

ORIGINAL

Decision No. 53770

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of MARIPOSA COUNTY TELEPHONE COMPANY, INC., for authority to sell and issue 350 shares of its Preferred Stock, \$100 Par Value, 6%.

Application No. 38344

O P I N I O N

Mariposa County Telephone Company, Inc., has filed this application for authorization to issue 350 shares of its 6% preferred stock, \$100 par value, and to sell such shares, at par, for the following purposes:

1. To retire note and deed of trust to Oscar H. Ivey	\$ 23,947.14
2. To pay demand notes to Harry Baker, Jr.	8,297.86
3. To purchase ten test lines and two links of dial equipment as ordered by the Commission in Decision No. 53122, dated May 22, 1956	<u>2,755.00</u>
Total	<u>\$ 35,000.00</u>

It appears that applicant is undertaking to borrow \$374,000 from the Rural Electrification Administration to extend and improve its telephone system and that the Rural Electrification Administration has approved the telephone loan but has required that such loan be secured by a first mortgage, a requirement making it necessary for applicant to liquidate its presently outstanding indebtedness. The indebtedness payable to Oscar H. Ivey was incurred in the purchase of the telephone system and that to Harry Baker, Jr., in the financing of plant costs. Harry Baker, Jr. is applicant's president.

By Decision No. 53122, dated May 22, 1956, the Commission authorized applicant to place into effect revised rate schedules designed to produce net revenues of \$3,280, which was an amount estimated to represent a return of 6.5% on a rate base of \$50,400. The Commission required the company to add the test lines and links of dial equipment in the immediate future in order to correct service deficiencies.

We are informed applicant intends to dispose of its shares of preferred stock to one of its officers and to other individuals in the community who have signified a desire to purchase them. The application shows that under the company's articles of incorporation, the holders of the preferred shares of stock will be entitled to receive dividends yearly at the rate of 6% per annum, cumulative, and that they will not be entitled to voting privileges. The shares will be redeemable at a premium of \$4.80 each if redeemed on or before ten years after the first application to the Commission to sell preferred shares of stock, at a premium of \$3 each if redeemed after ten years but before 15 years, and at a premium of \$2.40 thereafter.

Upon reviewing this matter, it appears that applicant has need for additional funds for the purposes indicated and that the rates recently authorized by the Commission should produce ample net revenues to meet the annual fixed charges of \$2,100 on the 350 shares of stock to be issued. In our opinion, however, regular dividends should be paid on the preferred shares of stock at least semi-annually and the holders of such shares should be given voting rights, at one vote per share, in the event any dividend payment is passed and for so long as the arrearage might exist. Accordingly,

we will authorize the stock issue, but will require applicant to make an appropriate amendment to its articles of incorporation as a condition precedent.

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 only as herein provided, that the money, property, or labor to be procured or paid for by the issue of the shares of preferred stock 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. Mariposa County Telephone Company, Inc., may issue and sell not exceeding 350 shares of its preferred stock at par, for cash, for the purposes indicated in this application.

2. Mariposa County Telephone Company, Inc., shall file with the Commission a monthly 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 Mariposa County Telephone Company, Inc., has filed with the Commission a certified copy of an amendment to its articles of incorporation providing for the payment of dividends, semi-annually, or more frequently if desired, on its preferred shares of stock and for voting privileges as indicated in the preceding opinion.

Dated at San Francisco, California, this 18th day of
September, 1956.

John E. McMillen President
Justin D. Cisneros
Royce W. Liberman
Marion Dool
B. Hardy Commissioners