

Decision No. 62879

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of The Volcano Telephone Company,
Inc.

- (1) To enter into a 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;
- (2) To execute its promissory notes to said United States of America in the sum of \$84,000, 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 obligation;
- (4) To apply the proceeds derived from said notes to the further expansion of the plant and facilities of said company.

Application No. 43903
Filed November 7, 1961

O P I N I O N

This is an application for an order of the Commission authorizing The Volcano Telephone Company (1) to issue mortgage notes in the aggregate principal amount of \$84,000, (2) to enter into 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 of realty and chattels.

Applicant is a California corporation owning and operating a telephone system furnishing exchange and toll telephone service in the towns of Volcano, Pine Grove, Pioneer and West Point, and in surrounding areas in Amador and Calaveras Counties. By Decision No. 58115, dated March 17, 1959, in Application No. 40796, the Commission authorized the company to engage in Rural Electrification Administration financing to the extent of \$460,000 in connection with the expansion, rehabilitation and improvement of its facilities and service and the refinancing of indebtedness. Applicant reports that, in order to complete its revised program, it desires an additional \$84,000, which it proposes to obtain through similar Rural Electrification Administration financing. The expenditures as originally proposed and as now contemplated are reported as follows:

	<u>Proposed in Application No. 40796</u>	<u>As Revised</u>
Construction -		
Land and buildings	\$ 12,500	\$ 14,963
Central office equipment	121,000	85,818
Outside plant and sta. equipment	206,500	333,947
Right-of-way procurement	-	640
Removal costs	12,250	-
Engineering	25,000	32,950
Operations equipment -		
Office equipment	2,600	1,800
Vehicles and work equipment	4,000	3,000
General overheads -		
Construction overhead	5,800	4,931
Other loan expenditures	700	5,600
Preloan engineering	4,900	4,858
Contingencies	13,850	3,707
Refinancing and debt retirement	<u>50,900</u>	<u>51,786</u>
Total	<u>\$460,000</u>	<u>\$544,000</u>

Although applicant's program results in a high proportion of mortgage indebtedness, it contemplates conventional 35 year, 2 per cent Rural Electrification Administration loans in order to provide a telephone system which should enable the company to render better service to the public at low cost financing.

The Commission has given consideration to this application and finds and concludes (1) that the proposed issue of notes is for proper purposes; (2) 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 (3) that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

On the basis of the foregoing findings, we will enter an order granting the application. The authorization herein granted 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 considered this application and being of the opinion that a public hearing is not necessary and that it should be granted, therefore,

IT IS ORDERED that -

1. The Volcano Telephone Company may enter into an amendment to its telephone loan contract, may execute a supplemental mortgage of realty and chattels, and may issue a mortgage note, or notes, in the total principal amount of not to exceed \$84,000, which documents shall be in the same form, or in substantially the same form, as those filed in this proceeding.

2. The Volcano Telephone Company shall use the proceeds to be received through the issue of the note, or notes, herein authorized for the purposes set forth in this application.

3. The Volcano Telephone Company 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.

4. This order shall become effective when The Volcano Telephone Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$84.

Dated at Los Angeles, California,
this 5th day of December, 1961

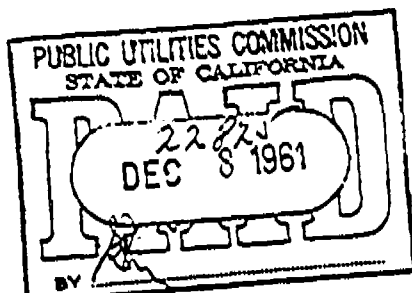
Carl J. Long
President

C. J. Fox

George G. Hoover

Fredrick B. Hallock

Commissioners



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