

**ORIGINAL**

Decision No. 54168

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application  
of Gilroy Telephone Company, a  
California corporation, for an  
Order authorizing it to enter  
into a credit agreement with and  
borrow \$100,000 from the Bank of  
America, National Trust and  
Savings Association

Application No. 38564

O P I N I O N

This is an application for an order of the Commission authorizing Gilroy Telephone Company to enter into a credit agreement with the Bank of America National Trust and Savings Association and, under the terms of said agreement, to issue its note or notes in the aggregate principal amount of not exceeding \$100,000 to finance, in part, its construction program and to reimburse its treasury.

Applicant is a California corporation engaged in the business of rendering telephone service in and in the vicinity of the City of Gilroy. It had a gross income from telephone operations of \$310,061.80 during the 12 months ended August 31, 1956 and, during the same period, had a net income, after fixed charges, of \$49,207.20. Its assets and liabilities, as shown by its August 31, 1956 balance sheet, are in summary form as follows:

Assets

Fixed assets -		
Telephone plant in service	\$734,842.03	
Less: depreciation reserve	<u>95,304.33</u>	\$639,537.70
Plant under construction		<u>97,488.47</u>
Total fixed assets		\$737,026.17
Current assets -		
Cash		34,719.81
Receivable		27,874.92
Material and supplies		<u>23,994.51</u>
Total current assets		86,589.24
Prepayments and deferred charges		<u>8,561.50</u>
Total assets		<u>\$832,176.91</u>

Liabilities

Capital stock		
Common stock	\$271,280.00	
Premium on common stock	<u>93,335.00</u>	\$364,615.00
Long-term debt		267,000.00
Current and accrued liabilities -		
Note payable	25,000.00	
Accounts payable	31,350.10	
Other current and accrued liabilities	<u>47,235.88</u>	
Total current and accrued liabilities		103,585.98
Deferred credits and reserves -		
Amortization reserve	70.80	
Other deferred credits	<u>22,783.08</u>	
Total deferred credits and reserves		22,853.88
Contributions of telephone plant		5,022.69
Surplus		<u>69,099.36</u>
Total liabilities		<u>\$832,176.91</u>

Included under current liabilities in the preceding balance sheet is a 60-day note payable in the amount of \$25,000. This note was issued by applicant to obtain funds with which to purchase real estate and to make a final payment on automatic toll ticketing equipment.

To refinance the existing short-term indebtedness and to provide, in part, on an interim basis, the funds necessary to finance its construction program during the next three years, applicant seeks authority to enter into a credit agreement with the Bank of America National Trust and Savings Association under the terms of which it may borrow, on or before July 31, 1959, up to \$100,000. The borrowings under such credit agreement will be evidenced by a demand promissory note or notes dated as of the dates the loans are made and will provide for the payment of interest at the rate of 5% per annum on the notes outstanding. In addition, the credit agreement provides that applicant will pay to the bank a commitment fee of one-half of one per cent per annum on the unused portion of the loan until such time as the entire amount of the loan shall have been advanced to the company.

It is applicant's purpose, at the time of the termination of the credit agreement, to refinance the total amount of the loans then outstanding under the credit agreement either by a long-term mortgage loan or by the issue and sale of common stock or preferred stock, whichever seems most advantageous to the applicant at that time.

The method of financing herein proposed by applicant will provide it with funds at the time needed and will eliminate the costs associated with the issuance of permanent securities in advance of such need.

From a review of the application, it appears that applicant should be authorized to enter into the proposed credit agreement with the Bank of America National Trust and Savings Association and that it should be authorized at this time to issue not exceeding

\$75,000 in principal amount of its promissory notes in order to refinance its currently outstanding short-term indebtedness, totaling \$25,000, and to provide the funds with which to purchase central office equipment costing \$50,000 which is now on order and due for delivery in November, 1957. The remainder of applicant's request to issue an additional \$25,000 of promissory notes will not be authorized at this time. Applicant, by supplemental application, may request authority to issue the final \$25,000 increment at such time as it has definite need for these funds.

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 note or notes herein authorized is reasonably required by Gilroy Telephone Company 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. Gilroy Telephone Company, a corporation, may enter into a credit agreement with the Bank of America National Trust and Savings Association, said agreement to be in, or substantially in, the same form as that attached to the application as Exhibit B.
2. Gilroy Telephone Company may issue on or before November 30, 1957, not to exceed \$75,000 in principal amount of

demand promissory notes and may use the proceeds for the purposes set forth in the opinion.

3. Gilroy 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 Gilroy Telephone Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$75.

Dated at Los Angeles, California, this 4<sup>th</sup> day of December, 1956.

*John E. ...* President  
*Paul ...*  
*...*  
*...*  
*...* Commissioners

4906  
\$75.00

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