

**ORIGINAL**

Decision No. 48449

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	)	Application
Commission authorizing it to borrow	:	No. 33969
\$200,000.	)	
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O P I N I O N

In this application Sunland-Tujunga Telephone Company has applied to the Commission for authorization to issue \$200,000 in principal amount of notes.

Heretofore, applicant has entered into a credit agreement with Bank of America National Trust and Savings Association and Occidental Life Insurance Company of California, dated February 28, 1947, as supplemented, and pursuant thereto, and upon having received authorization from this Commission, has issued \$750,000 in principal amount of notes of which \$706,112.50 remained outstanding on September 30, 1952. Applicant now has made arrangements to enter into a third supplement to its credit agreement in order to increase its authorized borrowings by the sum of \$200,000, to be represented by notes to be issued to Occidental Life Insurance Company of California, said notes to bear interest at the rate of 4-1/2% per annum and to mature September 30, 1972.

The purpose of the presently proposed financing is to provide applicant with funds to enable it to proceed with its 1953 construction program or to repay temporary borrowings from Bank of America National Trust and Savings Association which will be used for

that program pending permanent financing. A summary of applicant's estimated expenditures during 1953 and the sources from which it expects to obtain funds to meet its capital requirements is as follows:

Expenditures -	
Central office equipment	\$ 68,000
Station apparatus--600 instruments and dials	19,800
Station installations	20,100
Drop and block wires	6,600
Booths and special fittings	1,000
Pole line additions	30,000
Aerial cable	167,300
Furniture and fixtures	1,000
Vehicles and other work equipment	500
Total expenditures	<u>\$314,300</u>
Sources of funds -	
1953 depreciation accruals	\$ 63,600
Proceeds from sale of 2,000 shares of common stock heretofore authorized	<u>50,000</u>
Total sources	<u>\$113,600</u>
Cash requirements for future financing	<u>\$200,700</u>

Information on file with the Commission shows that applicant for some years has been faced with a continuing program of expansion to meet demands for service. Its financial reports filed with the Commission show the number of telephones in service on its system has increased from 1,805 at the close of 1945 to 5,777 at the close of 1951 and its recorded investment in plant from \$203,130.37 at December 31, 1945, to \$2,000,100.95 at December 31, 1951, and to \$2,098,498.54 at September 30, 1952. Applicant's investment as of September 30, 1952, and its liabilities and net worth are indicated by its balance sheet as of that date, as follows:

Assets

Plant and equipment		\$2,098,498.54
Less: depreciation reserve		<u>185,178.58</u>
Net plant and equipment		1,913,319.96
Miscellaneous physical property		12,432.99
Current assets -		
Cash	\$ 51,384.71	
Accounts receivable	49,454.93	
Materials and supplies	60,489.49	
Prepaid expenses	<u>1,312.81</u>	
Total current assets		162,641.94
Deferred debits		<u>18,006.58</u>
	Total	<u>\$2,106,401.47</u>

Liabilities and Net Worth

Long-term debt		\$ 706,112.50
Current liabilities -		
Accounts payable	\$ 27,567.43	
Accrued taxes	<u>98,294.25</u>	
Total current liabilities		125,861.68
Deferred credits		4,766.81
Preferred stock		325,000.00
Equity capital -		
Common stock	775,000.00	
Undistributed surplus	<u>169,660.48</u>	
Total equity capital		<u>944,660.48</u>
	Total	<u>\$2,106,401.47</u>

It appears that applicant has financed its net investment in its assets, in general, through the issue of long-term notes and shares of preferred and common stock and through the use of earnings from operations. The long-term notes consist of \$50,000 of 3% notes and \$320,000 of 3-1/8% notes issued in 1947, \$111,112.50 of 4% notes issued in 1948, and \$225,000 of 4% notes issued in 1950. Applicant's capital ratios as of September 30, 1952, and after giving effect to the proposed issue of notes and common stock are as follows:

	<u>Sept. 30, 1952</u>	<u>Pro Forma</u>
Long-term debt	36%	41%
Preferred stock	16	14
Equity capital	<u>48</u>	<u>45</u>
Total	<u>100%</u>	<u>100%</u>

Applicant has reported that in connection with its proposed financial structure, the annual carrying charges, including dividends of 8% on the par value of its common stock and the principal payments on debt, will aggregate \$133,600 and it has estimated that following the completion of its 1953 construction program its annual operating revenues will amount to \$610,000 and its net operating income to \$143,900, after making provision for depreciation.

A review of this proceeding clearly indicates that applicant will have need for additional funds to carry forward its 1953 construction program and that the issue of notes, as here proposed, should be authorized for this purpose. Accordingly, an order will be entered granting applicant's request.

O R D E R

The Commission having considered the above entitled matter, and being of the opinion that a public hearing is not necessary; that the application should be granted, as herein provided; that the money, property or labor to be procured or paid for by 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. Sunland-Tujunga Telephone Company, on and after the effective date hereof and on or before October 31, 1953, may issue not to exceed \$200,000 in principal amount of notes, such notes to bear interest at the rate of 4-1/2% per annum, to mature on September

30, 1972, and to be issued pursuant to the terms of the third supplement to its credit agreement with Bank of America National Trust and Savings Association and Occidental Life Insurance Company of California. Applicant shall use the proceeds to be received through the issue of said notes for the purposes set forth in this application.

2. Sunland-Tujunga 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 Sunland-Tujunga Telephone Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is two hundred (\$200.00) dollars.

Dated at San Francisco, California, this 13<sup>th</sup> day of January, 1953.

*A. I. [Signature]*  
President

*Harold P. Hula*

*Benjamin Dutton*  
*Edward F. Mitchell*

Commissioners

Commissioner Justus F. Crasser, being necessarily absent, did not participate in the disposition of this proceeding.

