

58635

ORIGINAL

Decision No. _____

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 an agreement amending telephone loan contract 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 \$121,000.00, said obligation to bear interest at the rate of 2% per annum;
3. To execute and deliver a supplemental 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 and improvement of the plant, plant facilities, and said system.

Application No. 41186

OPINION AND ORDER

This is an application for an order of the Commission authorizing Colfax Telephone Exchange to borrow additional R.E.A. funds in the amount of \$121,000.

Heretofore, by Decision No. 48810, dated July 14, 1953, and by Decision No. 49839, dated March 30, 1954, the Commission authorized Colfax Telephone Exchange to issue \$228,000 of R.E.A. notes for the purpose of financing the cost of improvements and additions to its facilities and of extensions to its lines to

provide service to new customers. Reports filed with the Commission show that the company has engaged in the financing as authorized by the Commission and that it has increased its recorded investment in plant in service from \$50,649 at the close of 1954, to \$264,622 at the close of 1958, and its number of stations in service from 496 to 883.

In the present application the company reports that it desires to improve its service by providing direct distance dialing by the installation of automatic toll ticketing equipment and to extend its plant by the installation of additional facilities to take care of approximately 190 new subscribers. The estimated expenditures for the contemplated improvements and extensions aggregate \$121,000, segregated as follows:

Central office	\$ 71,092
Outside plant and station equipment	37,168
Right of way	200
Buildings	5,305
Engineering	541
Vehicles and work equipment	6,002
Contingencies	<u>692</u>
Total	<u>\$121,000</u>

The company proposes to obtain the required funds from the Rural Electrification Administration and has entered into negotiations providing for additional borrowings of that amount to be represented by notes similar in form to those formerly authorized by the Commission, and now outstanding, which notes will be due 35 years after date thereof and will bear interest at the rate of 2% per annum. There has been filed in this proceeding a copy of an amending telephone loan contract between Colfax Telephone Exchange and the United States of America providing for

the additional borrowing, a copy of a supplemental mortgage of realty and chattels, and a copy of the form of mortgage note.

From a review of this application, it is apparent that applicant does not have sufficient funds on hand to finance its proposed improvements and extensions; that the form of financing applicant has selected is in no way different from that heretofore approved by the Commission; and that an order granting the application is warranted. It is our opinion that a public hearing is not necessary; 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 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. Colfax Telephone Exchange, a corporation, on and after the effective date hereof and on or before June 30, 1960, may execute an amending loan contract, a mortgage note, or notes, in the aggregate principal amount of \$121,000, and a supplemental mortgage of realty and chattels, which documents shall be in, or substantially in, the same forms as those filed in this proceeding as Exhibit C, Exhibit D and Exhibit E, respectively.

2. Colfax Telephone Exchange, a corporation, shall use the proceeds to be received through the issue of the notes herein authorized for the purpose of financing the cost of improvements and extensions to its plant and facilities as set forth in this proceeding.

3. The authorization herein granted shall not be construed to be indicative of amounts to be included in a future rate base for the purpose of determining just and reasonable rates.

4. Colfax Telephone Exchange shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

5. 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 \$121.

Dated at San Francisco, California,
this 23rd day of June, 1959.

C. L. Fox
President
John L. B. [illegible]
Michael [illegible]
Theodore H. [illegible]
Ernest [illegible]
Commissioners

