

ORIGINAL

Decision No. 57345

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of
DORRIS TELEPHONE COMPANY, a
corporation, to borrow up to
\$17,000.00

Application No. 40390

O P I N I O N

In this application the Commission is asked to authorize Dorris Telephone Company, a corporation, (1) to enter into a loan agreement with Stromberg-Carlson, a division of General Dynamics Corporation, (2) to execute a mortgage, and (3) to issue notes in the total amount of not exceeding \$17,000.

Applicant is a California corporation engaged in operating a public utility telephone system in and about the City of Dorris and the unincorporated town of Macdoel in Siskiyou County. It now reports that an increasing demand for telephone service requires the expansion of its plant facilities at a cost in excess of \$17,000.

Not being in a position to finance its expansion program out of current resources, applicant has issued a 6% demand note in the amount of \$1,223.02 to Stromberg-Carlson, a division of General Dynamics Corporation, with which it has negotiated a loan agreement for the long-term borrowing of an aggregate principal amount of \$17,000. Under the terms of the loan agreement, Stromberg-Carlson, a division of General Dynamics Corporation, will advance money to applicant from time to time upon the issuance of 5-1/2% interim demand notes. The agreement provides for the ultimate issue,

not later than June 30, 1961, of a final note in exchange for the interim notes then outstanding, payable in 240 consecutive and substantially equal monthly installments with interest at the rate of 6% per annum, and to be secured by a mortgage. The proceeds from the loan will be used to refund the previously mentioned 6% demand note and to pay, in part, for capital additions to applicant's telephone plant.

A summary statement of applicant's assets, liabilities and capital at December 31, 1957, is as follows:

<u>Assets</u>	
Telephone plant, less depreciation reserve	\$108,053.10
Current assets	<u>2,526.32</u>
Total	<u>\$110,579.42</u>
<u>Liabilities and Capital</u>	
Common stock	\$ 47,800.00
Surplus	9,485.12
Long-term debt	42,894.00
Current and accrued liabilities	<u>10,400.30</u>
Total	<u>\$110,579.42</u>

For the year 1957, applicant reports operating revenues of \$31,794.83 and net income of \$1,599.37. Recently, the Commission has reviewed the operations of the telephone system and by Decision No. 56642, dated May 6, 1958, in Application No. 39653, authorized applicant to place revised rates in effect which, it is estimated, will increase the annual operating revenues by approximately \$1,700 and will produce a return of 6.8% on a depreciated rate base of \$111,000. The revised rates were designed to yield a net revenue of \$7,548 after making allowance of \$6,200 for depreciation.

Upon the basis of the revised rates it appears that applicant should be in a position to meet its requirements under the proposed loan agreement. The installation of the additions to the plant should be in the public interest and we will enter our order granting the application. The action taken herein is for the issue of notes 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 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. Dorris Telephone Company, a corporation, on and after the effective date hereof, may: -

- a. Enter into a loan agreement with Stromberg-Carlson, a division of General Dynamics Corporation, providing for total borrowings of not exceeding \$17,000, such loan agreement to be in, or substantially in, the same form as that filed in this proceeding as Exhibit A.
- b. Execute a mortgage in, or substantially in, the same form as that filed in this proceeding as Exhibit B.

c. Issue interim notes pursuant to the terms of said agreement for the purposes set forth therein in the aggregate amount of not exceeding \$17,000 at any one time outstanding and issue its final note, as set forth in said agreement, in the principal amount of not exceeding \$17,000 in payment of interim notes of like amount.

2. Dorris Telephone Company, a corporation, 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.

3. The authority herein granted will become effective when Dorris Telephone Company, a corporation, has paid the minimum fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$25.

Dated at San Francisco, California, this 23rd day of September, 1958.

E. Lynn Fox
President

Paul W. Berrier
Commissioner

Heard J. Jensen
Commissioner

