

Decision No. 51400

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
CENTRAL CALIFORNIA TELEPHONE COMPANY,)
a California corporation, for an order)
authorizing it (a) to issue and sell)
\$400,000 principal amount of First)
Mortgage 4-1/4% Bonds, Series A, due)
March 1, 1980, (b) to execute and)
deliver a First Mortgage Indenture to)
secure said bonds, and (c) to apply)
the proceeds of sale of said bonds)
toward the payment of outstanding)
short-term indebtedness, to finance)
plant additions and betterments, and)
to reimburse its treasury.)
-----)

Application
No. 36899

O P I N I O N

In this application Central California Telephone Company seeks authorization to execute a first mortgage indenture and to issue and sell \$400,000 in principal amount of First Mortgage 4-1/4% Bonds, Series A, due March 1, 1980, for the purpose of liquidating indebtedness incurred to pay for plant additions and replacements during 1953 and 1954 and to finance new construction during 1955.

Applicant has been engaged in furnishing local and toll telephone service in and about Corcoran in Kings County, and Exeter in Tulare County. Recently it has been authorized by the Commission to extend its operations to the community of Linden, about 12 miles east of Stockton, and to the community of Clements, about 12 miles east of Lodi. (Decision No. 51240, dated March 21, 1955,

in Application No. 36693.) It has reported that it intends to establish an unattended dial office in the base rate area of Linden, equipped with the latest step-by-step dial equipment and with full selective ringing on all 4-party and suburban lines, operator functions to be performed at the Stockton central office of The Pacific Telephone and Telegraph Company. It proposes to serve the Clements exchange through a step-by-step community dial office at Clements, with operator functions performed at the Lodi central office of the Pacific Company. It has been asserted that there is a demand for service by more than 300 residents in the Linden area and by more than 65 in the Clements area.

It appears that applicant will have need for external financing to equip its Linden and Clements service and to enable it to meet obligations it has incurred, or will incur, at Corcoran and Exeter. In Exhibit F it has set forth its capital needs in the total amount of \$383,000, as follows:

For construction in 1953 and 1954 -

(1) Notes payable	
a. To Anglo California Bank	\$ 62,000.00
b. To J.P. and J.T. Maguire	10,000.00
Total notes due	<u>72,000.00</u>
(2) Past due accounts payable	
a. To Kern Mutual Telephone Company	20,800.00
Total accounts payable due	<u>20,800.00</u>
Total for 1953 and 1954 construction	<u>\$ 92,800.00</u>

For construction 1955 -

(1) New Linden exchange	\$157,373.00
(2) New Clements exchange	34,509.00
(3) Additions to plant -	
a. In Corcoran	45,600.00
b. In Exeter	46,300.00
Total additional construction in 1955	<u>\$283,782.00</u>

To reimburse treasury	<u>6,418.00</u>
Total	<u>\$383,000.00</u>

In order to obtain the required capital funds applicant proposes to sell \$400,000 of bonds to the Aid Association For Lutherans at their principal amount plus accrued interest. It reports that it is required to pay a 3% commission on the sale, amounting to \$12,000, and it estimates its legal, printing and other expenses in connection with the issue at \$5,000, a total of \$17,000, leaving net proceeds of \$383,000.

The new bonds, as stated, will bear interest at the rate of 4-1/4% per annum and will mature March 1, 1980. They will be redeemable at 104% of the principal amount if redeemed on or prior to February 29, 1960, and thereafter at a redemption price reduced by sixteen hundredths of 1% in each of the years 1960 to 1978, inclusive, and at 100% on and after March 1, 1979, together with accrued interest in all cases. The payment of the bonds will be secured by a first mortgage indenture which establishes an annual sinking fund of 2% of the total principal amount of the bonds. The indenture also provides that additional bonds may be issued, in general, up to 50% of the bondable value of additions to telephone plant.

Presently applicant has no long-term debt outstanding nor any indebtedness other than current accounts and the capital obligations it now proposes to liquidate. For the year 1954 it has reported operating revenues of \$252,188 and net income of \$27,426, after making provision for depreciation of \$18,910.^{1/} With the issue of the \$400,000 of bonds applicant will incur annual interest charges during the first year in the amount of \$17,000 and sinking fund payments of \$8,000.

Upon a review of the proceeding we are of the opinion that the application should be granted.

^{1/} Applicant estimates that the installation of the Linden and Clements facilities ultimately will produce net operating revenues of approximately \$11,500 annually.

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 and sale of the bonds herein authorized is reasonably required by applicant for the purposes specified herein, and that such purposes, except as otherwise authorized, are not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED as follows:

1. Central California Telephone Company, on or after the effective date hereof and on or before October 31, 1955, may execute a first mortgage indenture in, or substantially in, the same form as that filed in this proceeding as Exhibit A, and may issue and sell not exceeding \$400,000 in principal amount of First Mortgage 4-1/4% Bonds, Series A, due March 1, 1980, at not less than their face value plus accrued interest.

2. Central California Telephone Company shall use the proceeds from the sale of said bonds, after paying commissions and expenses incident to the issue, to liquidate outstanding obligations, to reimburse its treasury, and to finance the cost of additions to its plants and properties as set forth in this application. The accrued interest may be used for such purposes or for general corporate purposes.

3. Central California 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.

4. 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 \$400.

Dated at San Francisco, California, this 10th day of May, 1955.

John E. ...
President

Justin F. ...

Paul ...

Mark ...

Commissioners

