

ORIGINAL

Decision No. 56351

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
COACHELLA VALLEY TELEPHONE COMPANY
for an order authorizing it (a) to
borrow money and execute a loan
agreement, note and supplemental
mortgage in connection therewith;
(b) to sell and issue additional
shares of common stock; (c) to
execute a note and deed of trust
in connection with the acquisition
of additional real property; and
(d) to declare a stock dividend.

Application No. 39831

FIRST SUPPLEMENTAL OPINION

Coachella Valley Telephone Company asks the Commission to authorize it to execute indentures and to issue notes in the aggregate amount of \$383,000.

It appears that since March 31, 1956, applicant has added 1,273 stations to its lines and has increased its plant investment by \$1,133,935, that it has financed its requirements largely with internally generated funds and current liabilities and that it now has need for additional funds from external sources to discharge short-term bank loans, to reimburse its treasury, and to provide, in part, its 1958 capital requirements. The company reports that it has made arrangements to purchase certain real property and improvements in Indio at a cost of \$43,000 and it estimates its 1958 construction expenditures for buildings, equipment and telephone lines at \$366,850.

Under the arrangements for the acquisition of the Indio property, applicant will pay \$10,000 of the purchase price in cash and will issue its note to Elizabeth Martin for \$33,000, the note to be secured by a purchase money deed of trust and to be payable in monthly installments of \$240 or more, with interest at the rate of 6% per annum. The Indio property consists of Lots 20 and 21 and the southerly 60 feet of Lots 6, 7 and 8, with the exception of a 15-foot strip of the easterly portion of Lot 8, and is improved with a concrete block garage building. The property is adjacent to applicant's existing telephone office and will be utilized by applicant for warehousing and parking purposes.

In meeting its other capital costs, in part, applicant intends to enter into a loan agreement with Pacific Mutual Life Insurance Company, under the terms of which it will borrow \$350,000 on or before December 31, 1958. The borrowing will be represented by promissory notes, bearing interest at the rate of 5-1/2% per annum, payable on or before July 1, 1963. Applicant heretofore has borrowed moneys from Pacific Mutual Life Insurance Company and, on December 31, 1957, had \$850,000 of notes outstanding in favor of that company secured by a mortgage and supplemental mortgages. In borrowing the additional funds, it now proposes to execute a third supplemental mortgage.

The application shows that at December 31, 1957, the company had \$580,977 of outstanding bank loans and current liabilities, including such loans, of \$911,286, as compared with cash and other current assets of \$252,831. The 1957 income statement shows net

operating income of \$135,719 available for fixed charges. The interest on long-term debt during 1957 amounted to \$35,250 and the annual interest on the new \$350,000 loan at 5-1/2% would amount to \$19,250. The effect of the proposed financing, and the stock financing recently authorized, on applicant's capital ratios as of December 31, 1957, excluding bank borrowings, is indicated in the following tabulation:

	<u>December 31,</u> <u>1957</u>	<u>Pro</u> <u>forma</u>
Long-term debt	51%	50%
Preferred stock	6	4
Common stock equity	<u>43</u>	<u>46</u>
Total	<u>100%</u>	<u>100%</u>

On the basis of the information contained in the verified application, we are of the opinion that an order is warranted authorizing applicant to borrow money as proposed by it. The authorization herein granted is for the execution of indentures and the issue of notes only and is not to be construed as indicative of amounts to be included in a future rate base for the determination of just and reasonable rates.

FIRST SUPPLEMENTAL ORDER

The Commission having given further consideration to the above-entitled matter and being of the opinion that an ex parte order should be entered authorizing Coachella Valley Telephone Company to execute indentures and issue notes, that the money, property or labor to be procured or paid for by the issue of such notes is reasonably

required 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. Coachella Valley Telephone Company, on and after the effective date hereof and on or before December 31, 1958, is authorized:

- a. To execute and deliver to Pacific Mutual Life Insurance Company a loan agreement and a supplemental mortgage in substantially the same forms as those filed in this proceeding.
- b. To execute and deliver a note, or notes, in the aggregate amount of not exceeding \$350,000 to Pacific Mutual Life Insurance Company in substantially the same form as that filed in this proceeding for the purposes set forth in this application.
- c. To enter into a contract for the purchase of real property and improvements at Indio, to execute a purchase money deed of trust and to issue a note in the principal amount of not exceeding \$33,000 in part payment for said real property and improvements, said deed of trust and note to be in substantially the same form as those filed in this proceeding.

2. Coachella Valley Telephone Company shall file with the 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 Coachella Valley Telephone Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$383.

Dated at San Francisco, California, this 17th day of MARCH, 1958.

Paul E. Mitchell President
Paul J. [unclear]
Maxwell [unclear]
E. [unclear]

Commissioners

