## ORIGIMAL

Decision No.48810

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of COLFAX TELEPHONE EXCHANGE, a corporation, for authority:

l. To enter into a loan agreement with the United States of America under and pursuant to the Rural Electrification Act of 1936, as amended, acting through the administrator of the Rural Electrification Administration (REA);

2. To execute its promissory note to ) said United States of America in the sum of \$120,000.00, said obligation to bear interest at the rate of 2% per annum; :

3. To execute and deliver a mortgage of ) realty and chattels covering all of the

properties of applicant as security for the payment of said obligation;

4. To apply the proceeds derived from said note to the expansion, rehabilitation and improvement of the plant, plant facilities, and of said system.

Application No. 34274

Frank Gillio and C. A. Gibbs, for applicant;
W. W. Dunlop, for the staff of the Commission.

## <u>OPINIQN</u>

In this proceeding Colfax Telephone Exchange seeks authorization to issue notes to the United States of America, acting through the Rural Electrification Administration, and to execute a loan agreement and a mortgage.

The application was filed on April 20, 1953, and originally contained a request to issue notes in the principal amount of \$120,000. A public hearing in the matter was held in San Francisco before Commissioner Huls and Examiner Coleman on May 29, 1953, at which time the application was amended to increase the amount of the proposed borrowing to \$190,000. Thereafter, leave having been granted, applicant filed additional exhibits on June 8, 1953.

Applicant is a California corporation engaged in operating a telephone System th and about the City of Colfax, Prister County.  $^{-1}$ wi $^{-1}$ hines extending into Nevada County. $^{+1}$ Ithreports that in intits Propinion it has become necessary and desirable for it to convert its system to diel operations, to rebuild and add to its present outside suplant, to upgrade subscribers desiring a higher grade of service, to provide plant marging to replace station wiring and installations and to purchase land, and to construct facilities to house central office: equipment, and to provide office, and warehouse, space. Will

be 578 attations in operation at the cutover to diel service, a day The record shows that applicant tentatively has negotiated on R.E.A. loan in the principal amount up to \$190,000 to finance the cost of its additions and improvements. The proposed borrowing, if consummated, will be made pursuant to the terms of a loan contract, dated as of September 17, 1952, and will be secured by a mortgage of realty and chattels. The amounts to be advanced to applicant will be represented by a note, or notes, bearing interest at the rate of 2% per annum and payable over a period of 35 years 112

209, 13) At December 31, 1952, the recorded cost of applicant's telephone system was \$37,683,90 with 475 stations being served. The effect on the plant accounts of the proposed accitions and improvements is indicated in the following tabulation: 62.30

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From a review of the evidence in this proceeding it appears that the company soproposed program for the conversion, rehabilitation and expansion of aits telephone plant intsome respects will throm accrues to the benefft those the public cat I towill provide atmodern plant equipped for dial operation, will provide the additional facilities necessary to permit the upgrading of service where that is desired Tpon a full review of this matter we are of the opinion and will enable applicant to extend its lines to reach prospective is, we so sald ention a proliminary order as this time gathorizing: subscribers to whom service is not available at this time. On the recursion of the loan agreement and the nortgage and the loane of the other hand, the properties would be heavily mortgaged in the loans were diag 1220,000 of notes. In view of the fact that applicant to were to be approved in their entirety and it is apparent that the program is based, in part, on the assumption that increased rates from the proceeds, to the disposition of the proceeds, to will be put into effect and that, in fact, such rate increases will require to deposit such proceeds as it may receive from the be necessary to enable applicant to meet its obligations under loans The dimmental little from those sheet levicous and vall parmit the in the total amount requested in this application. unam duan mameya amly Kar swam purpasad 🔡

1704 in a Itris; of course, n, ther duty of, a lutility to maintain and improve lits properties and todextendrits lines solas to provide efficient and adequate service for present and prospective customers at reasonable rates. The record shows that applicant has need for funds to rehabilitate its plant and to provide facilities to meet demands for service and that it has been unsuccessful in obtaining from other sources either borrowed money or equity capital for these purposes. A Rowever the testimony as not convincing that applicant on the convincing that applicant will have need for loans up to \$190,000 or that it should undertake to finance at this time the long-range program referred to in the consequence station as to and anchuang station as to wid India proceeding. For example, there is nothing in the record to support the estimated expenditures of \$26,500 for miscellaneous purposes and contingencies. The record does not show the type and cost of the central office equipment, the specific location and description of the outside plant; and the dates of commencement and completion, nor Applicate, nowever, it is an election of commencement and completion, nor does it indicate to what extent the expenditure for line extensions returnation chall be vested ... the pelephon

In considering this application at this time, we are in no way passing on applicant's rates, rules and regulations or approving any revision of its presently filed tariffs. In the event we may be called upon to fix rates in the future, we will give consideration at that time to applicant's investment in its properties and the terms under which it has financed itself. We will require it to charge such rates as we have approved or may approve and to abide by the terms of its filed rules and regulations, including those for line extension charges. The action taken herein shall not be construed as an indication that we will approve any revision in applicant's rates, rules and regulations.

## ORDER

A public hearing having been held on the above entitled matter, and the Commission having considered the evidence and being of the opinion that a preliminary order should be entered at this time; therefore,

## IT IS HEREBY ORDERED as follows:

- 1. Colfax Telephone Exchange may enter into a loan contract in substantially the same form as that filed in this proceeding as Exhibit A, and, on or before December 31, 1953, may execute a mortgage of realty and chattels in, or substantially in, the same form as that filed as Exhibit C.
- 2. Colfax Telephone Exchange may issue, on or before June 30, 1954, not exceeding \$120,000 of its promissory notes in substantially the same form as the note filed in this proceeding as Exhibit B, provided that the proceeds from the issue of such notes be deposited by applicant in a special bank account and withdrawn

only for such purposes as the Commission may authorize in a supplemental order, or orders, in this proceeding.

- 3. Colfax Telephone Exchange shall file with the Commission monthly reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.
- 4. The authority herein granted will become effective when Colfax Telephone Exchange has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$120.00.

Dated at San Francisco, California, this 14 the day of July, 1953.

President

Halles D. Galenes

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Commissioners

Commissioner .KENNCIH.POTIER... being necessarily absent, did not participate in the disposition of this proceeding.

