

**ORIGINAL**

Decision No. 71014

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of JAMES TELEPHONE COMPANY, a California corporation. )

1. To enter into a loan agreement with the United States of America under and pursuant of the Rural Electrification Act of 1936, as amended, acting through the administrator of the Rural Electrification Administration (REA); )

2. To execute its promiscory note to said United States of America in the sum of \$555,000. said obligation to bear interest at the rate of 2% per annum; )

3. To execute and deliver a 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, rehabilitation and improvement of the plant, plant facilities, and of said system, and to discharge certain obligations of the company; )

5. To issue 240 shares of its common stock to any individuals or groups establishing a right to such shares to be issued against capital surplus account. )

Application No. 48548  
Filed June 9, 1966

O P I N I O N

James Telephone Company requests authorization from the Commission (1) to enter into a Telephone Loan Contract with the United States of America, acting through the

Administrator of the Rural Electrification Administration;  
(2) to execute a document designated Security Agreement,  
Financing Statement and Mortgage; (3) to issue promissory  
notes in the aggregate principal amount of \$555,000; and  
(4) to issue 240 shares of its common stock.

Applicant is a California corporation engaged in  
the business of furnishing telephone service in portions of  
Fresno County, including the towns of San Joaquin, Tranquillity  
and Cantua Creek. Its operations as a public utility under  
tariff schedules commenced July 1, 1965, upon acquisition of  
the James Mutual Telephone Company properties pursuant to  
authority previously granted by this Commission.

The utility's reported gross operating revenues and  
net income for the six months ended December 31, 1965,  
amounted to \$58,642 and \$13,640, respectively, and the  
reported number of telephones in service at the end of the  
year was 926. The company's balance sheet as of December 31,  
1965, attached to the application as part of Exhibit A, dis-  
closes assets totaling \$468,111 offset by long-term debt and  
common stock equity in respective sums of \$22,494 and \$361,566,  
and by other liabilities amounting to \$84,051.

Applicant states that expansion of its plant  
facilities at an estimated cost of \$555,000 is necessary in  
order to improve, upgrade and otherwise modernize its tele-  
phone service. The utility's projection of capital expendi-  
tures shown in Exhibit B, attached to the application,  
indicates that funds derived from existing indebtedness of

\$112,713 already have been applied to the company's construction program.

In this proceeding applicant proposes to borrow the sum of \$555,000 from the United States of America, acting through the Administrator of the Rural Electrification Administration, pursuant to the terms of a Telephone Loan Contract. The borrowing will be represented by two promissory notes aggregating \$555,000, each of which will be repayable over 35-year periods. Said notes will bear interest at the rate of 2% per annum and will be secured by a Security Agreement, Financing Statement and Mortgage. The application indicates that the proceeds will be used to repay outstanding obligations of \$112,713 and to finance estimated construction costs of \$442,287.

Applicant reports that various old evidences of membership in its predecessor mutual telephone companies have appeared in the past and probably will appear in the future. Authority is sought to issue not to exceed 240 shares of applicant's common stock, without par value, at the present stated value of \$20 per share for the purpose of meeting such membership claims over the next five years. It appears that no more than ten claims are anticipated and that common stock will be issued against capital surplus on the basis of 24 shares at \$20 per share for each individual membership established.

The Commission has considered this matter and finds that: (1) the proposed note and stock issues are for proper purposes; (2) the money, property or labor to be procured or paid for by the issue of the notes and stock herein authorized is reasonably required for the purposes specified herein; (3) such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; and (4) the proposed Security Agreement, Financing Statement and Mortgage will not be adverse to the public interest. 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 stated 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. James Telephone Company may execute and deliver a Telephone Loan Contract and a document designated Security Agreement, Financing Statement and Mortgage. Said instruments shall be in the same form, or in substantially the same form, as those attached to the application.

2. James Telephone Company, for the purposes specified in this proceeding, may issue and deliver its promissory notes in the aggregate principal amount of not to exceed \$555,000, which notes shall be in the same form, or in substantially the same form, as those attached to the application.

3. James Telephone Company may issue, at a stated value of \$20 per share, not to exceed 240 shares of its common stock, without par value, in the manner and for the purpose specified in this proceeding.

4. James 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.

5. James Telephone Company shall submit for Commission approval a remaining life depreciation study for each depreciable plant account six months after completion of the construction proposed in this proceeding, which study shall show separately the resulting plant retirements and costs of removal by accounts.

6. This order shall become effective when James Telephone Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$555.

Dated at San Francisco, California,  
this 26<sup>th</sup> day of JULY, 1966.

[Signature]  
President

George T. Brown

Frederick B. Holbrook

Augustus

Dallas and/or Bennett  
Commissioners

