

ORIGINAL

Decision No. 62817

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of THE PONDEROSA TELEPHONE CO.
For an order authorizing it to
borrow up to \$1,110,000.00

Application No. 43805
Filed October 4, 1961

O P I N I O N

The Ponderosa Telephone Co., a corporation, applicant herein, is a public utility telephone company serving portions of Fresno and Madera Counties, with its principal place of business being in O'Neals. In this application, it seeks an order authorizing it to borrow \$1,110,000 from the Rural Electrification Administration for the purpose of repaying existing indebtedness of \$186,000 and of providing the costs of installing two new telephone exchanges at Big Creek and at Shaver Lake, converting the present O'Neals exchange to dial operation, and of improving and extending service throughout the utility's service area.

The application shows that a conventional R.E.A. loan is contemplated. The company will enter into a loan contract providing for borrowings in the total amount of \$1,110,000, the same to be represented by notes payable over a period of 35 years, with interest at the rate of two per cent per annum, payment to be secured by mortgage placed on the properties.

The contract will provide for supervision by the R.E.A. and will require the company to deposit all moneys in a special bank account to be withdrawn upon approval of the R.E.A. administrator. The company will be required to construct its facilities under contract with a responsible contractor approved by the administrator and generally to invite bids for construction work, unless otherwise permitted. The contract also will provide for the appointment of an engineer and manager, subject to the approval of the administrator, and for inspection by the administrator.

It appears that the contract has been drawn up on the theory that the telephone company will furnish adequate service to the greatest practicable number of rural users, subject to the terms and conditions of the company's filed rates, rules and regulations, and that the program, as proposed, will provide a ready availability of low interest cost funds, will permit the construction of a modern plant, equipped with dial operation, and will enable applicant to extend its lines to prospective subscribers to whom telephone service is not available at this time, and to improve its service.

The staff has made a study of the engineering and economic aspects of applicant's program to enlarge and extend its facilities. It develops that some question exists as to the advisability of constructing the Big Creek portion of the project at this time; that the R.E.A. will withhold funds for this portion of the program pending further development in the area; and that of the total loan authorization of \$1,110,000 approximately \$130,000 is related to the Big Creek area project.

Upon considering this application, we find and conclude (1) that the general proposal of applicant to enlarge and extend its plant facilities and service is in the public interest; (2) that the application should be granted subject to the condition that no proceeds be expended on the Big Creek area project unless and until hereafter authorized; (3) 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 purposes specified herein; and (4) that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

In making our order herein we place applicant on notice that we are in no way passing on its rates or approving any revisions of its presently filed rules and regulations and that we will require it to abide by the terms of such rules and regulations, including those for line extensions. In the event we may be called upon to fix rates in the future, we will give consideration at that time to applicant's established investment in its properties and to the terms under which it has financed itself.

The authorization herein given is for the issue of securities only and is not to be construed as indicative of amounts to be included in a rate base for the purpose of determining just and reasonable rates.

O R D E R

The Commission having considered this matter and being of the opinion that a public hearing is not necessary, therefore,

IT IS HEREBY ORDERED as follows:

1. The Ponderosa Telephone Co. may enter into a telephone loan contract in, or substantially in, the same form as that filed in this proceeding as Exhibit A, and may execute a mortgage in, or substantially in, the same form as that filed as Exhibit B and such supplemental mortgages as may be required by the terms of said loan contract.

2. The Ponderosa Telephone Co. may issue not exceeding \$1,110,000 of its promissory notes in, or substantially in, the same form as the note filed as Exhibit C, and, pursuant to the terms of said loan contract and mortgages, shall use the proceeds from the issue of said notes for the purposes indicated in this proceeding, provided, however, that applicant shall not issue notes, nor use note proceeds, to finance the cost of the proposed Big Creek exchange unless and until hereafter authorized to do so in a subsequent order.

3. The Ponderosa Telephone Co. shall file with the Commission a monthly report, or 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 shall become effective when The Ponderosa Telephone Co. has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$946.

Dated at San Francisco, California,
this 21st day of NOVEMBER, 1961.

Ernest A. Roper
President

John L. Mitchell

C. Lynn Fox

George W. Grover

Fredrick B. Holdhoff
Commissioners

