each, at the end of the 11th to 15th years, inclusive.
- 5 installments of \$11,000 each are due at the end of the 16th to 20th years inclusive.
- 4 installments of \$12,000 each are due at the end of the 21st to 24th years inclusive and \$164,500 matures at the end of the 25th year.

Applicant may anticipate the payment of any installment without the payment of a premium except that if the repayment is made directly or indirectly from the proceeds of borrowings, or in anticipation of borrowings, from banks, insurance companies or financial companies, applicant must pay a premium of 5% of the principal amount prepaid within 5 years after the date of the credit agreement, 4-3/4 percent of the principal amount prepaid during the 6th year after the date of the credit agreement and thereafter at a rate of premium during each year of one-quarter of one percent ($\frac{1}{4}$ of 1%) less than the rate premium during the preceeding year.

Applicant must pay the Bank and Insurance Company a commitment fee at the rate of one half of one percent ($\frac{1}{2}$ of 1%) per annum on any portion of the maximum loans not borrowed from the Bank or from the Insurance Company. Applicant's general manager is of the opinion that applicant can comply with all the terms and conditions of the credit agreement and that it was unable to obtain the \$400,000 on more favorable terms than those offered by the Bank and the Insurance Company. The credit agreement permits applicant to borrow the money from time to time as it proceeds with its construction program and as it will have need for additional funds.

O R D E R

The Commission has considered the evidence submitted at the hearing had on this application and is of the opinion that the money, property or labor to be procured or paid for by issue of notes in the amount of not exceeding \$400,000 is reasonably required by Sunland-Tufunza Telephone Company for the purposes

herein stated, that such 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. Sunland-Tujunga Telephone Company may, after the effective date hereof and on or before August 31, 1948 issue at not less than their face value to the Bank of America National Trust and Savings Association and Occidental Life Insurance Company of California, notes in the aggregate sum of not exceeding \$400,000, said notes to be issued in accordance with the terms and conditions of the credit agreement on file in this application as Exhibit "C", which credit agreement Sunland-Tujunga Telephone Company is hereby authorized to execute.

2. Sunland-Tujunga Telephone Company shall use the moneys obtained through the issue of said notes and execution for said credit agreement to pay outstanding indebtedness and to pay in part the cost of acquiring and constructing the telephone properties to which reference is made in this application and to reimburse its treasury because of income expended for said purpose.

3. The authority herein granted will become effective when Sunland-Tujunga Telephone Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Four Hundred (\$400.00) Dollars.

4. Sunland-Tujunga Telephone Company shall file with the Commission, reports required by the Commission's General Order No. 24-A, which order insofar as applicable, is made a part

of this order, and shall also file with the Commission a true and correct copy of each note issued under the authority herein granted.

Dated at San Francisco, California, this 8th day of April 1947.

Harold F. Lusk
Justice F. Crocker
Wesley Powell
A. B. Johnson
Herbert H. Potter

Commissioners

