

ORIGINAL

Decision No. 59904

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application
of Gilroy Telephone Company, a
California corporation, for an
Order authorizing it to borrow
\$200,000 from the Pacific Mutual
Life Insurance Company.

Application No. 42062

O P I N I O N

In this application, filed on March 21, 1960, Gilroy Telephone Company requests that the Commission enter an order authorizing it to issue a promissory note, or notes, in the aggregate principal amount of \$200,000 and to execute a loan agreement and a supplemental trust indenture and mortgage of chattels.

Gilroy Telephone Company owns and operates a telephone system serving the City of Gilroy and surrounding territory. In its income statement for the year ended December 31, 1959, applicant reports total operating revenues of \$431,939.66, operating income, after taxes, of \$81,100.96 and net income to surplus of \$57,896.16. A summarization of its December 31, 1959 balance sheet shows assets and liabilities as follows:

Assets

Current assets -		
Cash	\$ 30,233.63	
Accounts receivable	45,978.33	
Material and supplies	<u>28,435.12</u>	
Total current assets		\$ 104,647.08
Fixed assets	1,209,278.56	
Less: Reserves for depreciation and amortization	<u>190,813.16</u>	
Total fixed assets		1,018,465.40
Prepayments		<u>6,823.58</u>
Total assets		<u>\$1,129,936.06</u>

Liabilities

Current liabilities -		
Notes payable	\$ 100,000.00	
Accounts payable	26,450.27	
Other current liabilities	<u>96,986.94</u>	
Total current liabilities		\$ 223,437.21
Long-term debt		243,000.00
Provident reserves		8,566.63
Other deferred credits		6,664.88
Capital -		
Common stock	362,400.00	
Premium on common stock	151,762.73	
Surplus	<u>134,104.61</u>	
Total capital		<u>648,267.34</u>
Total liabilities		<u>\$1,129,936.06</u>

The \$100,000 of notes payable reported as a current liability in applicant's balance sheet represent short-term borrowings under a credit agreement with Bank of America National Trust and Savings Association. To refinance this short-term borrowing and to finance, in part, its 1960 construction program, estimated to be \$150,000, applicant proposes to enter into a loan agreement with Pacific Mutual Life Insurance Company, to issue its promissory note, or notes, in the aggregate principal amount of \$200,000 and to execute a supplemental trust indenture and mortgage of chattels. A copy of the form of the proposed loan

agreement, of the promissory note, and of the supplemental trust indenture and mortgage of chattels are attached to the application as Exhibit C.

The proposed note, or notes, will bear interest at the rate of 5-3/4 per cent per annum and will be payable in installments of amounts equal to two per cent of the original amount of each note on the first day of February of each year commencing February 1, 1962, and continuing, unless sooner repaid in full, until February 1, 1985, when the entire unpaid balance shall be due and payable. Prepayments may be made at any time after February 1, 1965, at an initial premium of 5-3/4 per cent, decreasing annually at the rate of one-quarter of one per cent.

From a review of the application, it is clear that applicant will have need for the funds to be derived from the issue of the proposed note and an order will be entered granting applicant's request.

Applicant is placed on notice that the authority herein granted is for the issue of securities 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.

ORDER

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 through the issue of the note, or 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; therefore,

IT IS HEREBY ORDERED as follows:

1. Gilroy Telephone Company, on or after the effective date hereof and on or before December 31, 1960, may issue its promissory notes in the aggregate principal amount of not to exceed \$200,000 for the purposes set forth in this application and may execute a loan agreement and a supplemental trust indenture and mortgage of chattels, said documents to be in, or substantially in, the same form as those on file in this proceeding as Exhibit C.

2. Gilroy 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.

3. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$200.

Dated at San Francisco, California,
this 10th day of April, 1960.

[Signature]
President
[Signature]
[Signature]
[Signature]
[Signature]
Commissioners

