

Decision No. 40799

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application)	
of California-Oregon Telephone	:	
Co. for an Order authorizing the)	
Applicant to borrow from The First	:	Application
National Bank of Portland, Oregon,)	No. 28701
the sum of \$25,000.00 and to issue	:	
its promissory note in the sum of)	
\$25,000.00 to evidence such borrowing.	:	

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In the Matter of the Application)	
of California-Oregon Telephone Co.	:	
for an order permitting it, the)	
said Applicant, to increase its	:	
Capital Stock by issuing \$25,000.00)	Application
par value of Preferred Stock; and	:	No. 28703
permitting the Applicant to amend)	
its Articles of Incorporation and	:	
otherwise to take such appropriate)	
steps as are necessary and incidental	:	
to such increase and issue of Capital)	
Stock.	:	

O P I N I O N

In these applications, California-Oregon Telephone Co. has applied to the Public Utilities Commission for authority to issue its promissory note in the principal amount of \$25,000 and its preferred stock in the amount of \$25,000, par value, for the purpose of paying indebtedness and of financing the cost of additions and betterments.

California-Oregon Telephone Co., a corporation, owns and operates a telephone exchange serving portions of Siskiyou and Modoc Counties in California, and having direct physical connections with Columbia Utilities Company, at Merrill, Oregon,

with The Pacific Telephone and Telegraph Company at Klamath Falls, Oregon, and with Public Utilities California Corporation at Alturas, California. Its financial statements on file with the Commission among other things show the following:

<u>Year</u>	<u>Operating Revenue</u>	<u>Net Operating Income</u>	<u>Average Working Stations</u>	<u>Net Increase in Plant</u>
1946	\$40,578	\$ (3,793)	560	\$ 6,342
1945	38,223	(1,169)	560	19,162
1944	35,281	4,364	502	7,640
1943	30,140	2,181	459	26,619
1942	26,200	5,139	359	12,313

In Exhibit "A" attached to the application, the company reports its authorized capital stock at 400 shares, all common, of the par value of \$25 each, all of which is outstanding. It reports its assets and liabilities, as of May 31, 1947, as follows:

Assets

Telephone plant	\$119,691.95
Telephone plant under construction	1,763.52
Cash	3,832.62
Accounts receivable	6,924.33
Prepayments	794.71
Materials and supplies	4,001.77
Unamortized debt discount	<u>382.88</u>
Total	<u>\$137,391.78</u>

Liabilities

Capital stock, common	\$ 10,000.00
First mortgage bonds, 5%, due 1953	12,000.00
Advances from Columbia Utilities Company	35,184.08
Advances from Hood Bros.	1,457.03
Accounts payable	2,450.20
Advance billings and payments	1,250.13
Other current liabilities	3,674.93
Accrued liabilities	1,106.58
Depreciation reserve	20,266.43
Other reserves	3,673.67
Contribution of telephone plant surplus	<u>27,238.64</u>
	<u>19,090.09</u>
Total	<u>\$137,391.78</u>

Applicant issued its outstanding stock and bonds to Columbia Utilities Company to finance, in part, the cost of its properties. In addition it has incurred open account indebtedness in favor of said Columbia Utilities Company in acquiring materials and equipment for the construction, completion, extension and betterment of its plant. As shown by the preceding balance sheet, such indebtedness as of June 30, 1947, aggregated \$35,184.08.

In order to liquidate the outstanding advances, applicant proposes to increase its authorized capital stock so as to provide for an issue of \$25,000 of 5% cumulative preferred stock, divided into 1,000 shares of the par value of \$25 each, and to deliver such stock, together with \$10,184.08 in cash, to Columbia Utilities Company in satisfaction of the \$35,184.08 due it. It also proposes to borrow \$25,000 from The First National Bank of Portland, Oregon, for the following purposes:

Partial payment on accounts payable due Columbia Utilities Company, Oregon affiliate, covering purchase of material and equipment used in connection with dial conversion, and exchange plant expansions	\$10,000.00
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Accounts Payable - North Electric Mfg. Co., Galion, Ohio, covering balance due on 50 additional subscriber lines, and 7 links to increase present dial unit to full 200 line capacity	4,500.00
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Accounts Payable - Kellogg Switchboard & Supply Co. covering cost of dial switching unit, equipped with 30 lines and 5 links, 3 trunks, and wired for 50 lines; ultimate capacity 200 lines, 10 trunks, 19 links (Cost includes 32 Kellogg dial hand set telephones, 1500 ft. exchange cable, 1,000 ft. drop wire, hardware, etc.) to be installed at Newell, California, as satellite exchange connecting with main Tulelake equipment	4,000.00
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Construction of dial exchange building at Newell	\$ 1,200.00
Purchase of 100 additional dial telephones	2,500.00
Purchase of miscellaneous material and equipment to be used in connection with above additions	1,800.00
Accounts Payable - California-Oregon Power Co. pole attachments	<u>1,000.00</u>
Total	<u>\$25,000.00</u>

The moneys to be thus borrowed will be represented by a note for \$25,000 bearing interest at the rate of 4% per annum and payable in semi-annual installments of \$4,166.67. It will be guaranteed by D. O. Hood and E. R. Hood, who are the owners of the controlling stock interest and all the outstanding bonds of Columbia Utilities Company. There is no request here made to execute any lien on properties in California to secure the payment of the note.

Applicant has requested that authority, so far as necessary, be extended by the Commission for it to file amended articles of incorporation reflecting the increase in its capital stock. However, the company may, without an order from this Commission, amend its articles or provide for an increase in its capital stock. Moreover, the Commission's consent is not necessary for the filing of the amended articles. The necessity of securing the Commission's authorization is limited to the issue of the additional shares of stock.

O R D E R

California-Oregon Telephone Co. having applied to the Public Utilities Commission for permission to issue a note and certain shares of stock, and the Commission having considered the matters and being of the opinion that public hearings are not necessary, that the applications should be granted, as herein provided, and that the money, property or labor to be procured or paid for through such issues 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. California-Oregon Telephone Co., after the effective dates hereof and on or before December 31, 1947, may issue its 4% promissory note in the principal amount of \$25,000, payable in semi-annual installments of \$4,166.67, and \$25,000 par value of its 5% cumulative preferred stock for the purpose of paying indebtedness due Columbia Utilities Company and other indebtedness as set forth in the preceding opinion incurred in the acquisition of telephone plant and properties, and of financing the cost of materials and equipment.

2. Applicant shall file with the Commission a report, or reports, of the issue of the note and stock herein authorized to be issued and of the disposition of the proceeds as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

3. The authority herein granted to issue a note will become effective when applicant has paid the fee prescribed by

Section 57 of the Public Utilities Act, which fee is Twenty-five (\$25.00) Dollars. The authority granted to issue stock will become effective when applicant has filed with the Commission a certified copy of its Amended Articles of Incorporation reflecting the increase in its capital stock.

Dated at San Francisco, California, this 16th day of September, 1947.

Harold S. Kule
Justice F. Cramer
Irving Powell
A. J. Dunning

Commissioners

