

ORIGINAL

Decision No. 49839

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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

1. 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 facil-)
ities, and of said system.)
-----)

Application
No. 34274
(First Supplemental)

FIRST SUPPLEMENTAL OPINION

In the above entitled matter Colfax Telephone Exchange, a corporation, requested authorization to issue notes in the aggregate amount of \$190,000 to the United States of America, acting through the Rural Electrification Administration, for the purpose of improving and expanding its telephone facilities.

Following a hearing in the matter the Commission concluded that the record then before it was not sufficient to warrant approval of the entire amount and accordingly it entered a preliminary order, based on the evidence which had been presented to it, authorizing the issue of only \$120,000 of notes. (Decision No. 48810, dated July 14, 1953.)

In a first supplemental application filed in this proceeding on March 22, 1954, applicant reports it has made further studies of its plant requirements and it has determined it will need \$108,000, in addition to the \$120,000 heretofore authorized, in order to complete its program of improvement and expansion of its telephone plant and properties. It has made tentative arrangements to borrow the additional sums from the Rural Electrification Administration and it has requested the Commission to enter a supplemental order authorizing the issue of additional notes. The proposed notes will be repayable over a period of 35 years with interest at the rate of 2% per annum, provision being made for a deferment of interest payments for a period of three years, during the construction period, with subsequent payment during the remaining life of the notes.

The first supplemental application shows that applicant has caused a commercial survey to be made of the present and potential telephone use in its service area and has had prepared engineering estimates setting forth the specific details of the expenditures for capital requirements necessary to take care of its present and prospective subscribers. The additional expenditures now estimated are composed of the following items:

Central office equipment	\$ 8,152.00
Outside plant	55,917.00
Station equipment	14,290.00
Land and buildings	6,000.00
Vehicles and work equipment	3,200.00
Engineering fees	6,752.00
Miscellaneous items	<u>13,689.00</u> *
Total	<u>\$108,000.00</u>

* Includes office equipment, overhead expenses, such as legal fees and expenses and preloan costs, working capital, removal costs, materials and supplies, and contingencies.

According to the supplemental application the estimated expenditures will improve service for the 454 existing subscribers

by the reconstruction of 17.7 miles of pole line and cable and the conversion of the present magneto system to dial operations, will permit the extension of service to 256 new rural subscribers through the construction of 28.3 miles of pole line and cable, and will provide funds for the construction of a new fire-resistant building in Colfax, to house the new dial central office and commercial facilities, and for working capital, removal costs and materials and supplies.

From a review of the supplemental application and also of the record in the original filing, it clearly appears that there exists an unfilled demand for new telephone service and for improved service in applicant's territory, that the present plant is inadequate to take care of such demand, and that applicant is, and has been, unable to finance the required additions through the use of its own funds or funds provided by its operations. The program now presented by applicant will provide the necessary outside plant facilities and station equipment to meet existing needs and also will develop plant margins for future growth.

It is true that the proposed financing program will result in the properties being heavily mortgaged. On the other hand, it is clear that the financing plan in some respects will accrue to the benefit of the public. Among other things, there will be a ready availability of money for a complete program of rehabilitation and improvement, there will be a long period of repayment of the debt which should approximate the average life of the plant, and there will be the low interest rate which the Commission no doubt will consider in any rate proceeding in the future involving applicant. In our opinion it would not be in the public interest to withhold our approval of the matter now before us and accordingly we hereby

find that the money, property or labor to be procured or paid for by the issue of the notes herein authorized is reasonably required by applicant for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

FIRST SUPPLEMENTAL ORDER

The Commission having considered the first supplemental application filed in this proceeding and being of the opinion that a further hearing is not necessary and that applicant's requests should be granted; therefore,

IT IS HEREBY ORDERED as follows:

1. Colfax Telephone Exchange may enter into an amendment to the telephone loan contract with the United States of America, under the Rural Electrification Act of 1936, as amended, increasing the amount of the loan therein provided by an amount not in excess of \$108,000, which amendment shall be in, or substantially in, the same form as Exhibit A-1 attached to the first supplemental application in this proceeding.

2. Colfax Telephone Exchange may execute and deliver to the United States of America, acting through the Rural Electrification Administration, a promissory note, or notes, in the aggregate amount of not exceeding \$108,000, in addition to the \$120,000 of notes heretofore authorized by Decision No. 48810, dated July 14, 1953, for the purposes set forth in this proceeding.

3. The authority herein granted will become effective when Colfax Telephone Exchange has paid an additional fee as prescribed by

Section 1904(b) of the Public Utilities Code, which fee is \$108.00.

4. Colfax Telephone Exchange shall deposit the proceeds from the issue of said notes, along with the proceeds from the issue of the \$120,000 of notes authorized by said Decision No. 48810, in a special bank account and withdraw the same only for such purposes as the Commission may authorize in a supplemental order, or orders, in this proceeding.

5. 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.

Dated at San Francisco, California, this 30th day of March, 1954.

A. J. [Signature]
President

Justice P. [Signature]

[Signature]

[Signature]

[Signature]
Commissioners

