

ORIGINAL

Decision No. 71253

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of)

SAN MIGUEL TELEPHONE COMPANY OF)
CALIFORNIA)

for authorization)

(1) to issue and sell up to)
2,500 shares of the capital)
stock of SAN MIGUEL TELEPHONE)
COMPANY OF CALIFORNIA; and)

(2) to borrow \$347,000, and)
issue notes and execute)
security instruments in)
connection therewith.)

Application No. 48721
Filed August 18, 1966

O P I N I O N

This is an application for an order of the Commission authorizing San Miguel Telephone Company of California (1) to issue and sell not to exceed \$25,000 aggregate par value of its capital stock, (2) to enter into and execute an Amendment to its Loan Contract with the United States of America, acting through the Administrator of the Rural Electrification Administration, (3) to execute and deliver Supplemental Mortgages, and (4) to issue Mortgage Notes in the aggregate principal amount of \$347,000.

Applicant is a California corporation operating as a public utility telephone company in portions of Kern, Monterey, San Luis Obispo and Sonoma Counties. For the first six months of 1966 it reports operating revenues of \$84,708 including \$19,464 derived from a retroactive toll settlement with The Pacific Telephone and Telegraph Company. The corresponding reported net income amounts to \$7,645 after deducting \$10,969 for depreciation.

Previously, the Commission has authorized applicant to engage in Rural Electrification Administration financing to the extent of \$876,000. In connection with its program for serving a total of approximately 1,310 subscribers, the company proposes to increase its Rural Electrification Administration borrowings to a maximum of \$1,223,000.

The \$347,000 borrowing contemplated in this proceeding will follow the usual terms for loans made through the Rural Electrification Administration and will be evidenced by 35-year mortgage notes bearing interest at the rate of 2% per annum. The notes will be secured by the existing mortgage as amended or supplemented. As a condition for obtaining said \$347,000, the Rural Electrification Administration requires applicant to increase its equity funds by at least \$22,200 through the sale of additional shares of its common stock.

Applicant proposes to obtain \$372,000 through the issuance of said \$347,000 of notes and the sale of \$25,000 aggregate par value of its common stock. The proceeds are to be expended for telephone plant and equipment or to retire open account or short-term debt incurred for the same, in approximate amounts as follows:

San Luis Obispo - Kern - Monterey County Area -		
Completion of outside plant for which		
previously authorized funds were		
insufficient		\$115,000
Sonoma County Area -		
Construction and equipment for Timber		
Cove Exchange, as follows:		
Buildings and land	\$ 22,000	
Central office and office		
equipment	50,000	
Vehicles and work equipment	15,000	
Outside plant and station		
equipment	147,000	
Plant and construction		
engineering	<u>23,000</u>	<u>257,000</u>
Total		<u>\$372,000</u>

The funds to be derived from the proposed stock and note issues will assist applicant in its efforts to meet increasing demands for telephone services and to provide a higher grade of telephone service in a portion of the areas in which it has been authorized to serve. Based upon information contained in the application, it appears that increases in toll and local service revenues and in other internally generated funds to be derived from operating the additional facilities will enable applicant to meet its cash requirements.

The Commission has considered this matter and finds that: (1) the proposed stock and note issues are for proper purposes; (2) the money, property or labor to be procured or paid for by the issue of the stock and 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 documents will not be adverse to the public interest. On the basis of these findings, we conclude that the application should be granted. A public hearing is not necessary.

In issuing our order herein, we place applicant and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares nor the dividends paid as measuring the return applicant should be allowed to earn on its investment in plant and that the authorization herein granted is not to be construed as a finding of the value of applicant's stock or properties nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

ORDER

IT IS ORDERED that:

1. San Miguel Telephone Company of California may enter into and execute an Amendment to its Loan Contract with the United States of America, acting through the Administrator of the Rural Electrification Administration, and may execute

and deliver Supplemental Mortgages, which documents shall be in the same form, or in substantially the same form, as those attached to the application as Exhibit B and Exhibit D, respectively.

2. San Miguel Telephone Company of California may issue Mortgage Notes in the aggregate principal amount of not to exceed \$347,000 in the same form, or in substantially the same form, as that attached to the application as Exhibit C.

3. San Miguel Telephone Company of California may issue and sell, at par, not to exceed 2,500 shares of its \$10 par value common capital stock.

4. San Miguel Telephone Company of California shall use the proceeds to be derived from the stock and note issues herein authorized for the purposes set forth in this proceeding.

5. San Miguel Telephone Company of California 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.

6. This order shall become effective when San Miguel Telephone Company of California has paid the fee prescribed by Section 1904 (b) of the Public Utilities Code, which fee is \$347.

Dated at San Francisco, California, this 6th day of SEPTEMBER, 1966.

Commissioner Frederick B. Holoboff, being necessarily absent, did not participate in the disposition of this proceeding.

Robert E. Mitchell
President

George J. Trover

Augustin

William W. Beckett

Commissioners

