

**ORIGINAL**

Decision No. 59687

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of

THE PONDEROSA TELEPHONE CO.

For an order authorizing it to borrow up to \$47,000.00.

Application No. 41821

O P I N I O N

In this application, filed on January 5, 1960, The Ponderosa Telephone Co., a corporation, seeks authorization from the Commission (1) to enter into a loan agreement with Stromberg-Carlson, a division of General Dynamics Corporation, (2) to issue notes in the aggregate principal amount of \$47,000, and (3) to execute a mortgage to secure the payment of said notes.

Applicant is engaged in operating a public utility telephone service in portions of Fresno and Madera Counties with the principal place of business being at O'Neals, Madera County. By Decision No. 56240, dated February 18, 1958, in Application No. 39724, applicant was authorized to issue interim notes aggregating not to exceed \$120,000 pursuant to the terms of a loan agreement made with Stromberg-Carlson. Applicant reports that as of December 31, 1959, interim notes issued under the agreement totaled \$109,892.25, and that this amount was expended for the expansion of the central office equipment and outside plant, and for the conversion of the telephone system to dial operation.

In this proceeding, applicant reports that it has experienced an increasing demand for telephone service which required and again requires the expansion of central office equipment and outside plant facilities. It estimates that in excess of an additional \$47,000 will be needed to pay for equipment and materials for additional construction of plant.

Applicant further reports that it is not in a position to finance such a large construction program out of current resources and, accordingly, it has negotiated a loan agreement with Stromberg-Carlson, a division of General Dynamics Corporation, for additional long-term borrowing in the aggregate principal amount of \$47,000.

Under the terms of the proposed loan agreement, applicant, from time to time, will issue interim notes payable on demand with interest at the rate of 5-3/4% per annum and, on or before December 31, 1961, will issue a final note in substitution for said interim notes which will then be canceled. Said final note will be payable in 240 consecutive monthly and substantially equal installments, with interest at the rate of 6% per annum on the unpaid balances. The payment of the final note will be secured by a mortgage on the corporation's properties.

Annual reports filed with the Commission during the last five years by applicant and its predecessor show that from the beginning of 1954 to the end of 1958, the number of working stations increased from 249 to 279, that annual gross revenues

increased from \$39,344 to \$72,486, and that annual net income increased from \$7,171 to \$17,631.

Applicant reports assets, liabilities and capital as of June 30, 1959, as follows:

Assets

Net investment in plant	\$153,856
Current assets	16,991
Deferred charges	<u>436</u>
Total	<u>\$171,283</u>

Liabilities and Capital

Notes payable	\$ 2,100
Other current liabilities	12,232
Long-term debt	73,501
Capital stock	66,060
Earned surplus	<u>17,390</u>
Total	<u>\$171,283</u>

For the six months ended June 30, 1959, applicant reports gross revenues of \$39,260 and net income of \$5,940.

Upon reviewing this matter we are of the opinion that applicant's requests should be granted.

The authorization herein 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, 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 for the purposes specified herein, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; NOW THEREFORE,

IT IS HEREBY ORDERED as follows:

1. The Ponderosa Telephone Co. may execute and enter into a loan agreement with Stromberg-Carlson, a division of General Dynamics Corporation, and may execute a mortgage and supplemental mortgage, or supplemental mortgages, which instruments shall be in, or substantially in, the same form as those filed in this proceeding.

2. The Ponderosa Telephone Co. may issue interim notes pursuant to the terms of said loan agreement and for the purpose set forth therein, in the aggregate amount of not to exceed \$47,000 at any one time outstanding.

3. The Ponderosa Telephone Co. may issue its final note, on or before December 31, 1961, as set forth in said loan agreement in the principal amount of not to exceed \$47,000 in substitution of interim notes of like amount then outstanding.

4. The Ponderosa Telephone Co. 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.

5. The authority herein granted will become effective when The Ponderosa Telephone Co. has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$47.

Dated at San Francisco, California,  
this 23<sup>rd</sup> day of FEBRUARY, 1960.

\_\_\_\_\_  
President

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Commissioners

