

ORIGINAL

Decision No. 59562

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of:

- (a) Happy Valley Telephone Company,
a corporation, to issue
\$13,800.00 of common stock;
and
- (b) Happy Valley Telephone Company,
a corporation, to borrow
\$20,000.00.

Application No. 41730

O P I N I O N

In this application the Commission is asked to authorize Happy Valley Telephone Company, a corporation, (1) to issue at par, 1,380 shares of its \$10 per share par value common stock, and (2) to enter into a loan agreement with Stromberg-Carlson, a division of General Dynamics Corporation, and to issue a note in the total amount of not to exceed \$20,000.

Applicant, a California corporation, is engaged in operating a public utility telephone system in the unincorporated communities of Olinda, Igo, and Ono, and in surrounding territory in Shasta County, together with a toll service between said communities and areas and the City of Anderson, Shasta County. It now reports an increasing demand for telephone service which requires the expansion of its central office equipment and outside plant facilities. It estimates the cost of such plant expansion at \$20,000.

To finance the expansion program, applicant has arranged to borrow \$20,000 from Stromberg-Carlson provided that it first issues to Thos. P. Plotts, its president, \$13,800 par value of its common stock in satisfaction of accounts payable to Thos. P. Plotts in a like amount. The proposed loan is to be secured by the mortgage on applicant's properties previously authorized by Decision No. 50825, dated December 7, 1954, in Application No. 35748. The loan agreement provides for the issue of a note not later than December 31, 1961, payable in 240 consecutive substantially equal monthly installments, with interest at the rate of 6% per annum on deferred balances. Proceeds from such loan are to be used as follows:

(a)	Payment of Stromberg-Carlson interim note	\$ 5,840.06
(b)	Outside toll and exchange plant	6,669.81
(c)	Central office toll equipment	2,450.00
(d)	Payment of short-term note to Bank of America National Trust and Savings Association	<u>5,040.13</u>
	Total	<u>\$20,000.00</u>

The interim note is dated October 14, 1959, and was issued to cover an open account balance of \$5,840.06 due Stromberg-Carlson for purchases of poles, rural distribution cable and pole line hardware. Proceeds of the short-term note to Bank of America National Trust and Savings Association were used for the purchase of rural distribution cable, pole line hardware and aerial wire.

A condensed tabulation, indicating the plant and revenue growth during the last four and one-half years, follows:

	<u>Telephone Plant Dec. 31</u>	<u>Operating Revenues</u>	<u>Net Income</u>	<u>Stations Dec. 31</u>
1955	\$ 68,404	\$10,122	\$ (3,316)	101
1956	80,893	11,030	(3,778)	114
1957	88,351	14,480	(1,848)	133
1958	93,358	17,236	937	130
1959 (Six months ended June 30)	101,174	10,945	139	-

Applicant's assets, liabilities and net worth as of June 30, 1959, as set forth in its balance sheet attached to the application as Exhibit A, follows:

Assets

Telephone plant	\$101,174.27	
Less - Depreciation reserve	<u>23,015.81</u>	
Net telephone plant		\$78,158.46
Current and prepaid assets		<u>10,527.77</u>
Total		<u>\$88,686.23</u>

Liabilities and Net Worth

Long-term debt		\$34,823.00
Current liabilities		30,223.68
Net worth -		
Common stock	\$ 29,740.00	
Surplus	<u>(6,100.45)</u>	
Total net worth		<u>23,639.55</u>
Total		<u>\$88,686.23</u>

The long-term debt outstanding on June 30, 1959, represents the unpaid balance on a note issued to Stromberg-Carlson in 1956, which is payable in 240 consecutive monthly installments, with interest at the rate of 5-1/2% per annum and is secured by a mortgage on the telephone properties. The outstanding common stock consists of 2,974 shares of the par value of \$10 each.

Applicant's pro forma income statement for the year 1960 shows estimated operating revenues of \$30,439 and net income, before fixed charges, of \$8,015, which, together with estimated funds of \$3,101 derived from depreciation accruals, should provide applicant with sufficient cash funds to meet its principal and interest obligations under the existing and the proposed additional loan.

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 to be provided by the expenditure 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 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. Happy Valley Telephone Company, a corporation, on or after the effective date hereof, may execute a loan agreement with Stromberg-Carlson, a division of General Dynamics Corporation, to borrow an amount not to exceed \$20,000, such loan agreement to be in, or substantially in, the same form as that filed in this proceeding.
2. Happy Valley Telephone Company, a corporation, on or after the effective date hereof, may issue a note in the principal amount not to exceed \$20,000, in accordance with the terms of said loan agreement for the purposes set forth in this application.
3. Happy Valley Telephone Company, a corporation, on or after the effective date hereof, may issue not to exceed \$13,800 par value of common stock for the purpose set forth in this application.
4. Happy Valley Telephone Company 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.

5. The authority herein granted will become effective when Happy Valley 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
1st day of February, 1960.

Everett R. Peag
President
John E. Mitchell
William D. Smith
E. J. Fox
Theodore J. Danner
Commissioners

