

ORIGINAL

Decision 82 11 005 NOV 3 - 1982'

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of DUCOR TELEPHONE COMPANY for an)
Order authorizing it to issue notes)
in an aggregate amount not exceeding)
\$711,650 and to execute a related)
agreement and supplemental security)
instruments.)

Application 82-09-07
(Filed September 7, 1982;
amended October 1, 1982)

O P I N I O N

Ducor Telephone Company (Ducor), in its application, as amended, 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/} (Telephone Bank),
2. To issue to the REA and the Telephone Bank Mortgage Notes in the aggregate principal amount of up to \$709,300, 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.

^{1/} 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 and amendment appeared on the Commission's Daily Calendar of September 10, 1982 and October 1, 1982, respectively. No protests have been received.

Ducor, a California corporation, operates as a telephone utility under the jurisdiction of this Commission. Ducor engages in the business of providing telephone service in portions of Tulare County.

For the calendar year 1981, Ducor reported it generated total operating revenues of \$396,089 and net income of \$63,717 shown as part of Exhibit D attached to the application.

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

<u>Assets</u>	<u>Amount</u>
Net Telephone Plant	\$1,385,422
Current Assets	135,845
Deferred Charges	21,580
Other Assets	64,926
Total	<u>\$1,607,773</u>
 <u>Liabilities and Common Equity</u>	
Stockholder's Equity	\$ 349,531
Long-Term Debt	1,018,947
Current Liabilities	226,518
Deferred Credits	12,777
Total	<u>\$1,607,773</u>

Ducor 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 \$709,300 or more to pay for modifications, replacements, and additions to plant facilities. A summary of the approximate anticipated allocation of these funds is as follows:

<u>Item</u>	<u>Amount</u>
Central Office Equipment	\$350,000
Outside Plant and Station Equipment	198,000
Buildings	67,000
Engineering	65,000
Class B Stock - Telephone Bank	<u>29,300</u>
Total Loan	\$709,300

Ducor states it is unable to finance its large construction program from its current earnings or resources and has, therefore, 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 \$709,300. The form of the Loan Contract Amendment is attached to the application as

Exhibit A. The loan will be secured by previously executed mortgages and supplemental mortgages which provide for liens on substantially all of Ducor's property in favor of the REA and the Telephone Bank.

Under the terms of the Loan Contract Amendment, money will be advanced to Ducor from time to time after the execution of the Mortgage Notes in substantially the form attached to the application as Exhibits B and C. The Mortgage Notes in the amount of \$709,300 to be given to the REA and the Telephone Bank by Ducor will bear interest at a composite rate of approximately 10.6% per annum and are repayable in quarterly installments over a period of 35 years. From time to time Ducor 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, Ducor will also be required to purchase \$29,300 of Class B stock of the Telephone Bank.

The Commission's Revenue Requirements Division and the Communications Division have reviewed the application and Ducor's proposed construction program. The Divisions conclude that the

proposed financing is necessary to implement Ducor's proposed construction program. However, the Divisions reserve the right to reconsider the reasonableness of any specific construction expenditure in future rate proceedings.

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

Findings of Fact

1. Ducor, a California corporation, operates as a telephone utility subject to the jurisdiction of this Commission.
2. Ducor 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, 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 Ducor to issue debt securities expeditiously.

O R D E R

IT IS ORDERED that:

1. Ducor Telephone Company (Ducor) on or after the effective date of this order and on or before June 30, 1983 may, for the purposes set forth in the application, as amended, 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, as amended.

2. Ducor may, for the purposes specified in the application, as amended, issue Mortgage Notes in the aggregate amount of up to \$709,300, in substantially the same forms as set forth in Exhibits B and C attached to the application, as amended.

3. Ducor may execute and deliver supplemental mortgages and other security instruments as are required by the terms of the telephone loan contract, as amended.

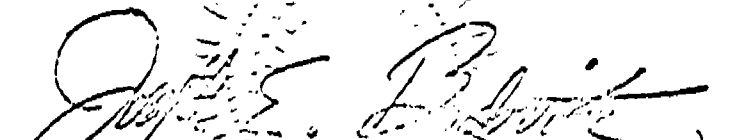
4. Ducor shall file the reports required by General Order Series 24.

5. The authority granted by this order to issue a mortgage note or notes will be effective when Ducor pays \$1,420, the fee set by PU Code Section 1904(b).

Dated NOV 3 1982, at San Francisco, California.

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

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


Joseph E. Bodevitz, Executive Director

