

**ORIGINAL**

Decision No. 61204

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of

THE WESTERN TELEPHONE COMPANY,

a California corporation, for authority to (a) enter into an Amendment to Telephone Loan Contract, dated November 12, 1957, between Applicant and 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; (b) issue and sell its promissory notes to the United States of America in the aggregate principal amount of \$1,732,000, bearing interest at the rate of two per cent per annum; and (c) apply the proceeds realized from said promissory notes to finance additions and betterments.

Application  
No. 42877

O P I N I O N

This is an application filed on November 22, 1960, for an order of the Commission authorizing The Western Telephone Company (1) to enter into an amendment to a previously executed telephone loan agreement with the United States of America, acting by and through the Rural Electrification Administration, and (2) to issue mortgage notes in the aggregate principal amount of not to exceed \$1,732,000. The proposed notes will be payable 35 years after dates of issue with interest at the rate of 2% per annum on the unpaid balances.

Applicant is a California corporation furnishing public utility local and toll telephone service in Trinity County and portions of Humboldt, Mendocino, Tehama and Shasta Counties. Heretofore, the Commission has authorized the company to engage in Rural Electrification Administration financing to the extent of \$2,456,000 for construction and improvement of basic plant facilities to serve 1,976 existing and 1,580 new subscribers and to retire existing indebtedness. The application shows that the entire \$2,456,000 of loan proceeds have been, or shortly will be, expended for said purposes. Applicant reports that it desires an additional \$1,732,000, which it proposes to obtain through similar Rural Electrification Administration financing, (1) to provide automatic toll ticketing equipment for all exchanges, (2) to provide service to 1,555 new subscribers in addition to the 1,580 additional new subscribers originally contemplated, and (3) to meet higher-than-anticipated construction costs.

It appears that the Rural Electrification Administration has approved the supplemental loan application and construction program embodied in the company's revised area coverage design, that the expanded construction program is anticipated to be completed by 1966, and that the first advance of additional funds will be used to pay and discharge indebtedness arising out of interim financing of construction and for pre-loan engineering services. Exhibit F attached to the application sets forth the revised plant requirements in detail.

A review of the application shows that a conventional R.E.A. loan is contemplated; that the program, as proposed, should enable the company to provide an improved and modern telephone service to present and prospective subscribers; and that the estimated earnings upon completion of the construction program should be ample to service the proposed loan. In our opinion, and we so find and conclude, the arrangements made by the company to expand its facilities and to finance its costs will inure to the benefit of the public. We will enter an order granting the application.

The approval indicated herein is for the issue of securities only and is not to be construed as indicative of amounts to be included in a future rate base for the purpose of determining just and reasonable rates.

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 money, property or labor to be procured or paid for by the issue of the 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:

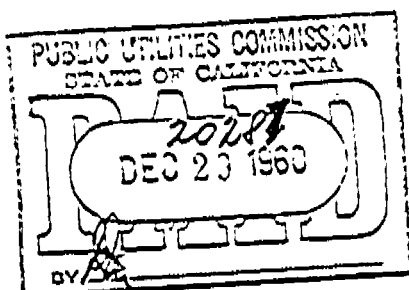
1. The Western Telephone Company may enter into an amendment to its telephone loan contract with the United States of America, acting by and through the Rural Electrification Administration, in, or substantially in, the same form as that attached to the application as Exhibit H.

2. The Western Telephone Company may issue mortgage notes in the aggregate principal amount of not to exceed \$1,732,000 in, or substantially in, the same form as that attached to the application as Exhibit I, and shall expend the proceeds for the purposes set forth in this proceeding.

3. The Western Telephone Company 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. This order shall become effective when The Western Telephone Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$1,366.

Dated at San Francisco, California, this 22nd day of December, 1960.



Herbert R. Page  
President  
W. L. [Signature]  
W. L. [Signature]  
E. L. [Signature]  
Theodore [Signature]  
Commissioners