

**ORIGINAL**

Decision No. 69771

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application  
of

COLORADO RIVER TELEPHONE COMPANY

for an order authorizing it (i) to issue and sell 2,250 shares of its Cumulative Preferred Stock, 5-1/8%, \$100 par value, and (ii) to execute an amendment to its loan contract with the United States of America and to execute and deliver a supplemental mortgage as additional security for the promissory notes issued pursuant to said loan contract.

Application No. 47907  
Filed September 21, 1965

O P I N I O N

Colorado River Telephone Company has filed this application requesting authorization from the Commission (1) to issue and sell 2,250 shares of its \$100 par value 5-1/8% Cumulative Preferred Stock; (2) to execute an Amendment to its Telephone Loan Contract with the United States of America, acting through the Administrator of the Rural Electrification Administration; and (3) to execute a Supplemental Mortgage and Financing Statement under Uniform Commercial Code of California.

Applicant is a California corporation engaged in business as a public utility rendering local and toll telephone service in parts of Riverside and Imperial Counties in California and in a portion of the County of Yuma, Arizona. The company's 1964 annual report on file with the Commission shows gross operating

revenues and net income of \$949,964 and \$201,717, respectively, for the year, and a total of 5,217 telephones in service as of December 31, 1964, including 5,147 located in the State of California. For the six months ended June 30, 1965, the utility reports gross operating revenues of \$483,095 and net income of \$77,000.

The application shows that the company's \$2,756,157 net telephone plant investment, as of June 30, 1965, has been financed primarily by borrowings from the United States of America, acting through the Administrator of the Rural Electrification Administration. In this connection, applicant has been authorized by Decision No. 61837, dated April 18, 1961, in Application No. 43198, to issue long-term mortgage notes in an aggregate principal amount of not to exceed \$3,152,000 pursuant to the terms of a Telephone Loan Contract.

In order to modify certain provisions of said contract, the utility advises that it has negotiated an Amendment to its Telephone Loan Contract whereby the total loan commitment would be reduced to \$2,661,000. The Amendment would also affect that portion of said contract providing for the sale of additional capital stock for the sum of \$670,000 by reducing the figure to \$225,000 and requiring that (a) \$178,000 of the proceeds from said sale be applied toward a special payment on applicant's outstanding debt and (b) the \$47,000 balance of said proceeds be deposited in a special construction account to be used for the purchase of certain poles now owned jointly under a joint pole agreement. The utility discloses that it has also agreed to

accept amendments to the existing Mortgage of Realty and Chattels by executing and delivering a Supplemental Mortgage and Financing Statement under Uniform Commercial Code of California which would provide for revised financial controls.

For the purposes set forth in said Amendment to its Telephone Loan Contract, applicant requests permission to issue and sell 2,250 shares of its 5-1/8% Cumulative Preferred Stock, at their par value of \$100 each, to Sun Life Insurance Company of America.

The Commission has considered this matter and finds that: (1) the execution of the proposed Amendment to Telephone Loan Contract and proposed Supplemental Mortgage and Financing Statement under Uniform Commercial Code of California will not be adverse to the public interest; (2) the proposed stock issue is for proper purposes; (3) the money, property or labor to be procured or paid for by the issue of the stock herein authorized is reasonably required for the purposes specified herein; and (4) such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income. On the basis of these findings we conclude that the application should be granted. A public hearing is not necessary.

In issuing our order herein, we place applicant and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares nor the dividends paid as measuring the return applicant should be allowed to earn on its investment in plant and that the authorization herein given is not to be construed as a finding of the value of applicant's

stock or properties nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. Colorado River Telephone Company may execute an Amendment to Telephone Loan Contract with the United States of America, acting through the Administrator of the Rural Electrification Administration, and pursuant to the terms therein, may execute and deliver a Supplemental Mortgage and Financing Statement under Uniform Commercial Code of California. Said documents shall be in the same form, or in substantially the same form, as those attached to the application as Exhibit D and Exhibit E, respectively.

2. Colorado River Telephone Company, on or before March 31, 1966, may issue and sell not to exceed 2,250 shares of its 5-1/8% Cumulative Preferred Stock at their par value of \$100 each and shall use the proceeds for the purposes specified in this proceeding.

3. Colorado River Telephone Company shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

4. The effective date of this order is the date hereof.

Dated at San Francisco, California, this 13<sup>th</sup> day of OCTOBER, 1965.

Fredrick B. Whitely  
 President  
George J. Tower  
Augusta  
William L. Brown

Commissioners

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.