

ORIGINAL

Decision No. 59371

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of

DELTA TELEPHONE AND TELEGRAPH COMPANY,  
a California Corporation, for authority  
to borrow up to \$575,000.00

Application No. 41680

O P I N I O N

This is an application for an order of the Commission authorizing Delta Telephone and Telegraph Company to issue a promissory note in the principal amount of \$75,000 to refund outstanding indebtedness, to enter into a loan agreement with Automatic Electric Sales Corporation and to issue promissory notes thereunder in an amount not exceeding \$500,000 in order to finance, in part, its construction program.

Applicant, a California corporation, is engaged in the business of furnishing telephone and telegraph service to certain districts along the Sacramento River, including, among others, the communities of Clarksburg, Courtland, Freeport, Hood, Isleton, Ryde and Walnut Grove. For the year ended December 31, 1958, applicant reports operating revenues of \$265,225 and net income to surplus of \$41,633 and for the ten months ended October 31, 1959, operating revenues of \$239,170 and net income to surplus of \$35,855. Its assets and liabilities, as reflected in the October 31, 1959 balance sheet attached to the application as Exhibit A, are as follows:

Assets

Plant and equipment	\$923,376	
Less - Reserve for depreciation	<u>246,263</u>	\$677,113
Current assets -		
Cash	40,088	
Due from customers and agents	38,669	
Materials and supplies	<u>17,754</u>	96,511
Prepaid items		<u>1,144</u>
Total assets		<u>\$774,768</u>

Liabilities

Current liabilities -		
Notes payable	\$ 75,000	
Taxes accrued	47,840	
Other current liabilities	<u>2,608</u>	\$125,448
Capital -		
Common stock	546,700	
Earned surplus	<u>102,620</u>	<u>649,320</u>
Total liabilities		<u>\$774,768</u>

Applicant is experiencing an increasing demand for additional service in its entire service area. As a part of its program to meet this demand for service, it has established an exchange to be known as Meadowview exchange in the northern portion of its Courtland exchange and proposes to construct a central office building with the necessary central office equipment, pole lines, cable, telephones and all other telephone equipment necessary for the furnishing of telephone service in that exchange. In addition, the demand for telephone service in other portions of applicant's service area will require the expansion of present facilities in those areas. Applicant, in Exhibit B attached to the application, estimates that the installation and construction of new facilities in its Meadowview exchange and the expansion of facilities in the remainder of its service area will require the expenditure of funds

totaling \$411,300. Exhibit B also shows that during the period between January 31, 1956 and October 31, 1959, applicant expended \$88,700 of treasury funds for plant expansion.

Heretofore applicant has financed its construction program primarily through the issue of shares of its common stock and through the use of retained earnings. To finance its current construction program and to reimburse its treasury for funds expended for construction purposes which were not obtained through the issuance of securities, applicant proposes to borrow from Automatic Electric Sales Corporation, from time to time, funds as required in the aggregate principal amount of not to exceed \$500,000, by the issue of a series of interim notes all bearing interest at the rate of 5-3/4% per annum and all maturing December 31, 1964, in accordance with an Interim Construction Financing Agreement, a copy of which is attached to the application as Exhibit D. The notes to be issued under the Interim Construction Financing Agreement can be repaid in full any time prior to maturity and, if not so repaid, it is contemplated that applicant will have entered into a long-term financing agreement with Automatic Electric Sales Corporation that will establish a basis for the repayment of all such notes.

In addition to the issuance of the notes to Automatic Electric Sales Corporation applicant is requesting authority to issue and deliver to Merchants National Bank its promissory note in the principal amount of \$75,000, in order to refund a short-term note of like amount which matures on April 17, 1960. The note to

be issued will be dated April 17, 1960, will mature April 17, 1961 and will bear interest at the rate of 5-1/2% per annum.

From a review of the application, we are of the opinion, and so find, (1) that applicant has need for additional funds to meet construction costs and to reimburse its treasury for moneys actually expended from income or other treasury funds for the acquisition of property and for the construction, completion, extension and improvement of its facilities and (2) that the money, property or labor to be procured or paid for by the issue of the notes herein authorized 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.

On the basis of the foregoing finding, we will enter our order granting the application. The authorization thus granted 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 and that the application should be granted, therefore,

IT IS HEREBY ORDERED as follows:

1. Delta Telephone and Telegraph Company, on or after the effective date hereof and on or before December 31, 1961, may execute an Interim Construction Financing Agreement with Automatic Electric Sales Corporation and may issue its 5-3/4% promissory notes in the principal amount of not exceeding \$500,000 for the purposes set forth in the application, said Interim Construction Financing Agreement and notes to be in, or substantially in, the same form as those attached to the application as Exhibit D.

2. Delta Telephone and Telegraph Company, on or after the effective date hereof and on or before June 30, 1960, may issue its promissory note for \$75,000, dated April 17, 1960, and due April 17, 1961, with interest at the rate of 5-1/2% per annum for the purpose of refunding a note of like amount, which matures on April 17, 1960, said note to be in, or substantially in, the same form as that attached to the application as Exhibit C.

3. Delta Telephone and Telegraph 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.

4. The authority herein granted will become effective when Delta Telephone and Telegraph Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$575.

Dated at San Francisco, California,  
this 15th day of December, 1959.

[Signature]  
President  
[Signature]  
[Signature]  
[Signature]  
Commissioners  
Theodore H. Hume

