A.36753 MMW

Decision No.

51190

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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In the Matter of the Application of ROSEVILLE TELEPHONE COMPANY, a California corporation, for authority to execute Promissory Notes payable at periods of more than twelve months after the date of execution and to mortgage real and personal property.

Application No. 36753

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OPINION

In this application Roseville Telephone Company seeks authorization to execute a mortgage and to issue a note, or notes, in the aggregate principal amount of \$250,000 for the purpose of financing the cost of additions, betterments and improvements to its plant.

Applicant is a ^California corporation engaged in operating a telephone business in and around the City of Roseville, Placer County. According to its application it has invested \$858,292 in its telephone properties up to the close of 1954 and it has financed itself primarily through the use of equity capital and through longterm borrowings from Pacific Mutual Life Insurance Company originally in the aggregate amount of \$200,000 but since reduced to \$182,000. The amount thus obtained from the insurance company is represented by a 4-3/4% note which was authorized by Decision No. 46646, dated January 15, 1952.

Applicant's financial position as of December 31, 1954, as reflected by its balance sheet filed in this proceeding as Exhibit C is as follows:

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<u>Assets</u>

Current assets - Cash Accounts receivable Material and supplies Prepayments Total current assets Fixed assets - Total plant and property Less-depreciation reserve Net fixed assets Deferred charges		<pre>> 32,348 42,858 34,792 1,357</pre> 858,292 147,689	\$111,355 710,603 _4,706
	() - + - 7		
	Total		<u>\$826,664</u>
<u>Liabilities</u>			najn ra
Current liabilities - Accounts payable Customers' deposits Advance billing and payments Accruals Total current liabilities		\$ 20,132 20 17,383 <u>45,688</u>	\$ 83,223
Deferred credits			923
Long-term debt Capital -			182,000
Capital stock		500,000	
Surplus Total capital		60,518	560 51 9
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Total

\$826,664

In 1953 the Commission reviewed applicant's operations and by Decision No. 49047, dated September 1 of that year approved rate schedules designed to yield annual net revenues of \$45,000 and to produce a return of 6-1/4% on the rate base found reasonable for the test year then under review. Applicant's financial reports show that for the year 1953 its operating revenues amounted to \$201,391 and for the year 1954 to \$283,996, with net revenues of \$21,169 during the first of these two years and of \$58,610 during the second.

Recently applicant has converted its system from one of manual common battery operation to one of full dial operation. It now reports that it finds it necessary to install additional central office equipment and to provide for other extensions and improvements at an estimated cost of \$339,162, segregated as follows:

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Additions to outside plant - Cable	\$127,776
Poles	22,831
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One truck	2,500
PBX equipment	8,000
Addition to storeroom	5,700
Improvement to pole yard	i,500
Additions to central officedial equipment	93,855
1000 station installations	40,000
	2,000
Miscellaneous office equipment	
Remodeling of central office facilities	35,000

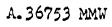
Total	\$339,162

In order to obtain a part of the required funds applicant proposes to increase its borrowings from Pacific Mutual Life Insurance Company to \$432,000, the additional \$250,000 to be represented by a note, or notes, bearing interest at the rate of 4-1/4% per annum, with the principal due on March 1, 1975. The payment of the total amount of the borrowings will be secured by an amended mortgage of chattels and real property, a copy of which has been filed in this proceeding as Exhibit B. Applicant has entered into a loan agreement with Pacific Mutual Life Insurance Company setting forth the terms and conditions under which the insurance company will advance the funds.

From a review of the application and of the former proceedings before the Commission, it clearly appears that applicant will have need for funds from external sources to enable it to complete its construction program. Accordingly, an order will be entered granting its request.

<u>ORDER</u>

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 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, on or after the effective date hereof and on or before December 31, 1956, may execute and deliver a loan agreement and an amended mortgage and may issue and deliver a note, or notes, in the principal amount of not exceeding \$250,000 for the purposes indicated in this application. The loan agreement, amended mortgage, and note, or notes, shall be in, or substantially in, the same form as those filed in this proceeding.

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 applicant has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$250.

Dated at San Francisco, California, this $13^{-\overline{L}}$ day of March, 1955.

Commissioners