

Decision No. 52489**ORIGINAL**

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 Commission authorizing it to refund \$814,450 of existing long term debt and to borrow an additional \$850,550.

Application
No. 37630

O P I N I O N

In this application, Sunland-Tujunga Telephone Company requests that the Commission issue an order authorizing it to issue promissory notes in the principal amount of not exceeding \$1,665,000 for the purpose of refinancing outstanding indebtedness of \$814,450 and of providing capital funds of \$850,550 to be used to extend its telephone plant and facilities.

Applicant, a corporation, was organized under the laws of the State of California in June 1910 and presently is engaged in rendering local and interexchange telephone service in the communities of Sunland, Tujunga, Shadow Hills and La Tuna Canyon in the County of Los Angeles. Since 1950 it has experienced a 55% increase in plant investment, an 83% increase in operating revenues, a 64% increase in net operating income and a 63% increase in number of subscriber stations as shown by the following tabulation:

<u>Year</u>	<u>Gross Plant</u>	<u>Operating Revenues</u>	<u>Net Operating Income</u>	<u>Subscriber Stations</u>
1950	\$1,906,862	\$400,660	\$104,409	5,230
1951	2,000,101	464,530	113,013	5,777
1952	2,131,263	509,887	121,160	6,281
1953	2,476,242	591,613	142,556	6,959
1954	2,748,757	674,660	160,283	7,701
1955*	2,947,847	731,308	171,086	8,517

* To November 30 only.

Applicant's assets and liabilities, as reported in its November 30, 1955 balance sheet, are as follows:

Assets

Plant and equipment	\$2,947,847.16	
Less: Depreciation reserve	<u>384,446.22</u>	\$2,563,400.94
Other investments		11,103.13
Material and supplies		129,271.40
Cash		161,903.67
Accounts receivable		80,045.77
Prepaid taxes, insurance and rent		2,742.89
Discount on long-term debt and capital stock		<u>20,527.62</u>
Total assets		<u>\$2,968,995.42</u>

Liabilities

Capital stock		\$1,625,000.00
Long-term debt		848,337.50
Accounts payable		36,873.53
Deferred credits		2,264.74
Accrued taxes		189,436.43
Earned surplus		<u>267,083.22</u>
Total liabilities		<u>\$2,968,995.42</u>

It appears that applicant anticipates a further gain of 800 stations in each of the years 1956 and 1957 and that currently it is at a stage in its growth when it is moving from the first ten thousand terminal unit of central office into the beginning of the second ten thousand terminal unit. In order to provide for this growth applicant has prepared a construction budget for the years 1956 and 1957 which totals \$1,066,100 and includes the following:

Land for new pole yard	\$	6,000
Building addition for central office and commercial use		230,000
Central office equipment		390,000
Station apparatus (1,600 instruments)		64,000
Station installations		38,400
Drop and block wires for 1,600 stations		19,200
Private branch exchange installations		12,000
Booths and special fittings		7,500
Pole line additions		72,000
Aerial cable		185,000
Aerial wire		18,000
Furniture and fixture additions		8,000
Vehicle and other work equipment additions		<u>16,000</u>
Total		<u>\$1,066,100</u>

It is expected that \$215,550 of the construction program will be met through the use of funds generated from internal sources leaving \$850,550 to be financed from outside sources.

To obtain the \$850,550 required from outside sources applicant has reached an agreement with Occidental Life Insurance Company, known as the "1956 Credit Agreement", which provides, among other things, for the following:

1. The issue by applicant of a note dated March 1, 1956, and due July 1, 1982, in the amount of \$814,450 in order to refinance the outstanding indebtedness of a like amount in favor of Occidental Life Insurance Company.
2. The granting of a loan commitment under which \$850,550 of additional funds are made available to applicant at any time up to July 1, 1957. Such additional borrowings are to be in amounts of not less than \$250,000 and are to be evidenced by one or more promissory notes with appropriate insertions as to date and principal amount. These notes will mature on July 1, 1982.

The notes which applicant proposes to issue to Occidental Life Insurance Company will bear interest at the rate of 4.2% per annum and will be subject to the terms and conditions set forth in the credit agreement. Under such terms applicant will be required to repay the refunding note in annual installments of \$25,000 each commencing July 1, 1962, and continuing until July 1, 1982, when the remaining balance becomes due and payable. The agreement also provides that applicant shall pay to Occidental a commitment fee at the rate of $\frac{1}{2}$ of 1% per annum on any portion of the additional loan of \$850,550 not borrowed by applicant, the commitment fee to be paid only for the

period of Occidental's commitment which is up to the date the additional loan is fully advanced to applicant or to July 1, 1957, whichever is earlier. A copy of the credit agreement, the refunding note and the note for the additional funds are attached to the application as Exhibit C and Exhibit A and B thereof, respectively.

In order to maintain a close correlation between borrowings and payment of suppliers' invoices during the time plant is under construction, applicant has obtained a commitment from Bank of America National Trust and Savings Association under which it will be able to obtain unsecured short-term loans aggregating \$750,000. These loans will bear interest at the rate of 3-3/4% per annum, will mature no later than June 30, 1957, and will be repaid through use of proceeds from the additional loan with Occidental. The approval of the Commission of such short-term borrowings is not required.

From a review of the verified application and the financial statements it clearly appears that applicant will have need for additional funds for the purposes indicated and that its earnings should be ample to service the proposed notes. An order will be entered.

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. Surland-Tujunga Telephone Company, on or after the effective date hereof and on or before June 30, 1957, may issue notes in the aggregate principal amount of \$1,665,000 for the purposes set forth in this application, which notes shall be in, or substantially in, the same form as those filed in this proceeding.

2. Applicant shall file with this 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 fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$851.

Dated at San Francisco, California, this 23rd day of January, 1956.

[Signature]
President

[Signature]

[Signature]

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[Signature]

Commissioners

