

ORIGINAL

Decision No. 51190

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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

O P I N I O N

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 long-term 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:

Assets

Current assets -		
Cash	\$ 32,348	
Accounts receivable	42,858	
Material and supplies	34,792	
Prepayments	<u>1,357</u>	
Total current assets		\$111,355
Fixed assets -		
Total plant and property	858,292	
Less-depreciation reserve	<u>147,689</u>	
Net fixed assets		710,603
Deferred charges		<u>4,706</u>
	Total	<u>\$826,664</u>

Liabilities

Current liabilities -		
Accounts payable	\$ 20,132	
Customers' deposits	20	
Advance billing and payments	17,383	
Accruals	<u>45,688</u>	
Total current liabilities		\$ 83,223
Deferred credits		923
Long-term debt		182,000
Capital -		
Capital stock	500,000	
Surplus	<u>60,518</u>	
Total capital		<u>560,518</u>
	Total	<u>\$826,664</u>

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:

Additions to outside plant -	
Cable	\$127,776
Poles	22,831
One truck	2,500
PBX equipment	8,000
Addition to storeroom	5,700
Improvement to pole yard	1,500
Additions to central office--dial equipment	93,855
1000 station installations	40,000
Miscellaneous office equipment	2,000
Remodeling of central office facilities	<u>35,000</u>
Total	<u>\$339,162</u>

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.

#### ORDER

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 15<sup>th</sup> day of March, 1955.

*John E. [Signature]*  
President

*James F. [Signature]*

*Raymond [Signature]*

*Matthew [Signature]*

Commissioners

5901  
MAR 22 1955  
\$250.00

*[Signature]*