

ORIGINAL

Decision No. 43332

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
California-Oregon Telephone Company,
a California corporation, for an order
authorizing issue of note and mortgage.

Application
No. 30615

O P I N I O N

In this application, California-Oregon Telephone Company reports that it has made arrangements to borrow the sum of \$42,500 from Reconstruction Finance Corporation for the purpose of paying indebtedness, reimbursing its treasury and financing the cost of extensions. It asks permission to issue a note in evidence of such loan, to execute a mortgage to secure the payment of the same, and to execute other documents as required under the terms of the loan agreement with Reconstruction Finance Corporation.

Applicant is engaged in operating a telephone plant serving portions of the Counties of Siskiyou and Modoc from a dial exchange located at Tule Lake. In its annual financial statements filed with the Commission for the past five years it has reported, among other items, the following:

	<u>Operating Revenues</u>	<u>Net Operating Income</u>	<u>Average Stations</u>	<u>Net Increase in Plant</u>
1944	\$35,281	\$ 4,346	502	\$10,755
1945	38,223	(1,169)	560	16,002
1946	40,578	(3,793)	560	6,342
1947	36,792	(6,975)	613	12,024
1948	49,160	4,898	623	18,158

In Exhibit "A" filed in this proceeding, applicant reports its assets and liabilities as of July 31, 1949, as follows:

<u>Assets</u>		
Telephone plant		\$160,803.77
Current assets-		
Cash	\$ 610.79	
Accounts receivable	9,931.29	
Other current assets	<u>761.76</u>	
Total current assets		11,303.84
Unamortized bond discount and expense		<u>242.22</u>
 Total		 <u>\$172,349.83</u>

<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$4,549.33	
Customers' deposits	2,286.71	
Accrued liabilities	<u>1,458.24</u>	
Total current liabilities		\$ 8,294.28
First mortgage bonds, 5% due 1953		8,000.00
Other long-term debt		12,600.01
Advances from affiliates		31,385.11
Reserve for depreciation		27,714.05
Other reserves		3,400.00
Contributed plant		26,795.51
Common stock		10,000.00
Preferred stock		25,000.00
Surplus		<u>19,160.87</u>
 Total		 <u>\$172,349.83</u>

The outstanding stock, both preferred and common, and (1) the first mortgage bonds were issued to Columbia Utilities Company, and the other long-term debt, which consists of a 4% note due 1951, to The First National Bank of Portland, Oregon. These issues were made under authority heretofore granted by the Commission for the purpose, in general, of financing the cost of applicant's plant and properties.

(1) Information on file with the Commission indicates that Columbia Utilities Company is engaged in the telephone business in the Counties of Jackson and Klamath, Oregon. Its facilities connect with those of applicant at Merrill and Malin, Oregon.

Applicant now reports that it is necessary for it to borrow \$42,500 to liquidate its outstanding long-term debt and to finance the cost of extending its plant facilities to meet the needs of the public in its service area. It states that the territory served by it is fast growing in population and business activity and that the present demand for telephone service requires the expenditure of additional sums for telephone plant. Applicant proposes to disburse the \$42,500 for the following purposes:

To pay outstanding bonds	\$ 8,000
To pay the unpaid principal balance on the note in favor of The First National Bank of Portland	12,500
To reimburse its treasury in part for expenditures made for capital account, January to July, 1949, as shown in Exhibit "B" filed in this proceeding	7,000
To pay costs of extensions of plant facilities	<u>15,000</u>
Total	<u>\$42,500</u>

The proposed extensions of plant facilities include the following:

1 3-channel carrier	\$ 5,000
100 poles	1,000
100 dial telephones	2,600
1 motor vehicle	2,696
labor and materials	<u>3,704</u>
Total	<u>\$15,000</u>

The sum to be thus borrowed will be represented by a note in favor of Reconstruction Finance Corporation in the principal amount of \$42,500, payable in monthly installments of \$430 with interest at the rate of 4% per annum, payment to be secured by a mortgage covering applicant's real and personal property. In addition, applicant is required by Reconstruction Finance Corporation to execute an agreement regarding compensation to be paid to its officers for services rendered and make certain assignments to Reconstruction Finance Corporation of leasehold property, permits, franchises and agreements with The California Oregon Power Company,

Great Northern Railway Company and Southern Pacific Company covering the use of property, as a portion of the collateral required as security for the loan. A copy of each of the proposed documents has been filed in this proceeding.

The application indicates that applicant is in need of additional funds and an order accordingly will be entered.

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 a note for \$42,500 is reasonably required by California-Oregon 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. California-Oregon Telephone Company, after the effective date hereof and on or before March 31, 1950 may issue a note in the principal amount of not exceeding \$42,500, execute a mortgage to secure the payment of the same, and use the proceeds to be received through the issue of the note for the purposes indicated in the preceding opinion, said note and said mortgage to be in, or substantially in, the same form as those filed in this proceeding as Exhibits "C" and "D" respectively.

2. California-Oregon Telephone Company may execute a loan agreement with Reconstruction Finance Corporation and may

execute the other documents referred to in this proceeding, said agreement and other documents to be in, or substantially in, the same form as those filed in this proceeding.

3. Within thirty (30) days after the issue of the note herein authorized, California-Oregon Telephone Company shall file an exact copy of the note with the Commission. Thereafter, it shall file monthly reports showing expenditures made by it of the proceeds realized through the issue of said note.

4. The authority herein granted will become effective when California-Oregon Telephone Company has paid the minimum fee prescribed by Section 57 of the Public Utilities Act, which fee is \$25.00.

Dated at San Francisco, California, this 27th day of September, 1949.

Justice D. Coakley
Walter J. ...
Harold ...
Permit ...
Commissioners

