

ORIGINAL

Decision No. 59561

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
CAPAY VALLEY TELEPHONE SYSTEM, INC.,
a California corporation, for an
order authorizing it:

- (a) To issue and sell \$7,000 of
common stock;
- (b) To issue a 60-month six percent
promissory note in the amount
of \$4,422.62, to be secured by
a chattel mortgage;
- (c) To apply the proceeds derived
from said common stock to the
payment of accrued wages and
improvement of plant facilities;
- (d) To apply the proceeds derived
from said promissory note to
the expansion and improvement
of its plant facilities.

Application No. 41818

O P I N I O N

In this application the Commission is asked to enter an order authorizing Capay Valley Telephone System, Inc., (1) to issue and sell 700 shares of its common stock of an aggregate par value of \$7,000, (2) to execute and deliver to Stromberg-Carlson, a division of General Dynamics Corporation, its promissory note in the principal amount of \$4,422.62 and (3) to execute a mortgage of chattels to secure payment of the promissory note.

Applicant, a California corporation, is a public utility owning and operating a telephone system furnishing exchange and toll telephone service in the unincorporated towns of Brooks, Capay, Guinda and Rumsey and surrounding territory in Yolo County. For the year 1958 applicant reports total operating revenues of \$11,653.58 and a net loss to surplus of \$953.04. Comparable amounts for the nine months ended September 30, 1959, are reported as \$10,864.19 for total operating revenues and \$2,383.15 as net income to surplus. Its assets and liabilities, as reflected in the September 30, 1959 balance sheet attached to the application as Exhibit B, are as follows:

Assets

Current assets -		
Cash	\$ 1,141.75	
Accounts receivable	807.75	
Material and supplies	6,058.71	
Total current assets		\$ 8,008.21
Telephone plant -		
Cost	55,970.68	
Less: Depreciation reserve	9,534.38	
Net telephone plant		46,436.30
Other assets - Capital stock expense		343.94
		<u>44,816.54</u>
Total assets		<u>\$54,788.45</u>

Liabilities

Current liabilities -		
Toll settlements payable	\$ 1,589.41	
Other accounts payable	467.14	
Accrued wages payable	6,655.68	
Taxes payable	914.14	
Total current liabilities		\$ 9,626.37
Long-term notes payable		485.95
Equity capital -		
Preferred stock	25,000.00	
Common stock equity -		
Common stock	\$17,230.00	
Capital surplus	1,593.97	
Earned surplus	852.16	
Total equity capital	19,676.13	44,676.13
Total liabilities		<u>\$54,788.45</u>

Applicant as of September 15, 1959 had 170 stations connected to its lines and furnished common battery and magneto manual telephone service within the Guinda district of its Brooks exchange from a central office located at Guinda, and automatic dial exchange telephone service within the Capay district of its Brooks exchange from a central office located at Capay. It now proposes to expand its outside plant facilities to provide telephone service to approximately ten additional subscribers and to improve its existing outside plant facilities to the standard required for dial operation in the Guinda district of its Brooks exchange.

Applicant estimates that the cost of the material required for the proposed additions and improvements will be \$4,914.02. It proposes to finance the purchase of the required materials by making a cash down payment of \$491.40 and by issuing its promissory note to Stromberg-Carlson, a division of General Dynamics Corporation, for the balance of \$4,422.62. The note which applicant proposes to issue will be repayable in 60 consecutive monthly installments, will bear interest on the unpaid balance at the rate of six per cent per annum and will be secured by a mortgage of chattels on the materials being purchased. A copy of the proposed note and of the proposed mortgage of chattels are attached to the application as Exhibits D and E, respectively.

Applicant also desires at this time to issue 700 shares of its common stock, of the aggregate par value of \$7,000, in order to satisfy \$6,600 of an outstanding current liability to

its president for accrued wages payable and to pay for the acquisition, from its president, of a 1-1/2 ton air conditioning unit which had an original cost installed of \$413.79.

Upon review of the application it appears that applicant has need for the funds to be derived from external sources for the purposes indicated in this proceeding and that the plant improvements provided or to be provided by the expenditures of such funds should be in the public interest. Accordingly, we will enter our order granting the application.

The authorization herein granted is for the issue of securities only 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 note 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. Capay Valley Telephone System, Inc., on and after the effective date hereof and on or before September 30, 1960, may issue its note in the principal amount of not to exceed \$4,422.62 for the purposes set forth in this application and may execute a mortgage of chattels as security for the payment of said note, the note and the mortgage of chattels to be in, or substantially in, the same form as those on file in this proceeding as Exhibits D and E, respectively.

2. Capay Valley Telephone System, Inc., on and after the effective date hereof and on or before September 30, 1960, may issue not to exceed 700 shares of its common stock of the aggregate par value of \$7,000 for the purposes set forth in this application.

3. Capay Valley Telephone System, Inc., 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.

4. The authority herein granted will become effective when Capay Valley Telephone System, Inc., 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 1st day of February, 1960.

Everett R. Deane
President

W. L. Mitchell

William J. Cook

E. J. Fox

Theodore J. Turner
Commissioners

