

ORIGINAL

Decision No. 42462

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 authorizing; (a) San)
 Joaquin Associated Telephone Company)
 to issue and sell 15,000 shares of)
 its No Par Value Capital Stock;)
 (b) San Joaquin Associated Telephone)
 Company to extend to January 31,)
 1950 a \$500,000 unsecured loan re-)
 payable January 31, 1949 and to)
 obtain additional amounts not to)
 exceed \$375,000 by unsecured loan)
 repayable January 31, 1950; and)
 (c) Associated Telephone Company,)
 Ltd. to guarantee the repayment of)
 such loans.)
 -----)

Application
No. 29978

O P I N I O N

San Joaquin Associated Telephone Company, hereafter
 sometimes referred to as Applicant, asks permission to extend the
 maturity date of \$500,000 of notes and to issue, for the purposes
 hereafter stated, additional notes in the principal amount of
 \$375,000 and 15,000 shares of common stock at \$25 a share, for an
 aggregate consideration of \$375,000. Associated Telephone Com-
 pany, Ltd. asks permission to guarantee the payment of the notes.

Applicant is a corporation duly organized and existing
 under and by virtue of the laws of California. It owns and
 operates telephone systems in the Cities of Lindsay, Reedley and
 Fowler and in territory contiguous to such cities. As of Novem-
 ber 30, 1948, it had 4,818 telephone stations⁽¹⁾ in service. It

(1) Reedley 1,521, Lindsay 2,235, Fowler 922, toll 30.

has outstanding 20,000 shares of no par value capital stock for which it received a total consideration of \$500,000. All of said shares of stock are owned by Associated Telephone Company, Ltd.

As of November 30, 1948, Applicant reports assets and liabilities as follows:

Assets

Telephone plant and equipment		\$1,141,105.60
Miscellaneous physical property		5,875.00
Current assets		192,830.21
Cash and working funds	\$ 44,759.93	
Accounts receivable	40,041.46	
Material and supplies	108,028.82	
Deferred debits		20,658.74
Prepayments	8,388.79	
Capital stock expense	450.00	
Discount on outstanding long-term debt	55.55	
Other deferred charges	11,764.40	
		<hr/>
Total assets		<u>\$1,360,469.55</u>

Liabilities

Common capital stock	\$ 500,000.00
Notes payable	525,000.00
Accounts payable	112,475.37
Accrued liabilities not due	10,931.28
Depreciation reserve	144,327.11
Other deferred credits	4,345.47
Contributions of telephone plant	1,774.58
Earned surplus	<u>61,615.74</u>
	<hr/>
Total liabilities	<u>\$1,360,469.55</u>

For the eleven months ending November 30, 1948, Applicant reports operating revenues of \$219,075.75. Its total operating expenses including operating rents and taxes amounted to \$207,799.57, which, deducted from its operating revenues, leaves a net operating income of \$11,276.18. Adding to the \$11,276.18 nonoperating income of \$121.43 makes a total gross income of \$11,397.61 available for the payment of interest, other fixed charges, dividends and surplus.

Pursuant to the authority granted by Decision No. 41285, dated March 9, 1948, in Application No. 29115, Applicant has from time to time borrowed from the Security-First National Bank of Los Angeles, \$500,000. The bank loans are evidenced by 2% notes due January 31, 1949. The payment of these notes is guaranteed by the Associated Telephone Company, Ltd. As of November 30, 1948, Applicant had borrowed from the Associated Telephone Company, Ltd. \$25,000 evidenced by its 4% note. During December it borrowed \$75,000 additional from the Associated Telephone Company, Ltd., which is also evidenced by Applicant's 4% notes.

For 1949, Applicant estimates (Exhibit "E") its construction expenditures as follows:

	<u>Gross</u> <u>Additions*</u>	<u>Retirements</u>	<u>Net</u> <u>Additions</u>
Right of Way	\$ 1,000	\$ --	\$ 1,000
Land	--	300	(300)
Buildings	146,500	570	145,930
Central Office Equipment	22,400	200	22,200
Station Equipment	72,100	24,900	47,200
Outside Plant	294,900	44,200	250,700
Furniture and Office Equipment	3,500	500	3,000
Vehicles and Other Work Equipment	<u>12,000</u>	<u>2,000</u>	<u>10,000</u>
Total	<u>\$552,400</u>	<u>\$72,670</u>	<u>\$479,730</u>

* Includes \$94,000 net construction work in progress as of December 31, 1948, for which cash outlay had been made but for which work orders had not been closed.

The proposed construction program of Applicant covers the completion of a building at Lindsay and the installation of dial and other equipment therein. Additional dial facilities are to be installed at Strathmore and at Reedley. The expenditures for station equipment include station apparatus, station installations, drop and block wires, private branch exchanges, and

booths and special fittings. The expenditures are based upon a gain of 800 stations during 1949. In referring to its outside plant construction, estimated at a gross cost of \$294,900, Applicant reports the following:

"In the Fowler exchange, one outside plant project calls for the rebuilding of deteriorated plant and the construction of facilities for new services in the rural area. Another project is planned for construction work of a similar nature within the base rate area.

"A project for the installation of underground and aerial cables as relief for the congested cable plant in the city of Lindsay was started in 1948 and is to be completed during 1949. Additional cable plant is to be constructed within the Lindsay base rate area under a new project in order to provide facilities for new services and to reroute the feeds to the new central office location. Two projects are programmed for rehabilitation of pole lines and stringing of additional aerial wire for new services in the rural sections of the Lindsay and Strathmore central office areas.

"Relief to the cable plant in the Reedley base rate area is scheduled under one project and a second project provides for the rebuilding of deteriorated pole and wire lines, as well as the extension of lines for new services in the rural sections of the Reedley exchange.

"A program of rehabilitation and extension work on the General Grant Park toll line was begun in 1948 and is to be continued during 1949. This year's project covers rebuilding of the section between Reedley and Dunlap and stringing of an additional circuit of copper wire from Reedley to Miramonte. This work, together with a rearrangement of existing carrier equipment, will provide one additional channel between Reedley and General Grant Park."

The Security-First National Bank of Los Angeles has agreed to extend the maturity date of the \$500,000 of notes due January 31, 1949, to January 31, 1950, and has further agreed to loan Applicant additional amounts not to exceed \$375,000. The additional indebtedness and the existing indebtedness are to bear interest at the rate of 2-1/2% per annum, payable on the last day of April, 1949, and quarterly thereafter, with all principal payable on or before January 31, 1950. Exhibit "D" filed in this application contains the terms of the credit agreement under which the Bank will extend the maturity date of the existing

\$500,000 of notes and loan Applicant said additional amount. Applicant agrees with the Bank that prior to, or at the time of, the first borrowing under the credit agreement, it will pay or otherwise discharge in full all of its then outstanding indebtedness to Associated Telephone Company, Ltd. Applicant further agrees with the Bank that it will, from time to time, issue and sell to Associated Telephone Company, Ltd. 15,000 shares of its no par value common stock at not less than \$25 per share, so that at all times the aggregate principal amount of all loans at any time outstanding under the credit agreement will not exceed Applicant's aggregate capital stock outstanding.

Associated Telephone Company, Ltd. asks permission to guarantee the payment of any loans and renewals of loans which the Bank may make to Applicant under said credit agreement. A copy of the guarantee agreement is attached to Exhibit "D".

To obtain funds to pay or discharge indebtedness due Associated Telephone Company, Ltd. and to finance in part its construction program, Applicant asks permission to issue and sell to Associated Telephone Company, Ltd. 15,000 shares of its no par value common stock at \$25 per share, or for a total consideration of \$375,000.

A review of this application and Applicant's financial statements shows that it has need for the additional funds which it will obtain through the issue of said notes and shares of stock.

O R D E R

The Commission has considered this application and is of the opinion that a hearing thereon is not 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 may execute a credit agreement in, or substantially in, the same form as the credit agreement on file in this application as Exhibit "D".
2. San Joaquin Associated Telephone Company, after the effective date hereof and on or before December 31, 1949, may issue and sell to Associated Telephone Company, Ltd. not exceeding 15,000 shares of its no par value common stock at not less than \$25 per share, may extend to January 31, 1950, the maturity date of its outstanding \$500,000 of notes payable to Security-First National Bank of Los Angeles, and issue to said Bank additional notes in the amount of not to exceed \$375,000, all pursuant to the terms of the credit agreement on file in this application as Exhibit "D".
3. San Joaquin Associated Telephone Company shall use the proceeds from the issue and sale of said 15,000 shares of stock and from the issue of notes to Security-First National Bank

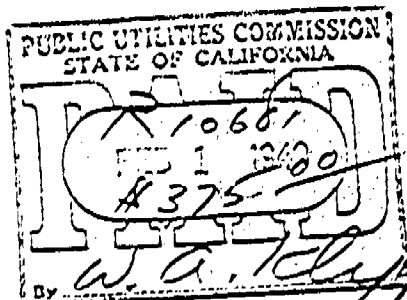
of Los Angeles to discharge its indebtedness due Associated Telephone Company, Ltd., refund notes due said Bank, and for the acquisition of property and/or for the construction, completion, extension and/or the improvement of its public utility facilities and service set forth in Exhibit "B" on file in this application, and/or for the reimbursement of its treasury for funds spent for such purposes.

4. Associated Telephone Company, Ltd. may acquire and hold said 15,000 shares of stock, or any part thereof, of San Joaquin Associated Telephone Company, and may guarantee the payment of notes issued to Security-First National Bank of Los Angeles, to which reference is made in said Exhibit "D".

5. Within thirty (30) days after the execution of said loan agreement with Security-First National Bank of Los Angeles, San Joaquin Associated Telephone Company shall file two (2) copies of the same with the Commission. It 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.

6. 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 1st day of February, 1949.



Handwritten signatures of J. J. Dwyer, Justice J. Gassner, Harold K. Huls, and Commissioner J. J. Dwyer.