



Applicant is a California corporation engaged in operating a telephone system in and about the City of Colfax, Placer County, with lines extending into Nevada County. It reports that in its opinion it has become necessary and desirable for it to convert its system to dial operations, to rebuild and add to its present outside plant, to upgrade subscribers desiring a higher grade of service, to provide plant margins, 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.

The record shows that applicant tentatively has negotiated an 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.

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 additions and improvements is indicated in the following tabulation:

	Accounts	Retirements	Additions, Improvements	Balance
Organization expenses	\$160.00	\$ 160.00	\$27,610.00	\$27,450.00
Land	-	-	3,500.00	3,500.00
Buildings	-	-	18,000.00	18,000.00
Central office	1,049.29	1,049.29	48,500.00	48,500.00
Station equip.	10,220.21	10,220.21	32,175.00	32,175.00
Station wiring	4,063.51	1,000.00	10,725.00	13,788.51
Poles, fixtures	21,546.12	2,000.00	47,350.00	66,896.12
Furniture	103.77	-	1,500.00	1,603.77
Work. equip.	541.00	-	3,150.00	3,691.00
Total plant	\$37,683.90	\$14,429.50	163,500.00	186,754.40
Misc. & contingencies	-	-	26,500.00	26,500.00
Totals			\$190,000.00	\$212,254.40

The annual amount required to service the loan is stated to be approximately \$10,000.

From a review of the evidence in this proceeding it appears that the company's proposed program for the conversion, rehabilitation and expansion of its telephone plant in some respects will accrue to the benefit of the public as it will provide a modern plant equipped for dial operation, will provide the additional facilities necessary to permit the upgrading of service where that is desired

Upon a full review of this matter we are of the opinion and will enable applicant to extend its lines to reach prospective subscribers to whom service is not available at this time. On the other hand, the properties would be heavily mortgaged if the loans were to be approved in their entirety and it is apparent that the program is based, in part, on the assumption that increased rates will be put into effect and that, in fact, such rate increases will be necessary to enable applicant to meet its obligations under loans of its notes in a special bank account and will permit it to use in the total amount requested in this application.

It is, of course, the duty of a utility to maintain and improve its properties and to extend its lines so as 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. However, the testimony is not 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 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 does it indicate to what extent the expenditure for line extensions

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.

#### O R D E R

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<sup>th</sup> day of July, 1953.

J. F. [Signature]  
President

Justice J. Calves

Harold Hule

[Signature]

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Commissioners

Commissioner **KENNETH POTTER**, being necessarily absent, did not participate in the disposition of this proceeding.

