

ORIGINAL

Decision No. 77579

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application	)	
of <u>CALIFORNIA-OREGON TELEPHONE CO.</u> ,	)	
a California corporation, for an	)	Application No. 52038
order authorizing the borrowing of	)	Filed July 15, 1970
funds from its corporate parent, to	)	
include authority to issue its	)	
promissory notes	)	
	)	

O P I N I O N

California-Oregon Telephone Co. requests an order of the Commission authorizing it to issue unsecured notes in the aggregate principal amount of \$500,000.

Applicant is a California corporation providing telephone service in portions of Modoc and Siskiyou Counties. All of its outstanding capital stock is held and owned by United Telephone Company of the Northwest, an Oregon corporation having a telephone plant adjoining that of applicant. For the year 1969, applicant reports total operating revenues and net income amounting to \$294,561 and \$50,141, respectively. As of May 31, 1970, the California utility reports assets and liabilities as follows:

Assets

Telephone plant less depreciation reserve	\$639,317
Current assets	67,422
Prepaid accounts and deferred charges	<u>10,644</u>
Total	<u>\$717,383</u>

Liabilities

Capital stock	\$180,000
Capital surplus	33,198
Unappropriated earned surplus	231,184
Capital stock expense	(1,250)
Funded debt	2,429
Advances from parent company	175,000
Current liabilities	81,858
Accrued liabilities	<u>14,964</u>
Total	<u>\$717,383</u>

Applicant desires to increase its debt ratio to approximately 50%. The utility proposes to accomplish this objective by issuing notes in favor of said United Telephone Company of the Northwest, and aggregating \$500,000 repayable on or before five years after their dates of issue. The notes will bear interest payable monthly at a rate of 1/2 of 1% above the prime rate charged by commercial banks of the Pacific Northwest to their preferred customers for unsecured loans. Such interest will be computed to follow on a day by day basis any changes in the prime rate.

A portion of the note proceeds will be used for repaying a present \$175,000 indebtedness to United Telephone Company of the Northwest, which amount was devoted to the improvement and development of applicant's telephone plant. Out of the remaining \$325,000 of note proceeds applicant will repay \$75,000 of advances from affiliates,

which amount was used for capital improvements. Applicant plans to use the balance of \$250,000 for further development and improvement of its telephone plant, of which approximately \$60,000 would be devoted to the development of rural service to a four-party basis.

After consideration the Commission 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; and (3) 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 action taken herein shall not 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. California-Oregon Telephone Co., for the purposes set forth in this proceeding, may issue its promissory notes in the aggregate principal amount of not exceeding \$500,000. With the exception of the principal amount the notes shall be in the same form, or in substantially the same form, as that attached to the application as Exhibit B.

2. California-Oregon Telephone Co. 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.

3. This order shall become effective when California-Oregon Telephone Co. has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$1,000.

Dated at San Francisco, California, this 4th day of AUGUST, 1970.

[Signature]  
Chairman

[Signature]

William J. ...

[Signature]

Commissioners

Commissioner Vernon L. Sturgoon, being necessarily absent, did not participate in the disposition of this proceeding.

