

ORIGINAL

Decision 82 11 006 NOV 3 - 1982

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of SISKIYOU TELEPHONE COMPANY for)
an Order authorizing it to issue)
notes in an amount not exceeding)
\$5,738,800 and to execute a)
related agreement and supplemental)
security instruments.)

Application 82-09-08
(Filed September 7, 1982)

O P I N I O N

Siskiyou Telephone Company (Siskiyou) requests authority, under Public Utilities (PU) Code Sections 817 through 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 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 \$5,738,800, and

^{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.

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.

Notice of the filing of the application appeared on the Commission's Daily Calendar of September 10, 1982. No protests have been received.

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

For the calendar year 1981, Siskiyou reported it generated total operating revenues of \$2,961,372 and net income of \$358,373 shown as part of Exhibit E attached to the application.

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

<u>Assets</u>	<u>Amount</u>
Net Telephone Plant	\$6,429,712
Current Assets	1,598,549
Deferred Charges	42,817
Other Assets	<u>409,564</u>
Total	\$8,480,642
 <u>Liabilities and Equity</u>	
Stockholder's Equity	\$3,143,951
Long-Term Debt	5,056,722
Current Liabilities	138,854
Deferred Credits	<u>141,115</u>
Total	\$8,480,642

Siskiyou 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 \$7,207,361 or more to pay for modifications, replacements, and additions to plant facilities. Siskiyou proposes to borrow a portion of the necessary funds from the United States of America, acting through the REA and the Telephone Bank. A summary of the approximate anticipated allocation of these funds is as follows:

<u>Item</u>	<u>Amount</u>
Central Office Equipment	\$3,100,000
Outside Plant	2,845,000
Building	169,000
Removal	82,000
Engineering	775,000
Class B Stock - Telephone Bank	235,800
Contingencies	<u>561</u>
 Total Funds Required	 \$7,207,361
 Less Funds Available From Prior Loans	 (868,561)
Less Company Funds	<u>(600,000)</u>
 Total Loan Funds Required	 \$5,738,800

Siskiyou 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 REA and the Telephone Bank, to provide for long-term borrowing in an amount up to

\$5,738,800. 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 Siskiyou'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 Siskiyou from time to time after the execution of the Mortgage Notes in substantially the form attached to the application as Exhibits C and D. The Mortgage Notes in the aggregate amount of \$5,738,800 to be given to the REA and the Telephone Bank by Siskiyou 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 Siskiyou 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, Siskiyou will also be required to purchase \$235,800 of Class B stock of the Telephone Bank.

Siskiyou requests that competitive bidding not be required in connection with the issuance of the proposed Mortgage Notes. The reason Siskiyou believes the request to dispense with

competitive bidding is reasonable, is that the interest rate of the proposed borrowing is so clearly below the prevailing market rates for similar borrowings that there is no possibility that competitive bidding will result in a lower interest rate. In addition, the application indicates that Siskiyou's management has inquired of several sources of potential loan funds and has determined that there are no funds available for lending at or near the composite rate of the proposed Mortgage Notes.

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 Siskiyou'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 reviewed Siskiyou's financial statements attached to the application, and concludes that Siskiyou's cash flow is sufficient to meet its debt service requirements.

Findings of Fact

1. Siskiyou, a California corporation, operates as a telephone utility subject to the jurisdiction of this Commission.
2. Siskiyou 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 issuance and sale of the proposed Mortgage Notes should not be required to be through competitive bidding.

6. 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.

7. 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.

8. 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 Siskiyou to issue debt securities expeditiously.

O R D E R

IT IS ORDERED that:

1. Siskiyou Telephone Company, (Siskiyou) 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, enter into a Telephone Loan Contract Amendment with the United States of America acting through the Rural Electrification Administration (REA) and with 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. Siskiyou 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. Siskiyou may, for the purposes specified in the application, issue Mortgage Notes in the aggregate principal amount of up to \$5,738,800 in substantially the same forms as set forth in Exhibits C and D attached to the application.

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

5. The proposed loan is exempt from the Commission's competitive bidding rule set forth in Decision 38614, dated January 15, 1946, in Case 4761, as amended.

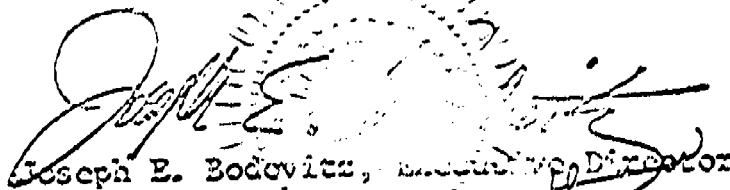
6. Siskiyou shall file the reports required by General Order Series 24.

7. The authority granted by this order to issue a Mortgage Note or Notes will become effective when Siskiyou pays \$6,739, 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. CRIMES, JR.
VICTOR CALVO
PRISCILLA C. GREW
Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS


Joseph E. Bodovitz, Executive Director

