

**ORIGINAL**

Decision No. 50120

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of Grace Hendricks,	)	
an individual doing business as	:	
SNELLING TELEPHONE EXCHANGE, for	)	Application
authority to mortgage utility	:	No. 35453
property and to issue notes and	)	
other evidence of indebtedness.	:	
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O P I N I O N

In this application Grace Hendricks, an individual doing business as Snelling Telephone Exchange, requests the Commission to issue its order authorizing the issue of notes in the principal amount of \$7,644 and the execution of a deed of trust and a mortgage of chattels to secure the payment thereof.

Applicant operates a general telephone business in an exchange area of approximately 114 square miles in Merced County. As of April 30, 1954, she was serving 6 company-owned business stations, 48 company-owned residence stations and 19 service stations, all of which were located within the base rate area. All service outside the base rate area is farmer line service to facilities owned and maintained by subscribers.

Applicant's assets and liabilities as shown by the December 31, 1953, balance sheet attached to the application as Exhibit A, are as follows:

<u>Assets</u>		
Cash in bank		\$181.81
Land		200.00
Depreciable telephone plant	\$1,456.96	
Less: Reserve for depreciation	<u>1,012.59</u>	<u>444.37</u>
	Total assets	<u>\$826.18</u>
<u>Liabilities</u>		
Accounts payable		\$377.44
Investment of Grace Hendricks		<u>448.74</u>
	Total liabilities	<u>\$826.18</u>

Applicant's results of operations for the 12 months ended on December 31 of the years 1951, 1952 and 1953 are summarized in the following tabulation:

	Year Ended on December 31		
	1951	1952	1953
Local service revenues	\$ 398.00	\$ 423.50	\$ 468.00
Toll service revenues	<u>4,457.60</u>	<u>4,071.23</u>	<u>4,020.57</u>
Total revenues	<u>4,855.60</u>	<u>4,494.73</u>	<u>4,488.57</u>
Expenses -			
Maintenance	23.25	78.31	283.37
Depreciation	120.70	123.20	123.17
Operators' wages	1,077.45*	1,100.62*	955.30*
Other traffic expenses	2,647.14	2,242.17	2,291.42
Other operating expenses	<u>310.24</u>	<u>309.98</u>	<u>204.45</u>
Total	<u>4,178.78</u>	<u>3,854.28</u>	<u>3,857.71</u>
Net operating revenue	676.82	640.45	630.86
Taxes	<u>58.52</u>	<u>56.38</u>	<u>28.65</u>
Net operating income	<u>\$ 618.30</u>	<u>\$ 584.07</u>	<u>\$ 602.21</u>

\*Includes owner's annual salary of \$900.

Service is presently rendered between the hours of 8:00 a.m. and 5:00 p.m. on weekdays, with emergency service being provided on Sundays, holidays and after regular service hours. The magneto switchboard which serves as a central office is located in applicant's home.

Applicant advises that she now contemplates installing a dial central office as a replacement of the magneto central office in order to render improved service on a 24 hour a day basis. She also advises that a majority of her subscribers have indicated a strong desire for dial service and that the farmer line subscribers have indicated they are willing to rehabilitate their lines to permit the use of dial equipment.

Applicant estimates the cost of the dial central office equipment at \$5,699, the installation of the equipment at \$700 and the dial station equipment at \$1,500, or a total cost of conversion of \$7,899. To finance the dial conversion applicant proposes to issue two notes to the Bank of America National Trust and Savings Association. The first note, in the amount of \$1,500, is to be repaid over

a period of 84 months. The monthly payments of \$22 each include payments on principal plus interest on the deferred balances at the rate of 6% per annum. The second note, in the amount of \$6,144, will be discounted so as to provide applicant with \$5,300 in cash. This note will be repaid in 48 monthly installments of \$128 each. The \$1,500 note will be secured by a deed of trust on the real property of applicant and the \$6,144 note will be secured by a mortgage of chattels on her operating property.

The cost to applicant of procuring the funds needed for the dial conversion appears high but consideration must be given to applicant's rather nominal capital investment and the location of her service area. In addition, applicant advises that she has not been able to obtain funds on terms more advantageous than those set forth in her application.

The conversion to dial operation will enable applicant to eliminate or materially reduce the amounts which she is currently expending for operators' wages and other traffic expenses. These expenses amounted to \$3,724 in 1951, to \$3,343 in 1952 and to \$3,247 in 1953. If applicant is able to effect savings in these expenses through dial conversion she will be in a position to meet the principal and interest payments required under the terms of the notes she proposes to issue.

It appears that the introduction of modern dial service and its availability on a 24 hour a day basis is in the public interest and that applicant, in order to carry out the conversion, will have need for the funds to be procured through the issue of the notes. Accordingly, an order will be entered granting applicant's requests.

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, except for the payment of interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. Grace Hendricks, an individual doing business as Snelling Telephone Exchange, on and after the effective date hereof and on or before December 31, 1954, may execute a deed of trust and a mortgage of chattels and may issue two notes in the aggregate principal amount of not exceeding \$7,644 for the purposes set forth in this proceeding, which notes, deed of trust and mortgage of chattels shall be in, or substantially in, the same form as the documents filed in this proceeding as Exhibit C, Exhibit D, Exhibit E and Exhibit F.

2. Applicant shall file with the Commission a report, or 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 applicant has paid the minimum fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$25.00.

Dated at San Francisco, California, this 7<sup>th</sup> day of June, 1954.

[Signature]  
President

[Signature]

[Signature]

[Signature]

Commissioners

