

ORIGINAL

Decision No. 42116

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of
COACHELLA VALLEY HOME TELEPHONE &
TELEGRAPH CO., a California corpora-
tion, for an
order authorizing it (a) to execute
a loan agreement between the Coach-
ella Valley Home Telephone & Tele-
graph Co. and the Pacific Mutual Life
Insurance Company; (b) to execute and
deliver a note for \$150,000. at 4%
interest per annum due September 1,
1968; (c) to execute and deliver a
mortgage of certain properties of the
Coachella Valley Home Telephone &
Telegraph Co.; and (d) to apply the
proceeds from said note to the com-
pletion of improvements and extensions
herein referred to, to discharge cer-
tain obligations and to reimburse the
treasury.

Application
No. 29730O P I N I O N

In this application, Coachella Valley Home Telephone & Telegraph Co. asks permission to execute a \$350,000 loan agree-
ment, to execute a mortgage to secure the payment of the loan,
to evidence loans made under the agreement and mortgage by the
issue of notes, and to use the loan proceeds for the purposes
hereafter stated.

Coachella Valley Home Telephone & Telegraph Co. is a
corporation organized and existing under the laws of California.
It furnishes all local and long distance telephone services in the
cities and communities of Coachella, Indio, La Quinta, Mecca,
Oasis, Palm Village and Thermal, Riverside County, California. It

furnishes this service through approximately 2,473 telephone stations. As of August 31, 1948, it held 391 orders for telephone service. For 1947, Applicant reports operating revenues of \$124,987.48 and net income of \$28,749.62. For the eight months ending August 31, 1948, its operating revenues are reported at \$102,915.03 and its net income at \$23,180.08.

As of December 31, 1947, Applicant reports assets and liabilities as follows:

Assets

Telephone plant in service	\$382,351.25
Telephone plant under construction	2,616.21
Cash	1,250.41
Due from customers and agents	25,435.13
Material and supplies	<u>20,024.36</u>
Total assets	<u>\$431,677.36</u>

Liabilities

Capital stock	\$ 11,960.00
Notes payable	40,000.00
Accounts payable	50,200.95
Customers' deposits	3,509.28
Advance billing and payments	107.98
Taxes accrued	15,511.70
Depreciation reserve	80,810.93
Deferred credits	4,026.29
Contributions of telephone plant	8,218.19
Unappropriated surplus	<u>217,332.04</u>
Total liabilities	<u>\$431,677.36</u>

To pay the cost of extending and improving its telephone facilities, Applicant has issued \$53,000 face amount of 4% short-term notes.

In Exhibit "C-3", Applicant reports that in 1948 and 1949 it will expend for the acquisition and construction of telephone properties \$183,002, segregated as follows:

Land	\$ 150
Buildings	11,410
Central office equipment	84,242
Telephone station equipment	33,650
Private branch exchange	6,750
Pole lines	7,850
Aerial cable	30,600
Aerial wire	<u>8,350</u>
Total	<u>\$183,002</u>

In addition, Applicant estimates at \$7,500 its expenses incident to the negotiation and execution of the loan agreement and mortgage.

To provide itself with funds to pay said expenses and said notes, to reimburse its treasury, and finance in part its construction program, Applicant asks permission to execute a loan agreement and mortgage, under the terms of which it can borrow, on or before December 31, 1950, from Pacific Mutual Life Insurance Company \$350,000. Subject to the terms of the loan agreement and mortgage, the Insurance Company will loan Applicant immediately \$150,000. It agrees to loan Applicant additional amounts, not exceeding in the aggregate \$200,000, on or before December 31, 1950. All loans are payable on or before September 1, 1968. The \$150,000 loan will be evidenced by a 4% promissory note, while subsequent loans will be evidenced by 4-1/4% promissory notes.

Applicant agrees to pay to the Insurance Company on the unused portion of the credit, a standby charge at the rate of 1/2% per annum from the date of the loan agreement to and including December 31, 1950. Applicant has the right, however, at any time upon notice in writing to the Insurance Company, to surrender the unused portion of the credit, whereupon the standby

charge terminates.

Applicant agrees that on September 1, 1952, and on September 1 of each year thereafter while any part of the loan remains unpaid, it will prepay to mortgagee without premium an amount equal to 3% of the maximum amount of the loan at any time preceding the date of such payment together with interest accrued on the amount of such prepayment. It further agrees that until the loan is fully paid it will not pay any dividends on any class of its capital stock, except dividends payable in its stock, or acquire for value shares of its outstanding capital stock except out of net income accrued subsequent to June 30, 1948, remaining after deducting from such net income for the period from June 30, 1943, to the last day of the month preceding the declaration of such dividend or acquisition of such stock the greater of the following items applicable to the same period (a) 25% of its net earnings accrued subsequent to June 30, 1948, or (b) the sinking fund payments required under the terms of the mortgage. It further agrees not to pay any dividend or acquire any share of stock whereby, as a result of such payment or acquisition, the capital and surplus of Applicant will be reduced below a sum equal to 100% of the funded debt then outstanding.

Applicant at its option, at any time on thirty days' written notice, may prepay all or any part of the loan in multiples of \$1,000. Prepayments during any year in an amount not exceeding sinking funds may be made without premium. Additional prepayments are subject to the payment of a premium of 3% if such prepayment is made prior to September 1, 1949. Thereafter

the premium is successively reduced by 1/6th of 1% each year to and including September 1, 1965. No premium need be paid for repayment on or after September 1, 1966.

Reference is here made to the loan agreement and mortgage for other terms and conditions under which the loan is being made. A copy of the loan agreement and mortgage is on file in this application as Exhibit "D".

The order herein will authorize Applicant to execute the loan agreement and mortgage and issue a 4% note in the amount of not exceeding \$150,000. If Applicant finds it necessary to borrow additional amounts under the loan agreement and mortgage, it should file with the Commission a supplemental application, or applications, for permission to issue a note, or notes, to evidence the additional borrowings.

O R D E R

The Commission having considered this application and being of the opinion that a public hearing thereon is not necessary, that the money, property or labor to be procured or paid for through the execution of the loan agreement and mortgage and the issue of the note herein authorized is reasonably required by Coachella Valley Home Telephone & Telegraph Co. for the purposes specified herein, that such purposes, except for the payment of expenses incident to negotiating the loan, 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. Coachella Valley Home Telephone & Telegraph Co., after the effective date hereof and on or before December 31, 1948, may execute a loan agreement and a mortgage on real property and chattels in, or substantially in, the same form as the loan agreement and mortgage on real property and chattels on file in this application as Exhibit "D".

2. Coachella Valley Home Telephone & Telegraph Co., after the effective date hereof and on or before December 31, 1948, may issue its 4% promissory note for the principal amount of not exceeding \$150,000, such note to be issued pursuant to the terms and conditions of said loan agreement and mortgage.

3. Coachella Valley Home Telephone & Telegraph Co. shall use the proceeds obtained through the issue of said \$150,000 note to pay expenses incident to the negotiation and execution of said loan agreement and mortgage on real property and chattels, to pay outstanding notes in the principal amount of \$53,000, to reimburse Applicant's treasury for moneys expended for the extension and improvement of its properties, and to pay in part the cost of completing the extensions and improvements referred to in the foregoing opinion.

4. Coachella Valley Home Telephone & Telegraph Co. shall file with the Commission within thirty (30) days after their execution, a copy of the loan agreement and a copy of the mortgage on real property and chattels as actually executed, and shall also file reports 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 Coachella Valley Home Telephone & Telegraph Co. has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is one hundred fifty (\$150.00) dollars.

Dated at San Francisco, California, this 11th day of October, 1948.

R. F. Johnson
Justice J. C. Cramer
Harold H. Hule
Harold H. Potter

Commissioners

