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**ORIGINAL**

Decision No. \_\_\_\_\_

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of )  
CENTRAL CALIFORNIA TELEPHONE )  
COMPANY )  
for an Order authorizing it (a) )  
to execute a loan agreement with )  
Pacific Mutual Life Insurance )  
Company; and (b) to sell and )  
issue not to exceed \$630,000 )  
principal amount of its 5-1/4% )  
promissory notes to Pacific )  
Mutual Life Insurance Company, )  
pursuant to said loan agreement. )

Application No. 48205  
Filed January 25, 1966

O P I N I O N

This is an application for an order of the Commission authorizing Central California Telephone Company to execute a loan agreement and to issue promissory notes in the aggregate principal amount of not to exceed \$630,000.

Applicant is a California corporation engaged as a public utility in the business of furnishing local and toll telephone service in the Counties of Calaveras, Kern, Kings, San Joaquin, Stanislaus and Tulare. Financial reports on file with the Commission indicate that for the eleven-month period ended November 30, 1965, the company's operating revenues and net income were \$1,118,481 and \$113,029, respectively. As of November 30, 1965, applicant reports net telephone plant amounting to \$4,771,053 which it financed, for the most part, by long-term borrowings through the Rural Electrification Administration.

The utility refers to Application No. 48119, filed with the Commission on December 13, 1965, wherein applicant stressed the necessity of spending unusual amounts for additions and betterments to its systems and indicated that construction expenditures for the two-year period ending December 31, 1966 will total approximately \$1,171,600.

In this proceeding the company proposes to borrow the sum of \$630,000 from Pacific Mutual Life Insurance Company pursuant to the terms of a loan agreement. The borrowings will be evidenced by promissory notes aggregating \$630,000 and bearing interest at the rate of 5-1/4% per annum, payable semi-annually. Said notes will mature January 1, 1991 and prepayment privileges will be subject to the frequently imposed five-year restricted prepayment provision.

In accordance with said loan agreement, the money to be obtained from the borrowings contemplated herein will be used for capital additions, retirement of bank loans now or hereafter outstanding which are or will be incurred for the purpose of making capital additions, and reimbursement of the company's treasury for funds heretofore or hereafter expended for capital additions.

The utility reports that several communities in its service area having populations in excess of 1,500 persons are no longer considered "rural" by the Rural Electrification Administration and that a large part of its future construction requirements apparently would not qualify for additional loans from the agency. Applicant states further that, according to informed sources, other utilities have had loans denied because

of the population restriction and have been unable to obtain long-term borrowings from other lending institutions.

Certain other policies of the Rural Electrification Administration which have influenced the company's decision to refrain from seeking further long-term financing through said agency are cited in the application and are summarized as follows:

- a. All construction is based on area coverage designs covering five-year periods. Additional loans related thereto must be combined with new equity capital equal to 20 percent of the assets to be added if the borrower is owned and controlled by a holding company, which limitation would apply to applicant.
- b. Such equity capital is usually obtained from the sale of stock and no provision is made by the agency for using internally generated funds for construction purposes, thereby causing the company funds to remain idle for extended periods of time.
- c. Loan applications presently before the agency aggregate approximately \$150,000,000 for which available funds amount to only \$95,000,000.
- d. Cooperatives and family-owned companies are given preference by the agency.

Applicant asserts that the conventional financing proposed herein will permit it to meet present and future responsibilities at the lowest ultimate cost.

The Commission has considered this matter and finds that: (1) the proposed loan agreement will not be adverse to the public interest; (2) the proposed notes are for proper purposes; (3) applicant will be required to pay interest at a lower rate than it would in the absence of a restricted prepayment provision; (4) 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  
(5) such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income. A public hearing is not necessary.

On the basis of the foregoing findings we conclude that the application should be granted. The authorization herein given is for the purpose of this proceeding only and 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. Central California Telephone Company may execute and deliver a loan agreement and, pursuant to the terms thereof, may issue and deliver its 5-1/4% promissory notes in the aggregate principal amount of not to exceed \$630,000. Said documents shall be in the same form, or in substantially the same form, as those attached to the application.

2. Central California Telephone Company shall use the proceeds to be derived from issuing the notes herein authorized for the purposes specified in this proceeding.

3. Central California 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 Central California Telephone Company has paid the fee prescribed by Section 1904 (b) of the Public Utilities Code, which fee is \$630.

Dated at San Francisco, California,  
this 25<sup>th</sup> day of FEBRUARY, 1966.

Frederick B. Holbrook  
President

John P. Mitchell

George H. Glover

Augusta

William W. Bennett  
Commissioners

