

Decision No. 44234

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
California-Oregon Telephone Co., a	=	
California corporation, for an order)	Application
authorizing Applicant to borrow \$111,148.00	:	No. 31387
and to issue its note and its mortgage to)	
evidence and secure such indebtedness.	:	
-----)	

O P I N I O N

California-Oregon Telephone Co., applicant herein, is a corporation engaged in a general telephone and telegraph business in Modoc and Siskiyou Counties, California, with a central office located at Tule Lake. In this application, it seeks authority to execute a mortgage and to issue to Columbia Utilities Company a note in the principal amount of \$111,148.

Applicant is a wholly owned subsidiary of Columbia Utilities Company, an Oregon corporation engaged in the telephone and telegraph business in southern Oregon. The application shows that the Oregon corporation has made, or is making, arrangements to borrow from Pacific Mutual Life Insurance Company the sum of \$300,000 and that it proposes to loan \$111,148 of said amount to applicant to enable applicant to pay outstanding indebtedness and to finance the cost of extending its plant. Specifically, applicant proposes to use said \$111,148 for the following purposes:

To pay balance on note in favor of Reconstruction Finance Corporation issued under authority granted by Decision No. 43332, dated September 27, 1949		\$ 36,921.55
To pay advances from Columbia Utilities Company used for capital purposes		16,023.80
To pay cost of extending plant facilities as follows:		
Pickup truck	\$ 2,000.00	
Telephone poles	1,500.00	
200 telephones	5,000.00	
3-channel carrier	5,000.00	
Dial switching unit	30,000.00	
Wire, insulators and sundry materials	1,500.00	
Construction labor	<u>10,802.65</u>	
Total plant additions		55,802.65
To pay costs incident to obtaining loan		<u>2,400.00</u>
	Total	<u>\$111,148.00</u>

The \$111,148 thus to be borrowed by applicant will be represented by a note in that amount, secured by a mortgage on applicant's properties. The note will be payable over a period of twenty years with interest on the unpaid principal at the rate of 4% per annum, which is at the same rate of repayment and rate of interest which will apply to the moneys to be borrowed by the Oregon corporation from Pacific Mutual Life Insurance Company.

Applicant reports that the territory served by it is growing in population and business activity and that the proposed expenditures for plant are necessary to meet demands for telephone service. Its financial reports filed with the Commission for the last five years indicate the growth of its business as follows:

	<u>Operating Revenues</u>	<u>Net Oper. Income</u>	<u>Working Stations</u>
1945	\$38,223	\$ (1,169)	560
1946	40,578	(3,793)	560
1947	36,792	(6,975)	613
1948	49,160	4,898	623
1949	55,320	5,433	735

At the close of 1949, applicant reported 100 held applications for service.

As of March 31, 1950, applicant reported its investment in telephone plant at \$168,374.99. Exhibit A filed in this proceeding indicates that such investment, in general, has been paid or provided with the loans now proposed to be discharged, through the issue of preferred and common stock, and through contributions and the use of earnings from operations. It clearly appears that applicant will have need for additional funds from external sources to meet its capital requirements as outlined in this application.

An order accordingly will be entered.

O R D E R

The Commission having considered this application and being of the opinion that it should be granted, as herein provided, that the money, property or labor to be procured or paid for through the issue of the note herein authorized is reasonably required for the purposes specified herein and that the expenditures for said purposes, other than for costs incident to obtaining the loan, are not, in whole or in part, reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED as follows:

1. California-Oregon Telephone Co., after the effective date hereof and on or before September 30, 1950, may issue a note in the principal amount of not exceeding \$111,148 and execute a mortgage to secure the payment of the same, which note and mortgage shall be in, or substantially in, the same form as the note and the

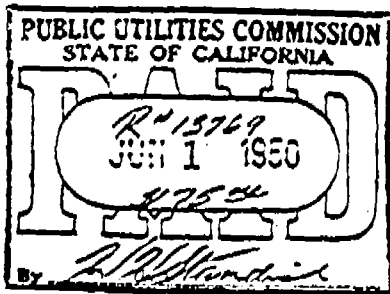
mortgage filed in this proceeding as Exhibit C and Exhibit D, respectively.

2. California-Oregon Telephone Co. shall use the proceeds from the issue of said note for the purposes indicated in the preceding opinion.

3. California-Oregon Telephone Co. shall file with the Commission a copy of the note issued under the authority granted herein within thirty (30) days after its date. Thereafter, it shall file monthly reports showing the expenditures made by it of the proceeds received through the issue of said note.

4. The authority herein granted will become effective when California-Oregon Telephone Co. has paid the fee prescribed by Section 57 of the Public Utilities Act.

Dated at San Francisco, California, this 26th day of May 1950.



Handwritten signatures of R. F. Johnson, Justice J. Callahan, Deputy Attorney General, Harold A. Bule, and Kenneth L. Potter, Commissioners.