

ORIGINAL

Decision No. 43017

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application

of

COLUSA COUNTY TELEPHONE COMPANY

for an Order authorizing issuance
of \$130,000 principal amount
promissory notes and execution
of a mortgage securing same.

Application
No. 30379

OPINION

In this application, Colusa County Telephone Company has applied to the Public Utilities Commission for permission to issue promissory notes in the principal amount of \$130,000 and to execute a mortgage to secure the payment of the same.

Applicant is a California corporation engaged in operating a telephone system serving Colusa, Arbuckle, Maxwell, Princeton, Williams, Grimes and Leesville and surrounding areas in Colusa County. It has reported its operating revenues at \$108,159.41 in 1946, at \$125,410.86 in 1947, and at \$149,791.81 in 1948, with net income of \$640.26 in 1946, of \$11,128.61 in 1947 and \$16,642.75 in 1948. Its balance sheet as of April 30, 1949 in summary form shows assets and liabilities as follows:

<u>Assets</u>	
Telephone plant	\$544,509.86
Other investments	740.00
Current assets-	
Cash and working funds	\$3,433.62
Accounts receivable	<u>8,287.90</u>
Total current assets	11,721.52
Deferred debits	<u>1,967.47</u>
Total assets	<u>\$558,938.85</u>

<u>Liabilities and Capital</u>	
Capital stock	\$ 85,708.00
Premium on capital stock	29,997.30
Current liabilities-	
Advances from affiliated company	\$105,000.00
Notes payable	12,833.83
Accounts payable	26,842.67
Taxes accrued	6,550.77
Unmatured interest	<u>1,750.00</u>
Total current liabilities	152,977.27
Depreciation reserve	323,997.29
Amortization reserve	<u>19,697.11</u>
Deficit	<u>(53,438.62)</u>
 Total liabilities and capital	 <u>\$558,938.85</u>

By Decision No. 41795, dated June 29, 1948, the Commission authorized applicant to execute a loan agreement with Oxnard Home Telephone Company and to issue to that company promissory notes in the principal amount of \$130,000, for the purpose of paying indebtedness and of financing, in part, construction expenditures estimated for 1948 and 1949. Under said authority applicant heretofore has issued notes in the aggregate amount of \$105,000.

The present application shows that applicant desires to liquidate the indebtedness in favor of Oxnard Home Telephone Company and to cancel the loan agreement with that company. To obtain funds for such purpose and also for the purpose of meeting, in part, estimated construction expenditures, it proposes to borrow the sum of \$130,000 from Pacific Mutual Life Insurance Company. In this connection, it reports that it had on file on April 30, 1949, 265 applications for additional telephones and that the meeting of these demands, as well as the construction of other additions and betterments, will call for expenditures during 1949 and 1950 in the estimated amount of \$44,969.05 as shown in some detail in Exhibit "E" attached to the application. The amount is segregated as follows:-

Buildings and grounds	\$ 1,200.00
Central office equipment	7,326.00
Station apparatus	7,012.50
Station installations	1,980.00
Block and drop wire	2,227.50
Booth and fittings	500.00
Pole lines	6,902.00
Aerial cable	7,334.00
Aerial wire	7,477.05
Furniture and office equipment	610.00
Vehicles and work equipment	2,400.00
Total	<u>\$44,969.05</u>

The estimated expenditures for station equipment included above provide for the purchase and installation of 275 new telephones. The proposed new central office equipment includes one complete toll position at Colusa and carrier terminals for Maxwell and Arbuckle. The estimates also include allowances for thirty-eight miles of pole lines, 34,000 feet of aerial cable and eighty-three miles of aerial wire.

The moneys to be borrowed will be represented by two notes, both maturing on June 1, 1969. One note is to be in the amount of \$105,000, with interest at the rate of 4% per annum, and the other in the principal amount of \$25,000, with interest at the rate of 4½% per annum. The payment of the notes will be secured by a mortgage of chattels as well as the real property constituting applicant's properties. Under the terms of said mortgage, applicant will have the option at any time to prepay all or any part of the loan, in any multiple of \$1,000, such prepayments to be made without premium in an amount not exceeding the sinking fund payment for any year. Additional prepayments will be subject to a premium of 3% if such prepayment is made prior to June 1, 1950 and thereafter at a premium to be successively reduced by 1/6 of 1% on June 1, 1950 and on June 1 of each year thereafter to and including June 1, 1966, with no premium required for prepayments on or after June 1, 1967. The sinking fund provided by the terms of the mortgage will call for the payment

to the mortgagee annually of an amount equal to 2½% of the maximum amount of the loan at any time preceding the date of the sinking fund payment, together with interest on the amount of such prepayment at the rate specified in the note or notes against the principal of which such payment is credited.

The annual reports filed with the Commission by applicant and by Oxnard Home Telephone Company show that substantially all of the outstanding stock of each company is held by F. H. Crosby. It is reported that Mr. Crosby now desires to dispose of all of his stock in Oxnard Home Telephone Company and that one of the purposes of the present application is to eliminate from the assets of Oxnard Home Telephone Company the presently outstanding notes for \$105,000 issued by applicant. The application indicates that applicant has need for the remaining \$25,000 in order to proceed with its construction program.

O R D E R

The Public Utilities Commission having considered the above entitled matter 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 issue of \$130,000 of notes is reasonably required by Colusa County Telephone Company 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. Colusa County Telephone Company, after the effective date hereof and on or before December 31, 1949, may execute a

mortgage in, or substantially in, the same form as that filed in this proceeding as Exhibit "B", and may issue its promissory notes in the aggregate principal amount of \$130,000, one note to be in the principal amount of \$105,000, due June 1, 1969, with interest at the rate of 4% per annum, and the other to be in the principal amount of \$25,000, due June 1, 1969, with interest at the rate of 4½% per annum.

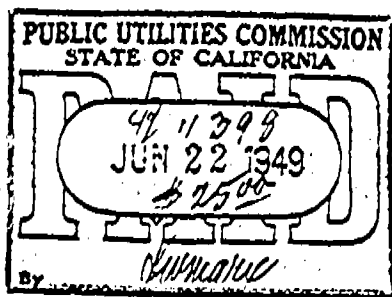
2. Applicant shall use \$105,000 of the proceeds to be received from the issue of the notes herein authorized to pay the outstanding notes of like amount heretofore issued under authority granted by Decision No. 41795, dated June 29, 1948, and use the remaining \$25,000 of such proceeds to finance, in part, the cost of capital additions to its plants during 1949 and 1950.

3. Upon payment of the presently outstanding notes of \$105,000, the outstanding loan agreement with Oxnard Home Telephone Company, pursuant to which such notes were issued, shall be cancelled.

4. Colusa County Telephone Company shall file with the Commission a report, or 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 Colusa County Telephone Company has paid the fee prescribed by Section 57 of the Public Utilities Act.

Dated at San Francisco, California, this 21st day
of June 1949.



R. J. [Signature]
Justice F. [Signature]
[Signature]
[Signature]
[Signature]
Commissioners