

ORIGINAL

Decision No. 52009

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 PARKER VALLEY TELEPHONE CO., an Arizona
 Corporation, for authority:)
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)

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 notes,
 the first one to be in the sum of
 \$100,000.00, the total of said notes to
 be \$351,000.00;)
 :
)

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;)
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)

4. To apply the proceeds derived from
 said loan to acquire the present facilities
 of the Colorado River Indian Agency, a Field
 Office of the Department of the Interior,
 Bureau of Indian Affairs of the United States
 Government; and to rehabilitate, expand, and
 improve the present plant and facilities of
 said telephone system, and erect additional
 facilities to provide improved and expanded
 service.)
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)

Application
 No. 37119
 (and Amendment)

O P I N I O N

In this proceeding the Commission is asked to make an
 order authorizing Parker Valley Telephone Co. to enter into a loan
 contract with the United States of America, acting through the
 Rural Electrification Administration, to execute and deliver a
 mortgage and to issue promissory notes in the aggregate amount of
 not exceeding \$351,000.

Applicant was organized for the purpose of supplying
 telephone service, both local and interstate, in and about Parker,

Yuma County, Arizona, and along the Colorado River in Riverside and San Bernardino counties in California, a territory approximately 30 miles wide and 70 miles long. It intends to purchase the telephone system of the Colorado River Indian Agency at Parker, to improve the facilities and to extend its lines to subscribers desiring service. Its telephone plant, when completed, will include a 60-line board at Parker Dam in California, a 60-line board at Poston, and a 1,000-line board, with 400 lines wired and equipped at the Parker townsite in Arizona.

The application shows that the entire plant will cost approximately \$370,000, about one-fifth of which will be assigned to California, and that it will serve 1,100 establishments at the outset, of which 350 will be in this state.

Applicant has made, or is making, arrangements to finance substantially all of its plant costs by means of R.E.A. financing. It proposes to enter into a loan contract providing for borrowings in the amount of \$351,000, the same to be represented by notes payable 35 years after their date with interest at the rate of 2% per annum and to be secured by a mortgage placed on the properties. A copy of the telephone loan contract has been filed in the proceeding as Exhibit A, a copy of the form of note as Exhibit B, and a copy of the proposed mortgage as Exhibit C.

It appears that a conventional R.E.A. loan is contemplated. The loan contract provides for detailed supervision by the R.E.A. Under its terms the company will be required to deposit all money in a special bank account to be withdrawn only upon approval of the R.E.A. administrator, to construct its facilities under contract with a responsible contractor approved by the administrator, and

generally to invite bids for construction work unless otherwise permitted. The agreement requires the appointment of an engineer and manager, subject to the approval of the administrator, and for inspection by the administrator. The contract is drawn up on the theory that the telephone company will furnish adequate service to the widest practicable number of rural establishments in the service area.

A review of the record indicates that the company's proposed plans for the acquisition of the existing facilities of the Indian Agency and for the rehabilitation and expansion of the same will accrue to the benefit of the public. The program will provide a modern plant equipped with dial operation and will enable applicant to extend its lines to reach prospective subscribers to whom service is not available at this time. It is recognized that the properties will be heavily mortgaged, but in this respect the program does not differ from other R.E.A. financing operations of telephone utilities. The excess of the plant costs over the proceeds to be received from the R.E.A. loans will be provided through the issue of shares of stock to applicant's incorporators.

We are of the opinion the application should be granted. In considering this application at this time, however, we are in no way passing on applicant's proposed rates, rules and regulations. In the event we may be called upon to fix rates in the future, we will give consideration at that time to applicant's established and approved investment in its properties and to the terms under which it has financed itself.

O R D E R

The Commission having considered the above entitled matter and being of the opinion that a public hearing is not necessary, that the application should be granted, as herein provided, that the money, property or labor to be procured or paid for by the issue of the note, or notes, herein authorized is reasonably required by applicant for the purposes specified herein, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED as follows:

1. Parker Valley Telephone Co. may enter into a loan contract, in substantially the same form as that filed in this proceeding as Exhibit A, and, on or before March 31, 1956, may execute a mortgage in, or substantially in, the same form as that filed as Exhibit C, provided, however, that we will require applicant to charge such rates in California as we may approve and to abide by the terms of its rules and regulations.

2. Parker Valley Telephone Co., on or before June 30, 1956, may issue not exceeding \$351,000 of its promissory notes, in substantially the same form as the note filed in this proceeding as Exhibit B, and use the proceeds to finance in part the cost of its telephone plant.

3. Parker Valley Telephone Co. 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 applicant has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$351.

Dated at San Francisco, California, this 4th day of October, 1955.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]

Commissioners

