

Decision 83 04 010 APR 6 1983

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
HAPPY VALLEY TELEPHONE COMPANY for)
an Order authorizing it to issue)
notes in an amount not exceeding)
\$1,666,650, and to execute a related)
agreement and supplemental security)
instruments.)

Application 83-02-22
(Filed February 9, 1983;
amended February 24, 1983)

O P I N I O N

Happy Valley Telephone Company (Happy Valley) in its application, as amended, seeks authority under Public Utilities (PU) Code Section 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/} (RTB),
2. To enter into a Supplemental Mortgage and Security Agreement (Agreement) with the REA and the RTB.
3. To issue to the REA and the RTB, Mortgage Notes in the aggregate principal amount of up to \$1,669,700, and

^{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.

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 and the amendment appeared on the Commission's Daily Calendar of February 14 and February 28, 1983, respectively. No protests have been received.

Happy Valley, a California corporation under the jurisdiction of this Commission, provides telephone utility service in portions of Shasta and Tehama Counties. Exhibit E, attached to the application, as amended, indicates for the calendar year 1981, Happy Valley generated operating revenues of \$1,552,436 and net income of \$115,288. For the six-month period ended June 30, 1982, Happy Valley reported operating revenues of \$801,232 and net income of \$78,339. Also shown as part of Exhibit E is the company's balance sheet as of June 30, 1982 summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Telephone Plant	\$4,660,929
Current Assets	688,451
Deferred Charges	130,825
Other Assets	<u>26,614</u>
Total	\$5,506,819
<u>Liabilities and Equity</u>	
Stockholder's Equity	\$ 564,291
Long-Term Debt	4,677,389
Current Liabilities	233,515
Accrued Liabilities	27,880
Deferred Credits	<u>3,744</u>
Total	\$5,506,819

Happy Valley is experiencing an increasing demand for higher grades and a greater quantity of telephone services. This demand requires the expansion and improvement of its facilities. Happy Valley requires an estimated \$1,669,700 to pay for additions and improvements to its plant. It is not, however, in a position to finance such a large program out of its current earnings or resources. The utility proposes to borrow the funds from the United States of America, acting through the REA and the RTB.

Happy Valley requests authority to enter into a Loan Contract Amendment (a copy is attached as Exhibit A to the application, as amended) with the United States Government, acting through REA and RTB to provide for long term financing not to exceed \$1,669,700. The proposed loans will be secured by Agreement which provides for a lien on substantially all of the utility's property, in favor of the REA and RTB. The form of this document is attached as Exhibit B to the application, as amended.

Under the terms of the Loan Contract Amendment, money will be advanced to Happy Valley from time to time after the execution of the Mortgage Notes in substantially the form as

Exhibits C and D, attached to the application, as amended. The Mortgage Notes in the aggregate amount of \$1,669,700 to be given to REA and RTB by Happy Valley will bear interest at a composite rate of approximately 7.6% per annum and are repayable in monthly installments over a period of 35 years. From time to time, Happy Valley will be required under the terms of the Loan Contract Amendment, to execute a supplemental mortgage or mortgages and other security instruments in favor of its secured lenders.

Under the Loan Contract Amendment, Happy Valley will also be required to purchase \$37,700 of Class B Stock in the Telephone Bank.

The proceeds from the proposed financing will be allocated approximately as follows:

<u>Plant</u>	<u>Amount</u>
Central Office Equipment	\$ 364,000
Outside Plant	963,000
Removal Costs	92,000
Engineering	213,000
RTB, Class B Stock	<u>37,700</u>
	\$1,669,700

The Communications Division has reviewed the application and concludes that the planned additions and improvements are reasonable. The Revenue Requirements Division has evaluated the application and concludes that the interest rate and the terms of the proposed financing are reasonable. The Divisions reserve the right, however, to reconsider the reasonableness of any specific construction expenditure in future rate proceedings.

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

Findings of Fact

1. Happy Valley, a California corporation, operates as a telephone public utility under the jurisdiction of the Commission.
2. Happy Valley 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 opposition to the application and 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.

We place Happy Valley and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares, and the dividends paid do not determine the allowable return on plant investment. This authorization is not a finding of the value of Happy Valley's stock or property, nor does it indicate the amounts to be included in ratesetting proceedings.

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 Happy Valley to proceed with the issuance of its notes expeditiously.

O R D E R

IT IS ORDERED that:

1. Happy Valley Telephone Company (Happy Valley), on or after the effective date hereof and on or before December 31, 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 (RTB) under a document which shall be in substantially the same form as set forth in Exhibit A attached to the application, as amended.

2. Happy Valley, for the purposes set forth in the application may execute and deliver such supplemental mortgages and other security agreements with the REA and RTB, under a document which shall be in substantially the same form set forth in Exhibit B attached to the application, as amended.

3. Happy Valley may for the purposes set forth in the application, issue the Mortgage Notes to the REA and the RTB in substantially the same form set forth in Exhibits C and D attached to the application, as amended, in an aggregate amount not to exceed \$1,669,700.

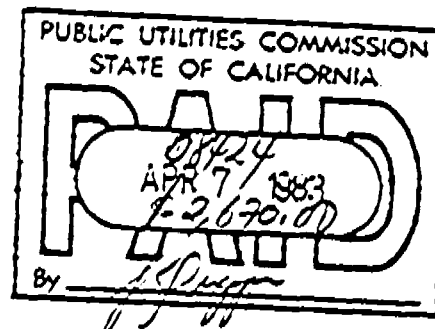
A. 83-02-22 RR/TC/BW/WPSC

4. Happy Valley shall file with the Commission the reports required by General Order Series 24.

5. The authority granted by this order to issue a note or notes will become effective when Happy Valley pays \$2,670, the fee set by PU Code Section 1940(b).

Dated APR 6 1983, at San Francisco, California.

LEONARD M. GRIMES, JR.
President
VICTOR CALVO
PRISCILLA C. CREW
DONALD VIAL
Commissioners



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

Joseph E. Bedovatz
Joseph E. Bedovatz, Executive Director