

**ORIGINAL**

Decision No. 65403

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application  
of DUCOR TELEPHONE COMPANY

For an order authorizing it to  
borrow up to \$92,000.00 and to  
mortgage its assets as security  
therefor.

Application No. 45209  
Filed February 28, 1963  
and Amendment  
Filed April 24, 1963

O P I N I O N

In this application, as amended, Ducor Telephone Company, a corporation, applicant herein, seeks an order of the Commission authorizing it to enter into a loan agreement with General Dynamics Corporation, to execute mortgages, and to issue notes in the aggregate principal amount of not to exceed \$72,000.

Applicant, a California corporation, operates a public utility dial telephone system in and about Ducor, Tulare County, and surrounding territory. At this time, in order to improve its service, the company proposes to install additional dial and toll ticketing equipment and other improvements at a cost estimated in excess of \$72,000.

In order to obtain the required funds, applicant proposes to enter into a loan agreement with General Dynamics Corporation under the terms of which it can borrow, from time to time, up to \$72,000, the borrowings to be represented by 6% interim notes to be replaced on or before December 31, 1965, by a final note which will be payable in 240 consecutive monthly installments, with interest at the rate of 6% per annum, and which will be secured by a mortgage of chattels and real property and a supplemental mortgage, or mortgages. The loan agreement provides that the debt at the time the final note is executed and delivered shall not exceed 75% of the depreciated original cost of the company's properties.

There are presently 113 main stations attached to the company's lines and its net investment in utility plant is approximately \$38,500, or about \$340 per station. Completion of the construction contemplated under the loan would result in net investment of \$110,500, or about \$978 per station. Present revenues are approximately \$17,000 per annum, consisting of \$6,000 of local service revenues and \$11,000 of toll revenues. For the year ended December 31, 1962, applicant reports a net loss of \$1,010.81, after deducting depreciation charges of \$1,946.92.

The company's ability to meet the requirements under the proposed loan, without additional external financing, can be realized only on the basis of an assumed increase of more than 100% in toll revenues which would be obtained if applicant were to adopt a full-cost basis of toll settlement. Under such basis of settlement, applicant would retain all of its originating toll revenue and would also receive from The Pacific Telephone and Telegraph Company all of its billing for toll from all points terminating in Ducor, plus an additional amount.

Toll revenues amounting to four or five times the local service revenues should result from the added construction and the adoption of full-cost basis of toll settlement. Under such conditions, a decline in toll revenues will have a serious impact on applicant's ability to meet the financial requirements under the proposed loan.

The proposed loan would, however, provide needed improvements in the company's plant and service. Applicant is desirous of improving service and is of the opinion that the financial requirements under the proposed loan can be met.

The Commission has considered this matter and is of the opinion that the money, property or labor to be procured or paid for by the issue of the notes herein authorized is reasonably required by applicant for the purposes specified herein; that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; and that the application, as amended, should be granted. A public hearing is not necessary.

The authorization herein granted shall not be construed as indicative of amounts to be included in future proceedings for the purpose of fixing just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. Ducor Telephone Company, a corporation, may enter into a loan agreement with General Dynamics Corporation in the same form, or substantially in the same form, as the

loan agreement filed in this proceeding as Exhibit A, modified in the manner indicated in the amendment to the application, and may execute and deliver a mortgage of chattels and real property and a supplemental mortgage, or mortgages, in the same forms, or substantially in the same forms, as those filed in this proceeding as Exhibit B and Exhibit B-1.

2. Ducor Telephone Company, a corporation, for the purpose of financing the cost of improvements and of paying indebtedness, may issue its interim notes and its final note, in an aggregate amount of not to exceed \$72,000 at any one time outstanding, in the forms and under the terms and conditions set forth in said loan agreement, as amended.

3. Ducor Telephone Company, a corporation, 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. This order shall become effective when Ducor Telephone Company, a corporation, has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$72.

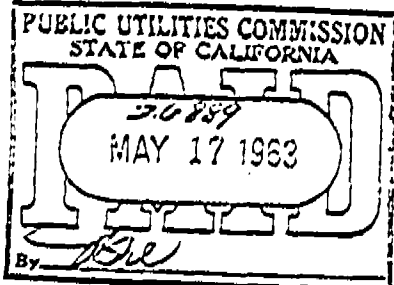
Dated at San Francisco, California, this 14<sup>th</sup> day of MAY, 1963.

George J. Trover  
President

John E. Mitchell

Frederick B. Hallock

William W. Bennett



Commissioner Everett C. Commissioners necessarily absent, did not participate in the disposition of this proceeding.