

ORIGINAL

Decision No. 41285

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 San Joaquin Associated Telephone
 Company and Associated Telephone
 Company, Ltd. for an Order of the
 Commission; (a) Authorizing San
 Joaquin Associated Telephone Company
 to issue and sell 12,000 shares of
 its No Par Value Capital Stock; (b)
 Authorizing San Joaquin Associated
 Telephone Company to obtain a
 \$500,000 unsecured loan repayable
 January 31, 1949, and (c) Authoriz-
 ing Associated Telephone Company,
 Ltd. to guarantee the repayment of
 such loan.

Application
 No. 29115

O P I N I O N

In this application, San Joaquin Associated Telephone Company has applied to the Public Utilities Commission for authority to issue 12,000 shares of its no par value capital stock to Associated Telephone Company, Ltd. for a price of \$25 a share, and to borrow not exceeding \$500,000 from Security-First National Bank of Los Angeles for the purpose of paying indebtedness and of financing the cost of additions. Associated Telephone Company, Ltd. has applied for permission to guarantee said loan of \$500,000.

San Joaquin Associated Telephone Company, hereinafter referred to as San Joaquin, is a corporation organized on or about October 14, 1936, under the laws of the State of California, with an authorized capital stock of 20,000 shares without par value. Heretofore, pursuant to authority granted by the

Commission by Decision No. 29390, dated December 21, 1936, it issued 8,000 shares of its stock, at \$25 a share, to finance in part the cost of acquiring the telephone systems it now operates. Such stock is now outstanding and is reported held by Associated Telephone Company, Ltd.

The application shows that San Joaquin is engaged in operating telephone systems in the Cities of Lindsay, Reedley and Fowler and in territory contiguous thereto. San Joaquin reports its operating revenues at \$143,443 during 1945, at \$160,735 during 1946 and at \$187,928 during 1947. It had available, after deducting operating expenses and taxes and making provision for depreciation, for interest and other fixed charges, dividends and surplus, \$20,136 in 1945, \$5,636 in 1946, and \$3,315 in 1947. Its charges for depreciation amounted to \$14,461 in 1945, to \$15,132 in 1946, and to \$20,032 in 1947.

In Exhibit "B" attached to the application, San Joaquin reports its assets and its liabilities and capital, as of December 31, 1947, as follows:

Assets

Telephone plant and equipment	\$690,153.81
Miscellaneous physical property	5,875.00
Cash and deposits	16,515.69
Accounts receivable	35,102.44
Materials and supplies	52,598.99
Intercompany items	117.00
Prepaid expenses	6,105.68
Deferred charges	<u>15,175.28</u>
Total	<u>\$821,643.89</u>

Liabilities and Capital

Capital stock - 8,000 shares	\$200,000.00
Accounts payable	48,124.28
Intercompany accounts payable	3,181.87
Intercompany notes payable	350,000.00
Accrued liabilities	17,706.80
Depreciation reserve	154,561.06
Deferred credits	3,164.11
Contributions of telephone plant	1,774.58
Earned surplus	<u>43,131.19</u>
Total	<u>\$821,643.89</u>

San Joaquin's balance sheet shows that it has financed its investment in plant and other assets primarily through the issue of common stock and notes and through the use of its depreciation reserves and earned surplus. The outstanding notes of \$350,000 were issued during 1946 and 1947, mature twelve months after their respective dates of issue, and bear interest at 2½% and 3% per annum. Exhibit "B" indicates that additional notes of \$50,000 have been issued since December 31, 1947.

In Exhibit "F", San Joaquin reports its estimated gross additions during 1948 at \$511,800, estimated retirements at \$58,200, and net additions at \$453,600, as follows:

	<u>Gross Additions</u>	<u>Retirements</u>	<u>Net Additions</u>
Right of way	\$ 1,000	\$ -	\$ 1,000
Buildings	135,500	-	135,500
Central office equipment	70,200	5,900	64,300
Station equipment	86,500	21,800	64,700
Outside plant	199,500	27,100	172,400
Furniture	2,500	500	2,000
Vehicles, work equipment	<u>16,600</u>	<u>2,900</u>	<u>13,700</u>
Total	<u>\$511,800</u>	<u>\$58,200</u>	<u>\$453,600</u>

Exhibit "F" contains a general description of the proposed additions to San Joaquin's properties. Included in such

additions are a new building in Lindsay, a new building in Strathmore, a new dial unit in the Fowler central office, a new dial unit in Strathmore, 220 lines that are to be added to the Lindsay manual switchboard to take care of the growth until the new dial equipment can be placed in service, and the addition of two positions in the central office equipment in Reedley to provide for 240 additional subscriber lines. The outside plant construction involves the replacement of plant at the Fowler exchange. At the Lindsay exchange it covers a project planned to provide trunks between Lindsay and Strathmore and to provide facilities for new services which will feed from the combination trunk and exchange cable. Two additional projects, one in the Lindsay area and one in the Strathmore area, will provide facilities for general relief throughout those areas, and will replace deteriorated plant. The fourth project will provide underground conduit and cable necessary to reroute lines to the new dial central office. A rehabilitation project on the General Grant National Park toll line involves some relocations and the replacement of iron wire with copper wire. Two additional channels are to be provided by the installation of carrier equipment. San Joaquin's station expenditures are based upon a gain of 1,265 stations during 1948, and cover station equipment, apparatus, station installations, drop and block wire, private branch exchanges and booths and special fittings.

The Security-First National Bank of Los Angeles has agreed to extend to San Joaquin a line of credit in the amount of not exceeding \$500,000. The money may be borrowed from time to time prior to January 31, 1949, and is to be repaid by January

31, 1949. The payment of the moneys borrowed will be guaranteed by Associated Telephone Company, Ltd. The interest rate on all loans from the Bank will be 2% per annum, payable quarterly. San Joaquin intends to draw upon this credit to pay outstanding notes and to pay in part the cost of its 1948 construction expenditures. The credit is extended upon the condition that from time to time, and before January 31, 1949, San Joaquin will issue and Associated Telephone Company, Ltd. will accept, additional shares of stock in such amounts that at all times the aggregate of the Bank's loans will not exceed the aggregate of San Joaquin's capital stock outstanding.

As stated, San Joaquin asks permission to issue 12,000 shares of stock to Associated Telephone Company, Ltd. at \$25 a share, making a total of \$300,000.

A review of this application and of San Joaquin's financial statements clearly indicates that it has need for the additional funds which it will obtain through the issue of 12,000 shares of stock and the Bank loan.

O R D E R

The Public Utilities Commission of the State of California having considered the requests contained in this application and being of the opinion that this is not a matter on which a hearing is necessary, that the money, property or labor to be procured or paid for through the issue of the shares of stock and notes herein authorized is reasonably required by San Joaquin Associated Telephone Company for the purposes specified herein,

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. San Joaquin Associated Telephone Company, after the effective date hereof and on or before December 31, 1948, may issue and sell, to Associated Telephone Company, Ltd., not exceeding 12,000 shares of its no par value common stock at not less than \$25 a share, and may issue to Security-First National Bank of Los Angeles not exceeding \$500,000 of notes, payable on or before January 31, 1949, with interest at the rate of 2% per annum, pursuant to the loan agreement on file in this application as Exhibit "E".

2. San Joaquin Associated Telephone Company shall use the proceeds from the issue of said 12,000 shares of stock and the moneys borrowed from Security-First National Bank of Los Angeles to discharge its notes payable to Associated Telephone Company, Ltd. and for the acquisition of property and/or for the construction, completion, extension and/or the improvement of its public utility facilities and service set forth in Exhibit "F" on file in this application, and/or for the reimbursement of its treasury for funds spent for such purposes.

3. Associated Telephone Company, Ltd. may acquire and hold said 12,000 shares of stock of San Joaquin Associated Telephone Company, and may guarantee said loan of San Joaquin Associated Telephone Company.

4. San Joaquin Associated Telephone Company shall file with the Commission a copy of the loan agreement with Security-First National Bank of Los Angeles within thirty (30) days after its execution, and shall also file reports of the issue of said stock and notes 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.

5. The authority herein granted will become effective when San Joaquin Associated Telephone Company has paid the fee prescribed by Section 57 of the Public Utilities Act.

Dated at San Francisco, California, this 9th day of March, 1948.

R. F. Johnson
Justin Z. Gaiser
Joseph H. Rainey
Harold F. Hula
Kenneth D. Potter
Commissioners

