

ORIGINAL

Decision No. 61602

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:

1. To execute and deliver the
necessary note and other documents
required by the Rural Electrification
Administration in connection with an
additional loan of \$457,000.00, which
the R.E.A. has granted.

2. For authority to exceed the
total authorized indebtedness of
\$666,666.00.

Application No. 43105

O P I N I O N

Parker Valley Telephone Co., a corporation, filed the
above-entitled application on January 26, 1961, for an order
approving additional R.E.A. financing in the amount of \$457,000.

Applicant is an Arizona corporation which was organized
in 1953 for the purpose of furnishing telephone service in and
about the City of Parker, Arizona, and in portions of the Counties
of San Bernardino and Riverside in California.^{1/} Heretofore, the
company entered into a telephone loan contract with the United
States of America, acting through the Administrator of the Rural

^{1/} The greater part of applicant's operations is in Arizona. The
company's 1959 annual report shows 819 telephones in service in
Arizona and \$92,040 of revenues as compared with 106 telephones
in service in California and \$14,647 of revenues.

Electrification Administration, providing for total loans of \$490,000 in order to enable the company to obtain funds to finance the cost of plant facilities. As of November 30, 1960, applicant reports its investments, liabilities and capital as follows:

<u>Assets</u>	
Utility plant, less reserves	\$505,682
Miscellaneous investments	13,235
Current and prepaid assets	49,465
Deferred debits	<u>6,903</u>
Total	<u>\$575,285</u>
<u>Liabilities and Capital</u>	
Long-term debt - R.E.A.	\$483,438
Current liabilities	58,158
Provident reserve	62
Common stock and surplus	<u>33,627</u>
Total	<u>\$575,285</u>

Applicant now reports that it has found it necessary to borrow additional funds to extend its plant to provide service to 600 potential subscribers; that the Rural Electrification Administration has approved additional borrowings in the total amount of \$457,000; and that applicant proposes at this time to draw down the sum of \$100,000 and to draw down the remaining \$357,000 from time to time, as funds are needed, to build new lines and to add to its plant. The additional loan is granted under the provisions of an "Amending Telephone Loan Contract" and will be subject to the terms and conditions set forth therein which appear to be similar to those surrounding the present R.E.A. loans. The moneys to be drawn down under the contract will be represented by conventional R.E.A. notes and

will be payable over a period of 35 years with interest at the rate of 2% per annum.

The company's Articles of Incorporation provide that the highest amount of indebtedness or liability to which the company may at any time subject itself is \$666,666, except as may otherwise be authorized by the shareholders. Applicant reports that its shareholders have approved the increase in the total authorized indebtedness to cover the additional R.E.A. borrowings and applicant has requested the Commission to authorize it to exceed the \$666,666 limitation. We have considered this request and are of the opinion that no Commission authorization is required with respect to the shareholders' action in thus modifying the terms of the articles.

As to the issue of the additional notes, it clearly appears, on the basis of the recorded results of past operations, that applicant's earnings should be sufficient to service the present and the proposed notes. For the 11 months ended November 30, 1960, applicant reports operating revenues of \$120,229 and net income of \$19,011 before fixed charges but after making provision for depreciation in the amount of \$20,855. After deducting fixed charges of \$9,474, the net income available for return on equity capital amounted to \$9,537.

From a review of the application and the company's financial statements, we are of the opinion, and so find and conclude, that the application should be granted; 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 purpose specified herein; and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.

The authorization herein granted is for the issue of notes 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,

IT IS ORDERED -

1. That Parker Valley Telephone Co., on or after the effective date hereof and on or before December 31, 1962, may execute an amending telephone loan contract and a supplemental mortgage, or mortgages, as may be required from time to time, and may execute its notes in the total principal amount of not to exceed \$457,000 for the purpose of financing, in part, the cost of telephone plant, such documents to be in, or substantially in, the same form as those filed in this proceeding.

2. That 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.

3. That the authority herein granted will become effective when Parker Valley Telephone Co. has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$457.

Dated at San Francisco, California,
this 7th day of MARCH, 1961.

E. Lynn Fox President
George T. Grover
Frederick B. Holbrook
Commissioners

