

ORIGINAL

Decision No. 72022

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of)
))
ROSEVILLE TELEPHONE COMPANY,)
a California corporation,)
))
for an Order authorizing it)
(a) to execute a loan agreement)
with Pacific Mutual Life)
Insurance Company providing for)
aggregate loans of \$1,500,000;)
(b) to issue its promissory)
note(s) in the aggregate)
principal amount of \$1,500,000)
pursuant to said agreement which)
note(s) are payable at periods)
of more than 12 months after)
date of execution; and (c) to)
execute a Fifth Supplemental)
Mortgage supplementing Mortgage)
dated January 23, 1952 as)
previously amended and)
supplemented.)

Application No. 49076
Filed January 12, 1967
and Amendment
Filed January 30, 1967

O P I N I O N

Roseville Telephone Company requests authorization from the Commission to execute a Loan Agreement and a Fifth Supplemental Mortgage, and to issue a promissory note, or notes, in the aggregate principal amount of not to exceed \$1,500,000.

Applicant is a California corporation providing local and long distance telephone service in and about the City of Roseville. For the ten months ended October 31, 1966, the company reports operating revenues of \$2,312,479 and net income amounting to \$308,058.

The balance sheet as of October 31, 1966, attached to the application as part of Exhibit A, discloses that applicant's net telephone plant, after deducting accumulated depreciation, amounted to \$9,523,876. The corporation's capitalization ratios on the balance sheet date, and as adjusted to give effect to the financing proposed herein, are computed as follows:

	<u>Oct. 31, 1966</u>	<u>Pro Forma</u>
Long-term debt	40%	48%
Common stock equity	<u>60</u>	<u>52</u>
Total	<u>100%</u>	<u>100%</u>

The application indicates that the company has financed its plant investment, in part, with funds borrowed from Pacific Mutual Life Insurance Company and that, pursuant to authority previously granted by this Commission, applicant has issued long-term notes in evidence of such loans and has executed a mortgage and four subsequent supplemental mortgages. The company reports an unpaid balance of \$3,537,500 outstanding on said notes as of December 31, 1966.

Applicant asserts that the increased demand for service in its territory has required, and will continue to require, utilization of short-term bank loans, the proceeds of which have been, or will be, applied to capital additions and betterments of its telephone plant. The company anticipates that the outstanding balance of such loans as of March 1, 1967 will amount to \$1,500,000.

In order to obtain the funds needed to retire said short-term loans, applicant proposes to borrow \$1,500,000 from Pacific Mutual Life Insurance Company under and pursuant to the terms of a Loan Agreement. The borrowing will be evidenced by a note, or notes, aggregating \$1,500,000 and bearing interest at the rate of 6-1/2% per annum payable semi-annually. The note, or notes, will mature March 1, 1992 and will be secured by the existing Mortgage of Chattels as previously supplemented and as further supplemented by a proposed Fifth Supplemental Mortgage. Optional prepayment privileges will be subject to restrictions until March 1, 1972.

The Commission has considered this matter and finds that: (1) the proposed note issues are for a proper purpose; (2) applicant will be required to pay interest at a lower rate than it would in the absence of the proposed restricted prepayment provision; (3) the money, property or labor to be procured or paid for by the issue of the notes herein authorized is reasonably required for the purpose specified herein; (4) such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income; and (5) the proposed Loan Agreement and Fifth Supplemental Mortgage will not be adverse to the public interest. A public hearing is not necessary.

On the basis of the foregoing findings we conclude that the application, as amended, should be granted. The authorization herein granted 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. Roseville Telephone Company, on or after the effective date hereof and on or before June 30, 1967, may execute and deliver a Loan Agreement and a Fifth Supplemental Mortgage in the same form, or in substantially the same form, as those attached to the application and reflecting the amendment thereto.

2. On or after the effective date hereof and on or before June 30, 1967, Roseville Telephone Company may issue and deliver its promissory note, or notes, in the aggregate principal amount of not to exceed \$1,500,000 for the purpose specified in the application. Said note, or notes, shall be in the same form, or in substantially the same form, as the copy of a proposed note included in Exhibit B attached to the application.

3. Roseville 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 Roseville Telephone Company has paid the fee prescribed by Section 1904 (b) of the Public Utilities Code, which fee is \$1,250.

Dated at San Francisco, California, this 15th day of FEBRUARY, 1967.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners

