

ORIGINAL

Decision No. 47526

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Evans Telephone Company, a corporation, for an Order (a) authorizing said Corporation, to enter into a loan agreement with Stromberg-Carlson Company, a New York corporation; (b) authorizing said Corporation, pursuant to said agreement, to execute certain "Interim" notes to said Stromberg-Carlson Company, for moneys borrowed and to be borrowed, to pay for certain contemplated improvements, said notes to be replaced by a final note after completion of said improvements; (c) authorizing said Corporation to execute to said Stromberg-Carlson Company its Real and Chattel Mortgage as security for said notes.

Application
No. 33545

O P I N I O N

Evans Telephone Company, applicant in this proceeding, is a California corporation engaged in operating a telephone system in and about the City of Patterson. ⁽¹⁾ In order to obtain funds to improve its service and facilities it seeks authorization to enter into a loan agreement with Stromberg-Carlson Company, to issue notes in the aggregate principal amount of \$100,000 and to execute a mortgage to secure the payment of said notes.

Applicant presently owns and operates a three position Kellogg combination common battery and magneto switchboard located:

(1) Applicant was organized in 1951 and acquired the properties of John H. Evans, Estella C. Evans and Virginia Evans Williams, doing business as Evans Telephone Company, pursuant to authority granted by Decision No. 46622, dated January 8, 1952.

in Patterson and a Kellogg relaymatic dial switchboard located in Westley. It now desires to complete the conversion of its system to dial operation and has entered into an agreement with Stromberg-Carlson Company for the installation of a dial switchboard at Patterson at a cost of approximately \$65,000. In addition, it will be required to spend approximately \$24,000 for telephones, dials and ringers and \$11,000 for labor, materials and supplies, the three items aggregating \$100,000.

The application shows that Stromberg-Carlson Company has agreed to loan applicant not exceeding \$100,000 to finance the cost of the improvements. Under the arrangements made, applicant from time to time will issue interim notes payable on demand with interest at the rate of 5% per annum and, within 60 days following the installation and/or cut over of the Patterson central office equipment, will issue a final note in exchange for the interim notes then outstanding. The final note will be payable in 240 consecutive substantially equal monthly installments with interest at the rate of 4-3/4% per annum.

Applicant has filed a copy of the loan agreement, together with copies of the forms of the proposed notes, as Exhibit B in this proceeding and a copy of the mortgage as Exhibit C. Subsequently, the Commission was informed that the forms of these documents had been amended so as to eliminate paragraph 7.10 of the agreement and paragraph 11.10 of the mortgage and to revise paragraph 7.11 of the agreement and paragraph 11.11 of the mortgage so as to provide, among other things, that applicant, without the prior written consent of Stromberg-Carlson Company, will not pay dividends on its outstanding shares of common stock, except that it may pay dividends on such shares after December 31, 1954 up to 75% of the net profits.

In support of its requests, applicant reports that its territory has been developing rapidly. The reports of the operations of its system show that the annual revenues increased from \$32,757 in 1946 to \$79,172 in 1951, the reported investment in plant from \$63,291 at the beginning of 1946 to \$149,472 at the close of 1951 and the number of stations from 621 to 1297 during the same period, with a further increase to 1328 stations at April 30, 1952. Applicant reports that its business has outgrown its present central office equipment and that it is difficult to obtain and train operators for its manual board.

Upon reviewing this matter we are of the opinion that a public hearing is not necessary and that the application should be granted.

O R D E R

The Commission having considered the above entitled matter and being of the opinion that the money, property or labor to be procured or paid for through the issue of the 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. Evans Telephone Company may execute and enter into a loan agreement with Stromberg-Carlson Company and may execute a mortgage in, or substantially in, the same form as those filed in this proceeding, amended as indicated in the preceding opinion, and may issue interim notes pursuant to the terms of said agreement and for the purposes set forth therein, in the aggregate amount of not exceeding \$100,000 at any one time outstanding.

2. Evans Telephone Company may issue its final note as set forth in said agreement for the principal amount of not exceeding \$100,000 in payment of interim notes of like amount.

3. Evans Telephone Company shall file reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

4. The authority herein granted will become effective when Evans Telephone Company has paid the fee prescribed by Section 1904 of the Public Utilities Code, which fee is \$100.00.

Dated at San Francisco, California, this 5th day of August, 1952.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners

