

ORIGINAL

Decision No. 69515

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of)
))
DORRIS TELEPHONE COMPANY,)
a corporation,)
))
for authority to (a) borrow up to)
\$64,000, (b) execute a Mortgage)
and Supplemental Mortgages, and)
(c) enter into an agreement)
prohibiting prepayment of an)
installment note.)

Application No. 47735
Filed July 8, 1965
and Amendment
Filed July 19, 1965

O P I N I O N

This is an application for an order of the Commission authorizing Dorris Telephone Company to issue notes aggregating \$64,000, and to execute a mortgage and supplemental mortgages.

Applicant is a California corporation furnishing telephone service in and about the communities of Dorris and Macdoel, Siskiyou County. Its December 31, 1964 balance sheet shows the company's net investment in telephone plant as \$156,425, and that total assets of \$167,060 were offset by liabilities of \$91,608 and common stock equity of \$75,452. The company's 1964 income statement shows operating revenues of \$69,431 and net income of \$2,715 after deducting \$11,948 for depreciation expense. The utility's latest annual report on file with the Commission shows 570 telephones in service as of December 31, 1964.

The company asserts that increased demand for telephone service has required the expansion of central office equipment and outside plant facilities and that the cost of such expansion and new construction, together with certain other items, will be in excess of \$64,000. It appears that applicant, not being in a position to finance the program through the use of internally generated funds, has issued and will issue demand notes for the purpose of obtaining temporary financing.

The demand notes which applicant proposes to refinance, together with additional funds to be provided by the proposed financing, were, or will be, used in payment for the following:

Financing by Robert H. Edgar and Marion
A. Edgar -

Poles and wire	\$11,140
Vehicles	9,146
Mobile radio equipment	<u>3,714</u>
Total	<u>\$24,000</u>

Financing by General Dynamics Corporation -

CDO Macdoel	\$21,000
Outside plant materials	9,200
Transmission equipment	2,000
Telephones	1,500
Building	5,400
Construction labor	<u>900</u>
Total	<u>\$40,000</u>
Grand Total	<u>\$64,000</u>

Applicant seeks authority to enter into a Loan Agreement with General Dynamics Corporation to borrow \$40,000 represented by interim notes which will be replaced by a final note on or before June 30, 1966. The interim and final notes will bear interest at the rate of 6% per annum, and the final note will be repayable in 240 monthly installments. The indebtedness to be evidenced by said notes will be secured by a mortgage and supplemental mortgages. As a condition precedent to entering into said Loan Agreement, General Dynamics Corporation has required that \$24,000 principal amount of applicant's 6% demand notes held by Robert H. Edgar and Marion A. Edgar be converted into one installment note. Pursuant to the terms of said agreement, the company proposes to issue a \$24,000 note, bearing interest at the rate of 6% per annum and repayable in installments of \$100 or more per month upon principal. Said agreement further provides that not more than \$2,500 upon principal shall be repaid on the \$24,000 note in any calendar year without consent of General Dynamics Corporation.

The Commission has considered this matter and finds that: (1) the proposed notes are for proper purposes; (2) 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; (3) such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; and (4) the proposed mortgage and supplemental mortgages would not be adverse to the public interest.

On the basis of the foregoing findings we conclude that the application should be granted. A public hearing is not necessary. The authorization herein given is not to be construed as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. Dorris Telephone Company may enter into a Loan Agreement with General Dynamics Corporation, may execute and deliver a mortgage and supplemental mortgages and, for the purposes specified in this proceeding, may issue interim notes in the aggregate principal amount of not to exceed \$40,000, and thereafter may replace such interim notes by a final note. Said documents shall be in the same form, or in substantially the same form, as those attached to the application.

2. Dorris Telephone Company, for the purpose of converting demand notes held by Robert H. Edgar and Marion A. Edgar into an installment note, may issue an unsecured note in the principal amount of not to exceed \$24,000, and may enter into an agreement regarding principal payments thereon, which note and agreement shall be in the same form, or in substantially the same form, as Exhibit E on file in this proceeding.

3. Dorris Telephone Company shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

4. This order shall become effective when Dorris Telephone Company has paid the fee prescribed by Section 1904 (b) of the Public Utilities Code, which fee is \$64.

Dated at San Francisco, California, this 10th day of AUGUST, 1965.

Frederick B. Holbrook
President

Attorney

William W. Bennett

Commissioners

Commissioner George G. Grover, being necessarily absent, did not participate in the disposition of this proceeding.

