

ORIGINAL

Decision No. 42503

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
DOS PALOS TELEPHONE CO., INC., a cor-
poration, for authority:

1. To enter into a loan agreement with
Bank of America National Trust and
Savings Association, and Occidental Life
Insurance Company of California;

2. To execute its promissory note to
said Bank of America National Trust and
Savings Association in the sum of
\$16,000.00 and to said Occidental Life
Insurance Company of California in the
sum of \$64,000.00, each of said obliga-
tions to bear interest at the rate of
5% per annum;

3. To execute and deliver a Chattel
Mortgage of certain properties as secur-
ity for the repayment of said obliga-
tions;

4. To apply the proceeds of said notes
to the expansion, rehabilitation and im-
provement of the plant, plant facilities
and of said system, and to discharge cer-
tain obligations of the company.

Application
No. 30024

O P I N I O N

This is an application for an order of the Public
Utilities Commission authorizing Dos Palos Telephone Co., Inc.
(1) to enter into a credit agreement with Bank of America National
Trust and Savings Association and Occidental Life Insurance Com-
pany of California providing for a total credit of \$80,000, (2) to
issue and deliver promissory notes in the aggregate amount of
\$80,000 and (3) to execute and deliver a mortgage of chattels to
secure the payment of said notes.

The application shows that Dos Palos Telephone Co., Inc. owns and operates a telephone system in the City of Dos Palos and the Town of South Dos Palos. It has reported its operating revenues at \$44,747.08 for 1946, at \$55,150.39 for 1947 and at \$46,416.71 for the first nine months of 1948, with net operating revenues of \$5,532.23 for 1946, of \$8,953.35 for 1947 and of \$6,164.05 for the first nine months of 1948. It reports its assets and liabilities as of September 30, 1948, as follows:

Assets

Fixed assets, less depreciation reserve		\$146,185.07
Current assets -		
Cash	\$ 3,310.47	
U. S. bonds	1,000.00	
Notes and accounts receivable	2,758.52	
Materials and supplies	<u>24,964.21</u>	
Total current assets		32,033.20
Prepayments		<u>1,112.28</u>
	Total	<u>\$179,330.55</u>

Liabilities

Common stock		\$ 48,495.00
Preferred stock		50,000.00
Current liabilities -		
Notes payable	\$12,604.82	
Accounts payable	<u>45,410.81</u>	
Total current liabilities		58,015.63
Accrued liabilities		2,668.63
Customers' contributions for extensions		900.43
Surplus		<u>19,250.86</u>
	Total	<u>\$179,330.55</u>

Applicant reports that it has need for additional funds to pay outstanding liabilities and to provide for the expansion, rehabilitation and improvement of its plant and facilities and that accordingly it proposes, subject to the approval and authorization of the Commission, to borrow the sum of \$80,000 from Bank of America National Trust and Savings Association and Occidental

Life Insurance Company of California under the terms of a proposed credit agreement, a copy of which has been filed in this proceeding as Exhibit "D". The agreement provides that of the total amount, the said bank will loan \$16,000 and the said insurance company, \$64,000, the commitments of the lenders to expire July 1, 1949.

The agreement further provides, among other things, that applicant shall not, without the consent of the bank and the insurance company, pay any dividend to its stockholders except out of its net income earned after December 31, 1948, after deducting from such net income all installments of principal theretofore paid or due on the loans made under the agreement, that it will not pay any salary in excess of \$7,500 annually for one employee and \$5,000 annually for a second employee, and that it shall establish a fund into which it shall deposit on or before April 1 of each year commencing with the year 1950, an amount equal to 22½% of its gross telephone operating revenues for the preceding year, less allowances for certain expenditures made for maintenance, repairs, renewals and additions or betterments, said fund to be expended within two years after the year on account of which deposits are made in the fund, for further maintenance, repairs, renewals, additions or betterments.

The sums to be thus borrowed will be represented by promissory notes bearing interest at the rate of 5% per annum. The loan to be made by the bank will mature in sixty monthly principal installments of \$266.67 each, payable on the 15th day of each month commencing December 15, 1950, and the loan to be made by the insurance company will mature in one hundred and fifty-six monthly principal installments of \$266.67 each, payable on the 15th day of each month commencing December 15, 1955, with a final installment

of \$22,400 on December 15, 1968. The notes will be secured by a mortgage of chattels covering all of applicant's chattels and personal property.

Applicant recently has converted its system to dial operations which involved the installation of a 300-line selective type relay dial switchboard at Dos Palos and a 50-line selective type relay dial switchboard at South Dos Palos. It now reports that it is called upon to install additional cable and pole line facilities and to make other improvements and payments to meet increasing demands for service.⁽¹⁾ In its Budget of Expenditures, filed as Exhibit "C", it reports the following:

New cable facilities	\$22,000.00
Pole line facilities	11,166.80
One ton line truck	5,500.00
Final payment on South Dos Palos dial switchboard	24,502.06
Note payable to M. E. Crowe	1,500.00
Dos Palos exchange building improvements	4,700.00
Station equipment, including 240 instruments, 185 dials, drop wire, 270 telephone ringers and other equipment	<u>10,733.14</u>
Total	<u>\$80,102.00</u>

Some of these items heretofore have been financed through short-term indebtedness which will be discharged with funds to be realized through the proposed note issues.

A review of the application clearly indicates that applicant has need for additional funds from outside sources to pay indebtedness, to meet its capital requirements and to improve its cash position.

(1)

The company reports that immediately prior to the war it served 408 stations and that at the end of 1948, it served 998 stations with 157 applicants waiting for service.

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 credit agreement and mortgage of chattels and the issue of the notes herein authorized is reasonably required by Dos Palos Telephone Co., Inc. for the purposes specified herein, that such 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. Dos Palos Telephone Co., Inc., after the effective date hereof and on or before March 31, 1949, may execute a credit agreement and a mortgage of chattels in, or substantially in, the same form as the credit agreement and mortgage of chattels on file in this application as Exhibit "D" and Exhibit "E", respectively.
2. Dos Palos Telephone Co., Inc., after the effective date hereof and on or before July 31, 1949, may issue its promissory notes in the aggregate principal amount of not exceeding \$80,000, such notes to be issued pursuant to the terms and conditions of said credit agreement and mortgage of chattels.
3. Dos Palos Telephone Co., Inc. shall use the proceeds obtained through the issue of said \$80,000 of notes to pay outstanding indebtedness and to finance the cost of the expansion, rehabilitation and improvement of its plants and facilities,

referred to in the foregoing opinion.

4. Dos Palos Telephone Co., Inc. shall file with the Commission within thirty (30) days after their execution, a copy of the credit agreement and a copy of the mortgage of 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 Dos Palos Telephone Co., Inc. has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is eighty (\$80.00) dollars.

Dated at San Francisco, California, this 15th day of February, 1949.

[Handwritten signatures of three commissioners]
Commissioners

