

Decision No. 46646

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
of Roseville Telephone Company,	:	
for authority to borrow money)	Application
and to mortgage real and personal	:	No. 33024
property.)	
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O P I N I O N

This is an application filed by Roseville Telephone Company for an order authorizing it to execute a mortgage of chattels and to issue a note, or notes, in the principal amount of \$200,000 for the purpose of financing the cost of additions and betterments to its plants and properties.

Applicant is a California corporation engaged in operating a telephone system furnishing exchange or local service in and about the City of Roseville. Its financial statements filed with the Commission show that both its investment in its plant and its volume of business have been increasing rapidly since the close of the war. Applicant reports that its telephone plant account increased from \$127,037 at the beginning of 1946 to \$350,181 on August 31, 1951, that the number of telephones in service increased from approximately 1,800 to approximately 3,000, and that its operating revenues increased from \$90,226 in 1946 to \$147,429 during 1950. For the first eight months of 1951 its revenues amounted to \$102,236 and its net income to \$14,679.

A review of information filed by applicant indicates that it has financed its investment primarily through the issue of common stock and with earnings from operations. Its statement of assets and

liabilities and net worth as of August 31, 1951, is set forth below:

Assets

Fixed capital -		
Total investment	\$350,181.44	
Less-depreciation reserve	<u>92,789.64</u>	
Net fixed assets		\$257,391.80
Current assets -		
Cash	20,990.47	
Accounts receivable	14,887.71	
Material and supplies	25,618.10	
Prepayments	1,051.77	
Other items	<u>921.30</u>	
Total current assets		63,469.35
Deferred charges		<u>29.00</u>
	Total	<u>\$320,890.15</u>

Liabilities and Net Worth

Current liabilities -		
Notes payable	\$ 17,352.00	
Accounts payable	14,584.76	
Accruals	<u>21,602.04</u>	
Total current liabilities		\$ 53,538.80
Net worth -		
Common stock	249,800.00	
Surplus	<u>17,551.35</u>	
Total net worth		<u>267,351.35</u>
	Total	<u>\$320,890.15</u>

At this time applicant operates a common battery manual central office. In its Application No. 32855 filed with the Commission on October 29, 1951, it reported that it intended to convert to dial operations and that it estimated it would be called upon to expend \$278,356.16 to acquire a dial board and to purchase and install other property and equipment. It asked, and subsequently received, authorization to sell \$75,000 par value of its common stock to meet, in part, its estimated costs. (Decision No. 46404, dated November 13, 1951.)

The proposed expenditures consist of the following:

One dial board including installation for 1,200 lines	\$180,000.00
Additional equipment for present manual board to terminate dial tie lines	3,456.16
Dials for 2,500 telephones @ 7.00	17,500.00
200 new telephones to replace telephones not adapted to dial @ 25.00	5,000.00
Estimated cost of additional outside plant	22,000.00
500 held orders @ 30.00	15,000.00
400 estimated new service telephones @ 30.00	12,000.00
One new truck 1/2 ton with installers body	2,250.00
One new truck 3/4 ton with installers body	2,350.00
P A B X dial board for Southern Pacific Company	16,000.00
40 additional dial telephones	1,000.00
Expected promotion expenses in converting to dial	200.00
Miscellaneous office equipment	<u>1,600.00</u>
Total	<u>\$278,356.16</u>

At the time applicant filed its former application it reported that it was engaging in negotiations with Pacific Mutual Life Insurance Company to borrow \$200,000 to complete its construction program. In the present application it has filed a copy of a proposed loan agreement with the insurance company under the terms of which said company will advance to it the sum of \$100,000 on or before January 31, 1952, and \$100,000 thereafter when, if and as requested by applicant, the commitment to continue to and including July 31, 1952. The arrangements made by applicant and the insurance company provide for the payment of the principal amount on or before October 1, 1971, with interest at the rate of 4-3/4% per annum. The mortgage securing the payment of the note, or notes, to be issued, however, provides that applicant will make payments into a sinking fund on October 1, 1952, and on October 1 of each year thereafter while any part of the loan remains unpaid, in amounts equal to 3% of the maximum amount of the loan outstanding at any time preceding the date of such payment. Applicant will have the right to prepay any part of the loan at any time, on 30 days' written notice, in any multiple of \$1,000 upon the payment of a premium of 4% if such prepayment is made

prior to October 1, 1952, said premium to be successively reduced by 1/5 of 1% on October 1, 1952, and on October 1 of each year thereafter to and including October 1, 1971.

Under the terms of the proposed arrangements, applicant will agree to expend for replacements and renewals of obsolete or worn-out property at least 15% of its gross annual revenues, or to provide for the expenditure of an equivalent amount for payment of permanent additions or for reimbursement of its treasury. It will also agree that it will not reduce its capital and surplus to less than \$295,400 and will not pay any dividends except out of net income accrued subsequent to May 31, 1951, remaining after deducting from such income 25% thereof or the sinking fund payments, whichever shall be greater.

It clearly appears that applicant will have need for additional funds from external sources to enable it to complete its construction program. After a full review of this application and of applicant's financial reports it is concluded that its request to issue a note, or notes, under the circumstances outlined in this proceeding should be granted.

O R D E R

The Commission having considered the above entitled matter, and being of the opinion that a public hearing thereon is not necessary; that the application should be granted, as herein provided; that the money, property or labor to be procured or paid for through the issue of the note, or notes, herein authorized is reasonably required by applicant 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. Roseville Telephone Company, after the effective date hercof and on or before July 31, 1952, may execute a mortgage of chattels and issue a note, or notes, in the principal amount of not exceeding \$200,000, for the purposes indicated in this application. The note and mortgage of chattels shall be in, or substantially in, the same form as those filed in this proceeding and identified as Exhibit B and Exhibit C, respectively.

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

3. The authority herein granted will become effective when Roseville Telephone Company has paid the fee prescribed by Section 1904 of the Public Utilities Code, which fee is two hundred (\$200.00) dollars.

Dated at San Francisco, California, this 15th day of January, 1952.

R. J. [Signature]
 President

Justus F. [Signature]
[Signature]
[Signature]

Commissioners

