

Decision No. 8921

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
COLORADO RIVER TELEPHONE COMPANY, a
corporation, for a certificate of
convenience and necessity to con-
struct and maintain and operate a
telephone and telegraph line from
Blythe to Niland.

} Application No. 5375.

In the Matter of the Application of
COLORADO RIVER TELEPHONE COMPANY, a
corporation, for an order authorizing
the issuance and sale of stock and of
corporation notes.

} Application No. 6083.

Ernest Irwin and S. D. Kamrar for Applicant.
N. R. Powley for The Pacific Telephone &
Telegraph Company.
P. R. Ferguson for Interstate Telegraph Com-
pany.

BY THE COMMISSION.

O P I N I O N

Colorado River Telephone Company applies for authority to construct, maintain and operate a telephone and telegraph line between Blythe, in Riverside County, and Niland, in Imperial County, and to issue stock and notes to finance the proposed construction, and retire certain present indebtedness.

A public hearing upon both applications was held by Examiner Westover at Los Angeles.

The proposed toll line will extend via Ripley and Rannels and generally follow the old Butterfield stage route and the Blythe-San Diego wagon road, a distance of about 76 miles.

At Niland the line will connect with the lines of The Pacific Telephone & Telegraph Company.

Applicant owns and operates a telephone system in Blythe and vicinity, a community of about 7,000 people with no present telephone communication with other communities. The proposed line would allow direct communication with Imperial Valley points, Los Angeles and vicinity, and other points. The estimated cost of construction is \$25,170.13. The country to be built through is desert and mountainous in character. The franchises from Riverside and Imperial Counties have been procured.

Applicant estimates its revenue from the proposed new toll line for the first four years at an average of \$4,000. per year, and the cost of maintaining and operating it for the period at an average of \$2,250.00 per year. Its proposed rates, filed as an exhibit since the hearing, should be modified, however, to those set forth in the order herein, to remove discrimination in rates between its present and proposed rates. It is quite possible that the required reduction in the proposed initial rates will stimulate traffic so that the estimated net earnings from the proposed line will not be reduced.

Applicant was incorporated in September, 1915, with an authorized capital stock of 25,000 shares of the par value of \$1.00 each, of which 9593 shares are now outstanding. Applicant has no bonded indebtedness. As of December 31, 1920 applicant reports \$2,000. of notes and \$11,995.97 of accounts payable, making a total indebtedness of \$13,995.97. Applicant's manager has submitted an appraisal as of July 1, 1920, in which he reports the estimated cost of the telephone properties at \$53,703.80. His apprais-

al shows a cost per station of \$152.00. This cost per station appears large to the telephone engineering division of the Engineering Department of the Railroad Commission. Mr. A. D. Wilson, telephone and telegraph engineer of the Railroad Commission, is of the opinion that a cost of \$90.00 per station is high for a plant of the character such as applicant's.

Assuming a cost of \$90.00 per station, the value of the cost of applicant's plant would be approximately \$23,000.00. Applicant intends to build a toll line from Blythe to Miland at an estimated cost of \$25,170.00. The cost of this line added to the estimated cost of \$23,000.00 for the properties now in use, makes a total of \$48,170.00.

Applicant asks permission to issue \$15,407.00 par value of its common stock, \$20,000.00 face value of 5-year 7% notes secured by trust deed, and \$5,447.44 face value of unsecured 5-year 8% notes. The testimony shows that applicant believes that it can sell its stock and notes at 95% of their face value, thus netting \$38,912.07.

The proceeds realized from the sale of its stock and notes, applicant intends to use to pay the cost of constructing the proposed toll line from Blythe to Miland, to refund accounts payable and to pay the cost of additions to its local plant at Blythe. Of the proceeds, approximately \$25,170.00 will be used to pay the cost of the toll line, \$11,367.79 to refund accounts payable, and \$2,274.26 for additions to applicant's local exchange properties at Blythe. Assuming that the stock and notes applied for are issued, and adding to such stock and notes applicant's outstanding stock, it will have outstanding \$53,075.62 of stock

notes against a property having an estimated cost of \$48,170.00, if we assume an estimated cost of \$90.00 per station.

For 1920 applicant reports gross corporate income of \$1,178.48. This amount represents the company's operating revenues, less operating expenses, including taxes. As reported above, applicant estimates its net earnings from the new toll line at \$1,750.00 per annum. Applicant is of the opinion that its earnings after the construction of the toll line will be more than sufficient to pay the interest on the notes it desires to issue.

Applicant has not filed a copy of its proposed trust deed. No final order authorizing the issue of the \$20,000.00 of notes can be made in this proceeding until a trust deed satisfactory to the Commission has been filed.

It appears from the testimony that both of the applications should be granted subject to the conditions of the following order.

O R D E R

COLORADO RIVER TELEPHONE COMPANY, having applied to the Railroad Commission for permission to exercise franchise rights, issue \$15,407.00 of stock, \$25,447.44 of notes and execute a trust deed, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income.

IT IS HEREBY ORDERED that COLORADO RIVER TELEPHONE COMPANY be, and it is hereby, authorized to issue \$15,407.00 of common stock; \$20,000.00 face value of 5-year 7% secured notes and \$5,447.44 of 5-year 8% unsecured notes, all subject to the follow-

ing conditions:

1. The stock and notes herein authorized to be issued shall be sold by applicant for cash at not less than 95% of their par value or face value and accrued interest.
2. None of the \$20,000.00 of secured notes herein authorized to be issued shall be issued until the Commission has authorized applicant to execute a trust deed securing the payment of said notes.
3. The proceeds obtained from the sale of the stock and notes may be used by applicant to pay the cost of constructing the proposed toll line from Blythe to Niland and to pay accounts payable, all of which are referred to in these applications, or for such other purposes as the Railroad Commission may authorize by supplemental order or orders.
4. The authority herein granted to issue notes will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.
5. Colorado River Telephone Company shall keep such record of the issue and sale of the stock and notes herein authorized and of the disposition of the proceeds as will enable it to file on or before the 25th day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.
6. The authority herein granted to issue stock and notes will apply only to such stock and notes as may be issued, sold and delivered on or before December 15, 1921.

THE RAILROAD COMMISSION HEREBY DECLARES that public convenience and necessity require and will require Colorado River Telephone Company to construct the toll line from Blythe to Niland, referred to in these applications, and to exercise the rights and privileges conferred by Ordinance No. 57 of the Board of Supervisors of Imperial County, a copy of which ordinance has been filed in Application No. 5375 and marked Exhibit "A", provided that Colorado River Telephone Company, its successors and assigns, will never claim before this Commission or any other public body a value for the rights and privileges secured in said ordinance in excess of \$162.50, the amount paid to Imperial County to secure said rights and privileges; and provided further that Colorado River Telephone Company will file with the Commission, within thirty (30) days of the completion of the proposed toll line, and charge, until otherwise authorized by the Commission, the following rates for long distance telephone toll and telegraph service between Blythe and Niland:

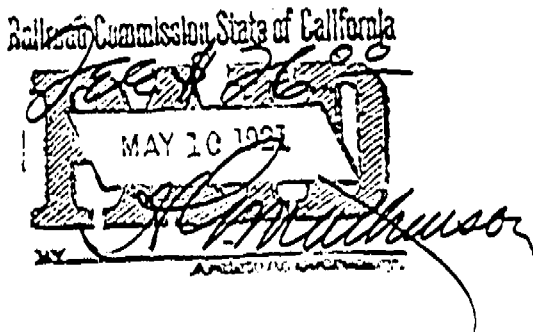
A - TOLL RATES

| | |
|---|--------|
| Station to station calls, two minutes, | \$.60 |
| Each additional minute, | .20 |
| Person to person calls, two minutes, | .75 |
| Each additional minute, | .25 |
| Completed appointment and messenger calls, two minutes, | .90 |
| Each additional minute, | .30 |
| Report charge, | .15 |
| Station to station calls, 8:30 P.M. to 12 midnight, two minutes, | .30 |
| Each additional minute, | .10 |
| Station to station calls, midnight to 4:30 A.M., two minutes, | .25 |
| Each additional minute, | .05 |

B - TELEGRAPH RATES

| | |
|---------------------------|--------|
| Day message, 10 words, | \$.36 |
| Each additional word, | .025 |
| Night message, 10 words, | .30 |
| Each additional word, | .012 |
| Day letter, 50 words, | .54 |
| Each additional 10 words, | .11 |
| Night letter, 50 words, | .36 |
| Each additional 10 words, | .075 |

Dated at San Francisco, California, this 30 day
of May, 1921.



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Commissioners.