

ORIGINAL

Decision No. 66511

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
Calaveras Telephone Company

- (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 \$254,000, said obligation to bear interest at the rate of two percent 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 notes to the construction of facilities in Calaveras County and a portion of Stanislaus County.

Application No. 45833  
Filed October 4, 1963

O P I N I O N

This is an application for an order of the Commission authorizing Calaveras Telephone Company, a corporation, applicant herein, (1) to enter into a loan agreement with the United States of America, acting through the Administrator of the Rural Electrification Administration, (2) to execute and

deliver a mortgage of realty and chattels, (3) to issue promissory notes in the aggregate principal amount of \$254,000, and (4) to apply the loan proceeds toward refinancing existing indebtedness and financing the construction of facilities in its service area.

Applicant is a California corporation engaged in furnishing public utility exchange and toll telephone service in portions of Calaveras and Stanislaus Counties. It acquired the operations and related properties from Howard J. Tower, pursuant to authority granted by Decision No. 65729, dated July 23, 1963, in Application No. 45512. The company reports that it serves 67 company-owned stations, which it contemplates increasing to 246 after acquiring certain central office equipment, outside plant and station equipment with funds to be obtained through the proposed Rural Electrification Administration financing. Applicant proposes applying approximately \$30,598 of the \$254,000 of loan proceeds toward discharging outstanding obligations of approximately \$25,598 and \$5,000, owing to Kellogg Credit Corporation and Bank of America National Trust and Savings Association, respectively. The estimated expenditures of the \$223,402 remaining proceeds are set forth in Exhibit A as follows:

Construction -	
Central office	\$ 61,000
Outside plant and station equipment	103,000
Right of way procurement	1,800
Land	400
Buildings	12,800
Removal costs	7,400
Engineering	15,800
Operations equipment -	
Office equipment	1,500
Vehicles and work equipment	4,000
General overhead -	
Construction overhead	3,580
Loan expenditures	2,250
Contingencies	<u>9,872</u>
Total	<u>\$223,402</u>

The application shows that a conventional Rural Electrification Administration loan is contemplated. The company will enter into a loan contract providing for borrowings in the total amount of \$254,000, the same to be represented by notes payable over a period of 35 years, with interest at the rate of 2% per annum, payment to be secured by mortgage placed on the properties. The contract will provide for supervision by the Rural Electrification Administration and will require the company to deposit all moneys in a special bank account to be withdrawn upon approval of the Rural Electrification Administration's 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.

The staff has made a study of the engineering and economic aspects of applicant's program to enlarge and to extend its facilities. 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.

Upon considering this application, we are of the opinion, and find, that (1) the general proposal of applicant to enlarge and to extend its plant facilities and service is in the public interest; (2) 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) such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income. Based upon such findings, we conclude that the application should be granted. A public hearing is not necessary.

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 future proceedings for the purpose of determining just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. Calaveras Telephone Company, a corporation, may enter into a telephone loan contract in the same form, or in substantially the same form, as that filed in this proceeding as Exhibit D, and may execute and deliver a mortgage in the same form, or in substantially the same form, as that filed as Exhibit E and such supplemental mortgages as may be required by the terms of said loan contract.

2. Calaveras Telephone Company, a corporation, may issue not to exceed \$254,000 of its promissory notes in the same form, or in substantially the same form, as those attached to the application 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.

3. Calaveras Telephone Company, a corporation, 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. This order shall become effective when Calaveras Telephone Company, a corporation, has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$254.

Dated at San Francisco, California, this 27<sup>th</sup> day of December, 1963.

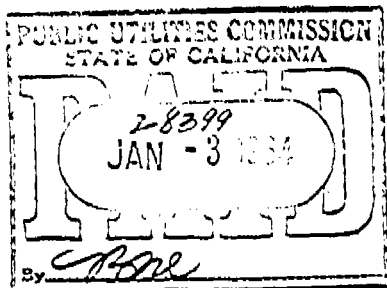
William W. Bernard  
President

Walter W. Page

George G. Grover

Frederick B. Holbrook

Commissioners



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