

RR/KLH/ARM/WPSC

**ORIGINAL**Decision 82 09 015 SEP 8 - 1982

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of SIERRA TELEPHONE COMPANY, INC., )  
for an Order authorizing it to )  
issue notes in an aggregate amount )  
not exceeding \$4,884,250 and to )  
execute a related agreement and )  
supplemental security instruments. )

Application 82-07-51  
(Filed July 23, 1982)

O P I N I O N

Sierra Telephone Company, Inc. (Sierra) 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<sup>1/</sup> (Telephone Bank),
2. To enter into a Supplement to a Supplemental Mortgage and Security Agreement (Agreement) with the REA and the Telephone Bank,
3. To issue, to the REA and the Telephone Bank, Mortgage Notes in the aggregate principal amount of up to \$4,884,250, and
4. 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.

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<sup>1/</sup> The Rural Telephone Bank 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.

Notice of the filing of the application appeared on the Commission's Daily Calendar of July 29, 1982. No protests have been received.

Sierra, a California corporation, operates as a telephone utility under the jurisdiction of this Commission. Sierra engages in the business of providing telephone service in portions of Madera and Mariposa Counties.

For the calendar year 1981, Sierra reported it generated total operating revenues of \$3,877,427 and net income of \$90,404 shown as part of Exhibit E attached to the application.

Also shown as part of Exhibit E is Sierra's Balance Sheet as of December 31, 1981, which is summarized below:

<u>Assets</u>	<u>Amount</u>
Net Telephone Plant	\$11,146,045
Other Investments	207,712
Current Assets	701,642
Deferred Charges	<u>40,022</u>
Total	\$12,095,421
 <u>Liabilities and Equity</u>	
Stockholder's Equity	\$ 1,636,651
Long-Term Debt	9,247,437
Current Liabilities	644,222
Accrued Liabilities	103,633
Deferred Credits	<u>463,478</u>
Total	\$12,095,421

Sierra is experiencing the need to upgrade its telephone plant to meet the increasing demands being placed on its present service. These demands result in the need to make required improvements and replacements of portions of the telephone plant. The company will require an estimated \$4,884,250 or more to pay for modifications, replacements, and additions to plant facilities and for refinancing of its existing debt in connection with its new borrowings. A summary of Sierra's anticipated allocation of these funds is as follows:

<u>Item</u>	<u>Amount</u>
Central Office Equipment	\$2,453,000
Outside Plant	1,571,000
Right-of-Way Procurement	6,000
Land	12,000
Buildings	231,000
Engineering	491,000
Class B Stock - Telephone Bank	<u>120,250</u>
Total	\$4,884,250

Sierra states it is unable to finance its large construction program from its current earnings or resources and has negotiated a Loan Contract Amendment with the United States Government, acting through the REA and the Telephone Bank, to provide for long-term borrowing in an amount up to \$4,884,250. The form of the Loan Contract Amendment is attached to the application

as Exhibit A. The loan will be secured by a Supplement to the outstanding Supplemental Mortgage and Security Agreement, which provides for a lien on substantially all of Sierra's property in favor of the REA and the Telephone Bank. The form of the Supplement to the Supplemental Mortgage and Security Agreement is attached to the application as Exhibit B.

Under the terms of the Loan Contract Amendment, money will be advanced to Sierra from time to time after the execution of the Mortgage Notes in substantially the forms attached to the application as Exhibits C and D. The Mortgage Notes in the amount of \$4,884,250 to be given to the REA and the Telephone Bank by the utility will bear interest at a composite rate of about 8.1% per annum and are repayable in quarterly installments over a period of 35 year. From time to time Sierra will be required, under the terms of the Loan Contract, as amended, to execute a supplemental mortgage or mortgages and other security instruments in favor of its secured lenders.

Under the Loan Contract Amendment, Sierra will be required to purchase and will purchase \$120,250 of Class B stock of the Telephone Bank.

The Commission's Revenue Requirements Division and the Communications Division have reviewed the application and the utility's proposed construction program. The Divisions conclude that the proposed financing is necessary to implement Sierra's

proposed construction program but reserve the right to reconsider the reasonableness of any specific construction expenditure in future rate proceedings.

The Revenue Requirements Division reviewed Sierra's financial statements, attached to the application, and concludes that Sierra's cash flow is sufficient to meet its debt service requirements.

Findings of Fact

1. Sierra, a California corporation, operates as a telephone utility subject to the jurisdiction of this Commission.
2. Sierra has need for external funds for the purposes set forth in the application.
3. The execution of the proposed Loan Contract Amendment, Agreement, and 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 supplemental mortgage or mortgages and other security agreements as required by the Loan Contract, as amended, 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 by it 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 Sierra to proceed with its financings expeditiously.

O R D E R

IT IS ORDERED that:

1. Sierra Telephone Company, Inc., (Sierra) on or after the effective date of this order and on or before December 31, 1982, 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 (Telephone Bank) under a document which shall be in substantially the same form as set forth in Exhibit A attached to the application.

2. Sierra may, in conjunction with entering into the Telephone Loan Contract Amendment, enter into a Supplement to the Supplemental Mortgage and Security Agreement with the REA and the Telephone Bank, under a document which shall be in substantially the same form as set forth in Exhibit B attached to the application.

3. Sierra may, for the purposes specified in the application, issue Mortgage Notes in the aggregate amount of up to \$4,884,250 in substantially the same forms as set forth in Exhibits C and D, attached to the application.

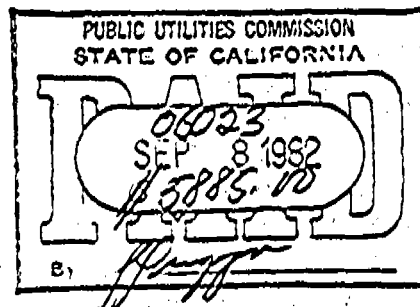
4. Sierra may execute and deliver supplemental mortgages and other security instruments as are required by the terms of the Telephone Loan Contract, as amended.

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

6. The authority granted by this order to issue a Mortgage Note or Notes will be effective when Sierra pays \$5,885, the fee set by PU Code Section 1904(b).

Dated SEP 8 1982, at San Francisco, California.

JOHN E. BRYSON  
President  
RICHARD D. GRAVELLE  
LEONARD M. GRIMES, JR.  
VICTOR CALVO  
PRISCILLA C. GREW  
Commissioners



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

*Joseph E. Bodovitz*  
Joseph E. Bodovitz, Executive Director