

ORIGINAL

Decision No. 55457

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
THE SISKIYOU TELEPHONE COMPANY

1. To enter into a supplemental loan agreement 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, which supplemental loan agreement modifies that certain loan agreement heretofore authorized by the Commission in its Decision No. 55457;
2. To execute its additional promissory notes to said United States of America in the sum of \$353,000.00, said obligation to bear interest at the rate of two per cent 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 obligations;
4. To apply the proceeds derived from said notes to completing the expansion, rehabilitation and improvement of the plant and facilities of said company.

Application No. 41141

O P I N I O N

In this application The Siskiyou Telephone Company seeks authorization to borrow an additional \$353,000 of R.E.A. funds.

The Siskiyou Telephone Company is a California corporation owning and operating a public utility telephone system operating in portions of the County of Siskiyou. In connection with

Application No. 38997 the Commission reviewed applicant's operations and by Decision No. 55457, dated August 27, 1957, authorized it to borrow \$797,000 from the United States of America, acting through the Administrator of the Rural Electrification Administration, for the purpose of rehabilitating and extending its facilities, and to issue notes in that amount.

The utility now reports that to date it has issued notes in the principal amount of \$587,000 but that it finds the remaining funds heretofore authorized will not be sufficient to enable it to complete its program. It proposes, and in this application seeks authorization, to borrow an additional \$353,000, thereby bringing its total borrowings up to \$1,150,000. The expenditures as originally proposed and as now contemplated are as follows:

<u>Budget Items</u>	<u>Original</u>	<u>Present</u>
Construction reserves:		
Central office equipment	\$170,930	\$ 390,000
Outside plant and stations	390,907	465,000
Right of way	6,579	1,500
Land	-	7,500
Buildings	17,600	61,600
Removal costs	9,500	9,500
Engineering:		
Preloan	7,400	7,231
Postloan	46,100	81,769
Operations:		
Office equipment	3,500	3,500
Vehicles and tools	5,000	13,000
General Overhead:		
Construction overhead	29,300	12,000
Other overhead	10,970	8,970
Operating funds	6,021	4,910
Debt retirement	56,087	46,287
Contingencies	37,106	37,233
 Total	 <u>\$797,000</u>	 <u>\$1,150,000</u>

The necessity for an increase in the amount of the original loan arises primarily from a greater demand for service than was originally anticipated, both in number of subscribers and upgrading, causing a substantial increase in the cost of central office equipment and in necessary toll facilities. The numbers of the stations and grade of service originally estimated at the end of five years and as now estimated, are as follows:

<u>Grade of Service</u>	<u>Original Estimate</u>	<u>Present Estimate</u>
Business - 1 party	92	124
Business - 2 party	34	38
Business Suburban	35	61
Pay Station	8	16
Residence - 1 party	30	104
Residence - 2 party	14	128
Residence - 4 party	424	307
Residence Suburban	593	773
Extensions Business	-	37
Extensions Residence	-	78
Total	<u>1,230</u>	<u>1,666</u>

The revised estimates include, among other items, \$113,829.26 for dial central office equipment and fire alarm systems at Etna, Fort Jones, Hamburg and Happy Camp; \$206,004.00 for a microwave system to provide toll service; \$217,127.77 for outside plant at Etna and Fort Jones; \$125,000 to complete the Klamath River outside plant; and \$76,913.60 for line and station installations.

It appears that a conventional R.E.A. loan is contemplated. The additional notes will be issued under the same terms as the original notes and will become due 35 years after date and will bear interest at the rate of 2% per annum. While the

total mortgage indebtedness will be high upon completion of the program, applicant will have a modern telephone system equipped to meet the present and prospective demands for service, and under the circumstances we are of the opinion that an order is warranted granting the application.

The approval indicated herein is for the issuance 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, that the application should be granted, as herein provided, that the money, property or labor to be procured or paid for by the issue of the notes herein authorized is reasonably required by applicant 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 Siskiyou Telephone Company may enter into an amended loan agreement, and may execute a supplemental mortgage of realty and chattels, in, or substantially in, the same form as those filed in this proceeding as Exhibit H and Exhibit I, respectively.

2. The Siskiyou Telephone Company may issue not to exceed \$353,000 of its mortgage notes in, or substantially in, the same form as the copy of a proposed note filed in this proceeding as Exhibit G, and shall use the proceeds for the purposes set forth in this application.

3. The Siskiyou 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. The authority herein granted will become effective when The Siskiyou Telephone Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$353.

Dated at San Francisco, California, this 16th day of June, 1959.

E. L. Fox
President
[Signature]
[Signature]

Commissioners

