

Decision No. 41797

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of)
OXNARD HOME TELEPHONE COMPANY)
to issue not to exceed \$425,000)
principal amount promissory notes)
and to execute a mortgage and pledge)
agreement securing such notes.)
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Application
No. 29406

O P I N I O N

Oxnard Home Telephone Company has applied to the Public Utilities Commission for authorization to execute a loan agreement with Pacific Mutual Life Insurance Company and, pursuant thereto, to issue on or before June 30, 1950, not to exceed \$425,000 principal amount of promissory notes and to execute a mortgage and pledge agreement.

Applicant owns and operates telephone properties situate in and in the vicinity of Oxnard, Ventura County. For 1947, its operating revenues amounted to \$234,589.16. Its net income, that is, the amount available for dividends and surplus, is reported at \$36,121.59. As of April 30, 1948, Applicant reports assets and liabilities as follows:

<u>Assets</u>		
Telephone plant		\$703,840.54
Other investments		740.00
Current assets -		
Cash and working funds	\$ 8,816.72	
Notes from affiliated companies	105,000.00	
Due from customers and agents - net	25,683.42	
Accounts from affiliated companies	10,490.82	
Total current assets		149,990.96
Discount on capital stock		8,850.00
Other deferred debits		975.21
Total		<u>\$864,396.71</u>

Liabilities

Capital stock		\$ 75,000.00
Current liabilities -		
Notes payable	\$117,000.00	
Accounts payable	49,576.65	
Taxes accrued	<u>15,813.01</u>	
Total current liabilities		182,389.66
Depreciation reserve		256,153.35
Contribution of telephone plant		9,721.21
Surplus		<u>341,122.49</u>
	Total	<u>\$864,396.71</u>

Of the outstanding capital stock, 747 shares (\$74,700 per value) are reported held by F. H. Crosby who also holds all but three shares of the outstanding stock of Colusa County Telephone Company, to which reference will be hereinafter made. The notes from affiliated companies, aggregating \$105,000, represent unsecured demand notes issued by Colusa County Telephone Company.

The notes payable of \$117,000 represent loans from American Trust Company as follows:

<u>Date</u>	<u>Interest</u>	<u>Maturity</u>	<u>Amount</u>
Nov. 7, 1946	2½%	Jan. 1, 1957	\$ 63,000
Mar. 17, 1947	2½%	Jan. 1, 1957	27,000
Mar. 22, 1948	3 %	90 days	12,000
May 11, 1948	3 %	Aug. 17, 1948	<u>15,000</u>
			<u>\$117,000</u>

It appears that the first two notes represent the unpaid balances of the notes originally for \$100,000 issued under authority granted by the Commission by Decision No. 39562, dated October 29, 1946.

The application shows that the \$117,000 was expended for the enlargement and improvement of Applicant's telephone properties. It further shows that from January 1, 1948, to April 30, 1948, Applicant expended for the same purposes \$49,521 of

income not obtained through the issue of stock, bonds or other evidence of indebtedness authorized by the Commission.

Applicant has dial equipment exclusively in its Thousand Oaks, Port Hueneme and Camarillo exchanges. Approximately 30% of its Oxnard exchange is operated with dial equipment. On March 31, 1948, it had on file 991 applications for additional telephones. To further its program of conversion to dial equipment in its Oxnard exchange and to meet its demand for telephone service, Applicant estimates its expenditures for the years 1948 and 1949 at \$277,450, segregated as follows:

1948 Lines

50 lines, Port Hueneme exchange	\$ 4,300
400 lines, dial equipment, Oxnard exchange	48,000
100 lines, dial equipment, Camarillo exchange	8,600
	<u>60,900</u>

1948 Stations

100 stations, Thousand Oaks exchange	8,500
150 stations, Port Hueneme exchange	12,000
400 stations, Oxnard exchange	70,000
100 stations, Camarillo exchange	10,000
	<u>100,500</u>

1949 Lines

50 lines, dial equipment, Port Hueneme	4,300
800 lines, dial equipment, Oxnard	96,000
150 lines, dial equipment, Camarillo State Hospital	15,750
	<u>116,050</u>

Total	<u>\$277,450</u>
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To provide itself with funds to pay the \$117,000 of notes, reimburse its treasury and finance in part its 1948 and 1949 construction program, Applicant asks permission to execute a loan agreement and a mortgage of personal and of real property containing a pledge agreement, under the terms of which it can borrow from Pacific Mutual Life Insurance Company, on or before

June 30, 1950, not exceeding \$425,000. Any loans made will be evidenced by promissory notes. Copies of the proposed loan agreement and of the forms of promissory note and mortgage of chattels and of real property are on file in this application as Exhibits "B", "C", and "D", respectively.

Applicant will forthwith borrow \$200,000 from the Insurance Company. The Insurance Company will make available to Applicant further advances in a multiple of \$25,000, as requested by Applicant upon showings specified in the mortgage. Each note will be dated as of the date of the advance evidenced thereby, and will mature June 1, 1968, subject to rights to prepayment as set forth in the mortgage. The interest on the first \$250,000 advanced will be at the rate of 4% per annum, and on any additional advance at the rate of 4-1/4% per annum, payable semi-annually. In addition, Applicant agrees to pay a standby charge on the unused portion of the credit of 1/2% to December 31, 1949, and 1% thereafter. Applicant may at any time surrender the unused portion of the credit, whereupon the standby charge terminates.

The proposed mortgage authorizes Applicant to loan \$25,000 of the money borrowed by it from the Insurance Company to Colusa County Telephone Company, to be used by that company for capital additions. The payment of the loan to Colusa County Telephone Company, as well as other indebtedness which that company owes to Applicant will be secured by a mortgage on the property of the Colusa County Telephone Company and will be evidenced by a note of that company. The note and mortgage of the Colusa County Telephone Company will be covered by the lien of the mortgage which Applicant asks permission to execute.

O R D E R

The Public Utilities Commission having considered the above entitled matter and being of the opinion that a public hearing is not necessary, 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 \$425,000 of notes is reasonably required by Oxnard Home Telephone Company for the purposes specified herein, and that such 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 July 31, 1948, may execute a loan agreement and a mortgage of chattels and of real property (containing a pledge agreement) in, or substantially in, the same form as those filed in this proceeding as Exhibit "B" and Exhibit "D", respectively.

2. Oxnard Home Telephone Company, after the effective date hereof and on or before June 30, 1950, may issue not exceeding \$425,000 of notes pursuant to the terms of said loan agreement and said mortgage of chattels and of real property and may reissue any of such notes at any time prior to maturity, provided that the new note or notes shall conform with the corresponding reissued note or notes in all respects, except as to principal amount.

3. Oxnard Home Telephone Company shall use the proceeds to be received from the issue of said notes herein authorized to discharge outstanding notes of \$117,000, to make advances

of \$25,000 to Colusa County Telephone Company and to reimburse its treasury and finance capital additions to its plants, as set forth in this application.

4. Oxnard Home Telephone Company shall file with the Commission, within thirty (30) days after execution, a copy of the loan agreement and of the mortgage of chattels and of real property as actually executed, and shall also file reports as required by 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 Oxnard Home Telephone Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is three hundred thirty-five (\$335.00) dollars.

Dated at San Francisco, California, this 29th day of June, 1948.

R. B. [Signature]
[Signature]

[Signature]

[Signature]
Commissioners

