

ORIGINAL

Decision No. 57364

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
FORESTHILL TELEPHONE CO.

For an order authorizing it

Application No. 40409

- A. To borrow up to \$13,000.00 and
- B. To issue shares of its common stock.

O P I N I O N

Foresthill Telephone Co., a corporation, has filed this application for authorization to enter into a loan agreement with Stromberg-Carlson, a division of General Dynamics Corporation, to execute a mortgage, and to issue promissory notes in the principal amount of \$13,000, and 510 shares of its \$10 par value common stock of the aggregate par value of \$5,100, for the following purposes:

To purchase real property and improvements	\$ 8,500
To pay for outside plant material	3,600
To refund existing indebtedness	<u>6,000</u>
Total	<u>\$18,100</u>

Applicant is engaged in operating a telephone plant providing service in and about Foresthill, Placer County. A condensed record indicating the plant and revenue growth during the last four and one-half years is as follows:

	Reported Investment Dec. 31	No. of Subscribers Dec. 31	Operating Revenues	Net Operating Income
1954	\$ 16,650	178	\$ 12,415	\$ <u>44</u>
1955	20,724	208	13,478	569
1956	31,128	242	15,281	<u>205</u>
1957	75,343	242	17,013	<u>826</u>
1958 (6 months)	80,344	287	9,421	341

The utility's assets, liabilities and net worth as of June 30, 1958, are indicated in the following statement:

<u>Assets</u>		
Telephone plant	\$ 80,344	
Less - Depreciation reserve	<u>4,760</u>	
Net telephone plant		\$ 75,584
Current and prepaid assets		<u>4,013</u>
Total		<u>\$ 79,597</u>
<u>Liabilities and Net Worth</u>		
Long-term debt		\$ 44,000
Current liabilities		19,098
Net worth -		
Common stock	\$ 18,350	
Surplus	<u>(1,851)</u>	
Total net worth		<u>16,499</u>
Total		<u>\$ 79,597</u>

The current liabilities include \$10,538 due The Pacific Telephone and Telegraph Company for toll settlement and \$5,839 representing demand notes and accounts payable to Stromberg-Carlson. The outstanding common stock consists of 1,835 shares held by Ralph Hooper. The long-term debt of \$44,000 represents borrowings at 5-1/4% from Stromberg-Carlson.

It appears that applicant furnishes automatic dial exchange telephone service and message toll telephone service through interconnection with the lines of The Pacific Telephone and Telegraph Company at Foresthill, that presently its central office is located in rented premises, consisting of real property and a building which are owned by Ralph Hooper and which have been acquired and constructed by him at a cost of \$8,500, and that applicant now proposes to take over the premises at the same figure and to pay the purchase price with cash of \$3,400 and capital stock of \$5,100.

In order to obtain the funds to meet the cash payment of \$3,400 and to liquidate indebtedness and to pay for materials, applicant has negotiated a loan agreement with Stromberg-Carlson for the long-term borrowing of \$13,000. Under the terms of the agreement, money will be advanced to applicant, from time to time, upon the execution of interim notes, payable on demand, with interest at the rate of 5-1/2% per annum. On or before June 30, 1960, a final note will be issued in place of the interim notes, said final note to be payable in 240 consecutive monthly and substantially equal installments with interest at the rate of 6% per annum.

The staff has made a review of applicant's records and operations. We have considered the matter now before us and are of the opinion that the money, property or labor to be procured or paid for by the issue of the securities herein authorized is

reasonably required for the purposes specified in the application, that such purposes, except as otherwise authorized in the case of the notes, are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that an order granting applicant's requests is warranted.

The authorization herein granted is for the issue of securities only and is not to be taken 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 and that the application should be granted, therefore,

IT IS HEREBY ORDERED as follows:

1. Foresthill Telephone Co., a corporation, may execute a loan agreement with Stromberg-Carlson, a division of General Dynamics Corporation, and may execute a mortgage, which agreement and mortgage shall be in, or substantially in, the same form as those filed in this proceeding as Exhibit A and Exhibit B, respectively.

2. Foresthill Telephone Co., a corporation, may issue interim promissory notes in the aggregate principal amount not to exceed \$13,000 in accordance with the terms of said loan agreement and may execute a final note, upon the completion of the program referred to in this proceeding, to replace outstanding interim notes.

3. Foresthill Telephone Co., a corporation, may issue not to exceed 510 shares of its \$10 par value common stock at not less than the par value thereof.

4. Foresthill Telephone Co., a corporation, shall use the proceeds of the notes and stock herein authorized for the purposes set forth in this application.

5. Foresthill Telephone Co., a corporation, 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.

6. The authority herein granted will become effective when Foresthill Telephone Co. 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 29th day of September, 1958.

C. Leo Fox
President
Paul E. Mitchell
Paul W. Kerner
Walter J. ...
Theodore ...
Commissioners

