

ORIGINAL

Decision No. 54497

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of

SAN MIGUEL TELEPHONE CO.,

a corporation (formerly San Miguel Interurban Telephone Company),

for an order authorizing:

a) San Miguel Telephone Co., a corporation to issue stock in exchange for property and in payment of debts.

b) San Miguel Telephone Co., a corporation, to borrow up to \$69,000.00.

Application No. 38693

O P I N I O N

In this application the Commission is asked to authorize San Miguel Telephone Co., a corporation, (1) to enter into a loan agreement with Stromberg-Carlson, a division of General Dynamics Corporation, (2) to execute a mortgage, (3) to issue notes in the total amount of \$69,000, and (4) to issue \$31,550 par value of common stock.

Applicant is a California corporation engaged in operating a public utility telephone system in and about San Miguel in San Luis Obispo County and Monterey County. Its facilities include a common battery switchboard at San Miguel and a magneto board at Parkfield, together with lines serving approximately 300 subscribers.

A financial statement filed in this proceeding as Exhibit E indicates that at June 30, 1956, applicant had invested \$24,790 in its plant and equipment, after deducting the related reserve for depreciation, and that it had financed itself primarily with monies advanced by and owing to Oscar H. Ivey or members of his family. A summary statement of applicant's assets and its sources of funds is as follows:

Assets

| | |
|-------------------------------|--------------------|
| Telephone plant, less reserve | \$24,790.33 |
| Current assets | <u>4,209.48</u> |
| Total | <u>\$28,999.81</u> |

Liabilities and Capital

| | |
|---------------------------------|--------------------|
| Notes payable | \$ 4,367.82 |
| Accounts payable to Ivey family | 20,111.46 |
| Other current liabilities | 1,805.77 |
| Capital stock and surplus | <u>2,714.76</u> |
| Total | <u>\$28,999.81</u> |

The company is controlled through stock ownership by Oscar H. Ivey, who also owns the Enterprise Telephone Company, a public utility operating in and about Knights Landing and Robbins in the Sacramento Valley.

It now appears that applicant has been experiencing an increasing demand for telephone service, which requires it to convert to dial operation and to expand its central office equipment and outside plant facilities, and that to finance the required capital improvements and to reorganize the financial structure, it has made the following arrangements: -

1. To enter into a loan agreement with Stromberg-Carlson whereby it will borrow \$69,000 to finance the cost of dial equipment at San Miguel and outside plant facilities.

2. To purchase from Enterprise Telephone Company a switchboard presently located at Robbins at its book value of \$3,438.93 and to install such equipment as a satellite exchange at Parkfield.

3. To issue to Oscar H. Ivey and members of his family \$31,550 of common stock for the following purposes:

| | |
|---|--------------------|
| a. To pay for Robbins switchboard | \$ 3,438.93 |
| b. To pay accounts payable | 20,111.46 |
| c. To reimburse Oscar H. Ivey for expenditures made by him for real property and improvements at San Miguel, now leased | <u>8,000.00</u> |
| Total | <u>\$31,550.39</u> |

Under the terms of the loan agreement with Stromberg-Carlson, that organization would advance to applicant the total sum of \$69,000, said advances to be represented at the outset by interim notes, payable on demand, with interest at the rate of 5½% per annum. The agreement provides for the ultimate issue, not later than March 31, 1958, of a final note in exchange for the interim notes then outstanding, the final note to be payable in 240 consecutive monthly and substantially equal installments with interest at the rate of 5½% per annum.

Upon review of the application, it appears to us that the installation of the improvements should be in the public interest and, accordingly, we will enter our order granting the application. The action taken herein is for the issue of

securities and is not to be construed as indicative of amounts to be included in a future rate base for the purpose of determining just and reasonable rates.

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 shares of stock and the notes herein authorized is reasonably required by applicant corporation 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. San Miguel Telephone Co., on and after the effective date hereof and on or before March 31, 1958, may: -

- a. Enter into a loan agreement with Stromberg-Carlson, a division of General Dynamics Corporation, providing for total borrowings of not exceeding \$69,000, such loan agreement to be in, or substantially in, the same form as that filed in this proceeding as Exhibit C.
- b. Execute a mortgage in, or substantially in, the same form as that filed in this proceeding as Exhibit D.
- c. Issue interim notes pursuant to the terms of said agreement for the purposes set forth therein in the aggregate amount of not exceeding \$69,000 at any one time outstanding and issue its final note, as set forth in said agreement, in the principal amount of not exceeding \$69,000 in payment of interim notes of like amount.

d. Issue not exceeding \$31,550 par value of its common stock for the purposes set forth in this application.

2. San Miguel Telephone Co., a corporation, 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 and a copy of the deed of conveyance by which it acquires title to the real property and improvements to be purchased from Oscar Ivey.

3. The authority herein granted will become effective when San Miguel Telephone Co., a corporation, has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$69.

Dated at San Francisco, California, this 5th day of February, 1957.

John E. Mitchell :
 President

Roy G. Luterer

W. H. Hardy

C. L. Fox

Commissioners

