

ORIGINAL

Decision No. 63709

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 amendment to 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 \$155,000.00, 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. 44399  
Filed April 30, 1962

O P I N I O N

Colfax Telephone Exchange, a corporation, has filed this application for authorization to increase its REA borrowings by the sum of \$155,000.

Applicant is engaged in operating a public utility telephone service in and about the City of Colfax, County of Placer, with lines extending into the County of Nevada. The application shows that as of December 31, 1961, applicant had invested \$396,557 in a telephone system constructed to serve 900 subscribers and that it had financed its costs primarily with borrowings from the Rural Electrification Administration originally in the sum of \$349,000 but since reduced to approximately \$313,000.

The company now reports that there has been a steady increase in the population in the service area, that it finds it necessary to improve and extend its facilities, particularly in and about Weimar, at an estimated cost of \$155,000, and that it proposes to obtain the required funds by additional borrowings from the Rural Electrification Administration. It seeks authority, therefore, to execute an amendment to its Amending Telephone Loan Contract and a supplemental mortgage of realty and chattels and to issue notes in evidence of the additional borrowings. The additional loan will follow along the same lines as the original loans and the new notes will become due 35 years after date, with interest at the rate of 2 percent per annum.

In a feasibility study filed with the application as Exhibit J, applicant estimates that upon completion of the proposed construction program it will have a plant expected to serve in excess of 1,000 subscribers, that the estimated

original cost will be approximately \$550,000, and that the volume of business should produce net revenues well in excess of the principal and interest requirements under its borrowings. While the total mortgage indebtedness may be high, it appears that applicant's program does not differ from other REA programs and that the company will have a modern and improved telephone plant serving the needs and desires of present and prospective subscribers in its service area. We are of the opinion, therefore, and so find and conclude, that an order is warranted granting the application.

The authorization herein given 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 determined that a public hearing is not necessary and being of the opinion that the money, property or labor to be procured or paid for through 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 ORDERED that -

1. Colfax Telephone Exchange, a corporation, may enter into an amendment to its Amending Telephone Loan Contract with the United States of America under and pursuant to the Rural Electrification Act of 1936, as amended, in, or substantially in, the same form as that filed as Exhibit D in this proceeding, increasing the amount of the loan by not to exceed \$155,000.

2. Colfax Telephone Exchange, a corporation, may execute and deliver to the United States of America, acting through the Administrator of the Rural Electrification Administration, a supplemental mortgage of realty and chattels, in, or substantially in, the same form as that filed in this proceeding as Exhibit F.

3. Colfax Telephone Exchange, a corporation, may execute and deliver to the United States of America, acting through the Administrator of the Rural Electrification Administration, a mortgage note, or notes, in the form and substance of the note filed in this proceeding as Exhibit E, in an aggregate amount of not to exceed \$155,000 and use the proceeds for the purposes set forth in this application.

4. Colfax Telephone Exchange, a corporation, 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 shall become effective when Colfax Telephone Exchange, a corporation, has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$155.

Dated at San Francisco, California,  
this 22nd day of MAY, 1962.

Everett W. Page  
President  
John E. Mitchell  
E. Lynn Fox  
George D. Grover  
Frederick B. Holmberg  
Commissioners

