

ORIGINAL

Decision No. 44647

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Sunland-Tujunga Telephone Company, a corporation, for an Order of the Commission authorizing it (a) to borrow \$225,000.00 and (b) to issue 5,000 cumulative preferred shares of stock

Application No. 31623

O P I N I O N

Sunland-Tujunga Telephone Company requests authority to borrow \$225,000.00 from Occidental Life Insurance Company of California under the terms and conditions set forth in the Second Supplemental To Credit Agreement attached to this application as Exhibit D, and to issue and sell, at par, 5,000 shares of its 5 1/2% cumulative first preferred stock of the par value of \$25 each and of the aggregate par value of \$125,000.00.

The application shows the Sunland-Tujunga Telephone Company is a corporation engaged in operating the telephone system serving the communities of Sunland, Tujunga, Hansen and La Tuna Canyon in Los Angeles County. On December 31, 1949 it had 4,829 telephones in service and was holding 98 unfilled applications. It reports its operating revenues at \$269,709.84 during 1948, at \$328,754.22 during 1949 and at \$150,018.30 during the five months ended May 31, 1950 and its net income for the same periods at \$49,313.53 during 1948, at \$76,823.42 during 1949 and at \$27,373.70 for the five months ended May 31, 1950. (1)

(1) Based on the rate adjustments authorized by Decision No. 44277, dated June 7, 1950, applicant estimates net income for 1951 of \$110,000.00.

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As of May 31, 1950, applicant reports its assets and liabilities as follows:

ASSETS

Plant and equipment	\$1,843,849.06
Materials and supplies	51,490.27
Cash	30,091.99
Accounts receivable	35,353.89
Deferred debits	<u>19,544.13</u>
Total	<u>\$1,980,329.34</u>

LIABILITIES

Capital stock	\$ 875,000.00
Long term debt	515,000.00
Short term notes	165,000.00
Current liabilities	208,477.13
Deferred credits	5,659.32
Depreciation reserve	<u>96,151.38</u>
Surplus	<u>115,041.51</u>
Total	<u>\$1,980,329.34</u>

The short term notes of \$165,000.00 shown on the balance sheet represent amounts borrowed from Bank of America National Trust and Savings Association and Occidental Life Insurance Company of California under the terms of an agreement terminating on September 30, 1950, whereby applicant acquired a line of credit in the amount of \$230,000.00. The remaining \$65,000 under the line of credit was borrowed on July 1, 1950.

Applicant reports that during 1950 and 1951 it will have need for funds in the amount of \$590,832.63 to pay indebtedness and to finance plant costs as follows:

Invoices for materials	\$127,495.13
Construction payrolls and purchases	47,000.00
1951 construction budget	153,450.00
Replacement of outside plant	10,000.00
Vehicles	4,000.00
Payment of long term debt	23,887.50
Payment of short term notes	<u>225,000.00</u>
Total	<u>\$590,832.63</u>

It is estimated by applicant that \$235,375.86 will be available from cash and materials and supplies on hand and from earnings from operations, leaving a balance of \$355,456.77 to be obtained from other sources.

To meet in part its estimated requirements, applicant proposes to borrow \$225,000.00 from Occidental Life Insurance Company of California and to issue and sell, at par, 5,000 shares of its 5½% cumulative preferred stock of the aggregate par value of \$125,000.00.

The funds to be borrowed from the insurance company will be subject to the terms and conditions set forth in the Second Supplemental To Credit Agreement dated November 18, 1949, and will be evidenced by a promissory note, or promissory notes, bearing interest at the rate of 4% per annum, payable quarterly, and maturing in 22 semi-annual installments on April 15th and November 15th of each of the years 1962 to 1972, both inclusive.

Under the terms of the agreement, applicant may anticipate the payment of any installment without the payment of a premium, except that if the repayment is made directly or indirectly from the proceeds of borrowings, or in anticipation of borrowings, from other banks, insurance companies or financial companies, applicant must pay a premium of 5% of the principal amount prepaid within five years after the date of the agreement; thereafter for the next four years at a premium during each of the said years 3/8 of 1% less than the premium during the preceding year; and thereafter at a premium during each year 1/4 of 1% less than the premium during the preceding year.

Applicant proposes to sell the 5,000 shares of 5½% cumulative first preferred stock to its present common and preferred shareholders and/or to the general public and its employees.

It clearly appears that applicant will have need for the additional note and stock issues and accordingly an order will be entered.

O R D E R

The Commission having considered the application of Sunland-Tujunga Telephone Company for permission to issue notes and stock, and being of the opinion that this is not a matter on which a public hearing is necessary, that the application should be granted as herein provided, that the money, property or labor to be procured or paid for through such issues is reasonably required by the company for the purposes specified herein and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore.

IT IS HEREBY ORDERED as follows:

1. Sunland-Tujunga Telephone Company, after the effective date hereof and on or before December 31, 1950 may issue to Occidental Life Insurance Company of California its note, or notes, in the aggregate amount of \$225,000.00, said notes to be issued in accordance with the terms and conditions of the Second Supplemental To Credit Agreement on file in this application as Exhibit D, which instrument Sunland-Tujunga Telephone Company hereby is authorized to execute.

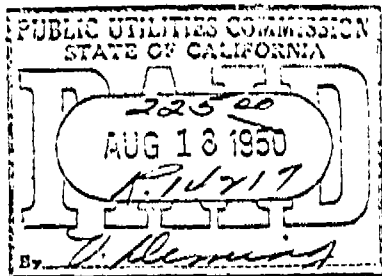
2. Sunland-Tujunga Telephone Company, after the effective date hereof and on or before July 31, 1951, may issue and sell, at par, 5,000 shares of its 5 1/4% cumulative first preferred stock of the aggregate par value of \$125,000.00.

3. Sunland-Tujunga Telephone Company shall use the proceeds to be obtained through the issue of said note, or notes, and said preferred stock to pay outstanding indebtedness and to finance in part the cost of acquiring and constructing properties, as set forth in this application, or to reimburse its treasury because of income expended for said purposes.

4. The authority herein granted will become effective when Sunland-Tujunga Telephone Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$225.00.

5. Sunland-Tujunga Telephone Company shall file with the Commission monthly reports as required by the Commission's General Order No. 24-A, which order, insofar as applicable is made a part of this order.

Dated at San Francisco, California this 15th day of August, 1950.



Handwritten signatures of R. E. Anderson, Justice F. Callahan, Harold P. Powell, Harold P. Hule, and Kenneth P. Potter, Commissioners.