

RR/KLH/ARM/WPSC

ORIGINALDecision S4 03 015

MAR 7 1984

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 DORRIS TELEPHONE COMPANY for an)
 Order Authorizing it to issue notes)
 in an aggregate amount not exceeding)
 \$3,518,900 and to execute a)
 Telephone Loan Contract Amendment)
 and related agreements.)

Application 83-12-47
 (Filed December 27, 1983)

O P I N I O N

Dorris Telephone Company (Dorris) requests authority, under Public Utilities (PU) Code Sections 817 and 818, for the following:

1. To enter into a Telephone Loan Contract Amendment (Loan Contract Amendment) with the Rural Electrification Administration (REA) and the Rural Telephone Bank^{1/} (RTB);
2. To issue to the REA and the RTB mortgage notes in the aggregate principal amount of \$3,518,900; and
3. To execute and deliver one or more supplemental mortgages and other security instruments as may be required in the future by the terms of the Loan Contract Amendment.

^{1/} RTB is an agency of the United States of America and is subject to the supervision and direction of the Secretary of Agriculture. The bank's general purpose is to provide assured and viable sources of financing to supplement the telephone loan program administered by the REA.

Summary of Decision

This decision grants to Dorris the authority requested in its application.

Notice of the filing of the application appeared on the Commission's Daily Calendar of December 28, 1983. No protests have been received.

Dorris, a California corporation, operates as a telephone utility under the jurisdiction of this Commission. Dorris engages in the business of providing telephone service in portions of Siskiyou County. Under Application (A.) 83-09-30 dated September 7, 1983 and amended December 27, 1983, currently before this Commission for decision, Dorris has requested authority to purchase the controlling common stock of California-Oregon Telephone Co. (Cal-Ore); to liquidate Cal-Ore; and to merge its operations into Dorris. Cal-Ore operates as a public utility telephone company furnishing telephone services in portions of Siskiyou and Modoc Counties. If the Commission grants the authority sought in A.83-09-30, Dorris will acquire the capital stock of Cal-Ore and, following liquidation of Cal-Ore, the operations of Dorris and Cal-Ore will be merged and conducted as a single system.

For the 12 months ended June 30, 1983, Dorris reports in its Statement of Income and Retained Earnings, shown as part of Exhibit G attached to A.83-09-30, as amended, that it generated

total operating revenues of \$953,097 and a net income of \$47,224.

Also shown as part of Exhibit G is Dorris's Balance Sheet as of June 30, 1983 and a pro forma Consolidated Balance Sheet as of December 31, 1983 reflecting the acquisition of Cal-Ore subject of A.83-09-30 currently before this Commission and the loans totalling \$3,518,900 proposed in the present application. These are summarized as follows:

<u>Assets</u>	<u>Recorded June 30, 1983</u>	<u>Consolidated Pro Forma</u>
Net Telephone Plant	\$2,943,991	\$6,211,991
Plant Acquisition Adjustment	0	200,000
Other Investments	98,763	149,663
Current Assets	278,259	278,259
Deferred Charges	<u>97,579</u>	<u>97,579</u>
Total	\$3,418,592	\$6,937,492
 <u>Liabilities and Equity</u>		
Common Equity	\$ 622,050	\$ 622,050
Long-Term Debt	2,669,541	6,188,441
Current Liabilities	93,451	93,451
Deferred Credits	<u>33,550</u>	<u>33,550</u>
Total	\$3,418,592	\$6,937,492

Dorris and Cal-Ore are experiencing an increasing demand for the telephone services provided by them and for higher grades of telephone services. These demands now require the improvement and replacement of portions of Dorris's and Cal-Ore's existing telephone facilities and the construction of additional facilities. Dorris will require in excess of an additional \$3,518,900 to pay

for modifications, replacements, and additions to its present plant and the plant it will acquire upon acquisition and liquidation of Cal-Ore, including an amount not to exceed \$1,600,000 needed to consummate the acquisition of the system of Cal-Ore. Dorris proposes to borrow the necessary funds from the United States of America, acting through the REA and the RTB. Proceeds from the proposed financing will be allocated as follows:

<u>Purpose</u>	<u>Amount</u>
Central Office Equipment	\$ 673,000
Outside Plant	845,000
Removal Costs	65,000
Buildings	63,000
Engineering	222,000
Acquisition of Cal-Ore	1,600,000
Class B Stock - RTB	<u>50,900</u>
Total	\$ 3,518,900

Dorris has previously made long-term borrowings from the United States of America, acting through the REA and the RTB. Dorris has negotiated and proposes to enter into a Loan Contract Amendment with the REA and RTB substantially in the form attached to the application as Exhibit A. The proposed loan will be secured by the previously executed mortgage of substantially all of Dorris's property to the REA and the RTB and the supplemental mortgage or mortgages as are required under the terms of the Loan Contract, as amended.

Dorris further proposes to issue mortgage notes to the REA and the RTB in substantially the forms attached to the application as Exhibits B, C, and D. The mortgage notes will provide for long-term borrowing by Dorris up to the aggregate principal amount of \$3,518,900, at an aggregate effective interest rate of about 6.51%. From time to time, Dorris will be obligated to execute supplemental mortgages and other security instruments in favor of Dorris's secured lenders. Dorris requests that it be authorized to continue to execute and deliver, from time to time, these supplemental mortgages and other security instruments as may be required by the terms of the Loan Contract, as amended.

The Commission's Revenue Requirements Division and the Communications Division have reviewed the application and Dorris's and Cal-Ore's proposed construction programs. The Divisions conclude that the proposed financing is necessary to implement Dorris's and Cal-Ore's proposed construction program and to provide funds for the acquisition of the Cal-Ore system by Dorris. The Commission is not finding that the proposed construction is necessary and reasonable or that the expenditures are reasonable in amount. These are issues normally tested in general rate or rate base offset proceedings.

The Revenue Requirements Division has reviewed Dorris's financial statements attached to the application, and concludes

that Dorris's cash flow is sufficient to meet its debt service requirements.

Findings of Fact

1. Dorris, a California corporation, operates as a telephone utility subject to the jurisdiction of this Commission.

2. Dorris has need for external funds for the purposes set forth in the application.

3. The execution of the proposed Loan Contract Amendment and the mortgage notes would not be adverse to the public interest.

4. The issuance of the proposed mortgage notes is for proper purposes.

5. The execution of a supplemental mortgage or mortgages and other security agreements as is required by the Loan Contract Amendment would not be adverse to the public interest.

6. The money, property, or labor to be procured or paid for by the proposed mortgage notes is reasonably required for the purposes specified in the application.

7. There is no known opposition and there is no reason to delay granting the authority requested.

Conclusions of Law

1. A public hearing is not necessary.

2. The application should be granted to the extent set forth in the order which follows.

The proposed security issue is for lawful purposes and the money, property, or labor to be obtained is required for these purposes. Proceeds from the security issue may not be charged to operating expenses or income.

The following order should be effective on the date of signature and payment of the fee set by PU Code Section 1904(b) to enable Dorris to issue its debt securities expeditiously.

O R D E R

IT IS ORDERED that:

1. Dorris Telephone Company (Dorris) on or after the effective date of this order and on or before June 30, 1984 may, for the purposes set forth in the application, enter into a Telephone Loan Contract Amendment with the United States of America, acting through the Rural Electrification Administration (REA) and with the Rural Telephone Bank (RTB), under a document which shall be in substantially the same form as set forth in Exhibit A attached to the application.
2. Dorris may, for purposes specified in the application, issue mortgage notes in the aggregate principal amount of \$3,518,900 in substantially the same form as set forth in Exhibits B, C, and D attached to the application.

3. Dorris may execute and deliver supplemental mortgages and other security instruments as are required by the terms of the Telephone Loan Contract Amendment.

4. Dorris shall apply the net proceeds from the proposed mortgage notes to the purposes set forth in the application.

5. Dorris shall file the reports required by General Order Series 24.

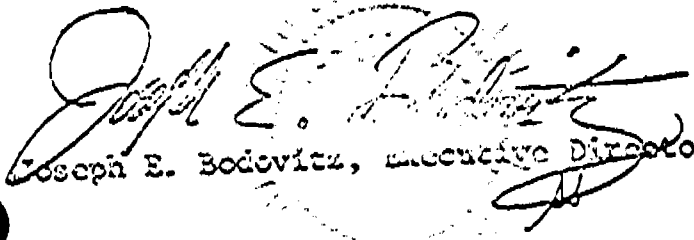
6. The authority granted by this order to issue mortgage notes will become effective when Dorris pays \$4,519, the fee set by PU Code Section 1904(b). In all other respects, this order is effective today.

Dated MAR 7 1984 at San Francisco, California.

VICTOR CALVO
PRISCILLA C. GREW
DONALD VIAL
WILLIAM T. BACLEY
Commissioners

Commissioner Leonard M. Grimes, Jr.,
being necessarily absent, did not
participate.

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.


Joseph E. Bodovitz, Executive Director

