

Capay Valley's Balance Sheet as of December 31, 1982, contained in its Annual Report to the Commission, is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Telephone Plant	\$ 831,238
Other Investments	6,921
Current Assets	209,256
Prepaid and Deferred Charges	<u>16,340</u>
Total	\$1,063,755
 <u>Liabilities and Equity</u>	
Common Equity	\$ 301,004
Long-Term Debt	739,764
Current and Accrued Liabilities	15,916
Deferred Credits	<u>7,071</u>
Total	\$1,063,755

By D.86849 dated January 11, 1977, in A.56929, Capay Valley was authorized to enter into a Telephone Loan Contract with the United States of America, acting through the Rural Electrification Administration (REA), to issue and deliver a mortgage note in the aggregate principal amount not to exceed \$815,000 to finance needed improvements in Capay Valley's plant and to discharge certain indebtedness.

Under D.86849, Capay Valley executed the telephone loan contract which provided that the loan funds would be advanced to Capay Valley over a 6-year period. The mortgage note provided for the repayment over a 35-year period of the loan funds to be advanced.

Capay Valley anticipated that the improvements of its facilities would be completed within the 6 years following the date of the mortgage note, and that all loan funds would be advanced within that time. However, as of January 24, 1983, 6 years following the date of the mortgage note, although the improvements were actually completed during 1982 with general utility funds. Capay now seeks reimbursement of \$43,900 of the \$815,000 which was approved previously but not yet advanced by REA.

In regard to the present application, the REA has requested Capay Valley to execute the Agreement dated of April 6, 1983, in the form attached as Exhibit A to the application, to enable Capay Valley to obtain the remaining \$43,900 of the previously authorized loan.

Capay Valley requests it be authorized to execute and enter into the Agreement that will enable it to draw the remaining loan funds for an additional 3 years. The Agreement also provides for the repayment of the loan funds over a 35-year period following the date of the Agreement. The Agreement does not affect the repayment of the loan funds already advanced and does not change any of the terms of the loan.

Capay Valley is experiencing an increasing demand for higher grades and greater quantity of telephone service which demand requires the continued expansion of its facilities.

The Commission's Communications Division and the Revenue Requirements Division have reviewed the application and find that the telephone loan, as authorized in D.86849, together with the proposed Agreement and extension of time within which Capay may exercise the authority previously granted, are necessary to fund the planned construction expenditures. The Divisions are not finding that the construction is necessary and reasonable nor that the expenditures are reasonable in amount. These are issues normally tested in general rate or rate base proceedings.

Findings of Fact

1. Capay Valley, a California corporation, operates as a public telephone utility under the jurisdiction of this Commission.
2. Execution of the Agreement contemplated is in the best interest of Capay Valley, because the Agreement assures the continued availability of the previously approved loan funds to finance the required improvements to Capay Valley facilities.
3. The proposed Agreement and the extension of time is not adverse to the public interest.
4. Capay Valley has need for external funds for the purposes set forth in this proceeding.
5. The money, property, or labor to be procured or paid for by the proposed telephone loan contract, authorized by D.86849, is reasonably required for the purpose specified in the application.
6. The proposed Agreement is for a proper purpose.

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 telephone loan and the Agreement are for a lawful purpose and the money, property, or labor to be obtained by it is required for this purpose. Proceeds from the telephone loan may not be charged to operating expenses or to income.

The following order should be effective on the date of signature to enable Capay Valley to execute the Agreement expeditiously.

O R D E R

IT IS ORDERED that:

1. Decision (D.) 86849 dated January 11, 1977, in Application (A.) 56929 is modified to provide that Capay Valley Telephone System, Inc., is authorized, on or after the effective date of this order and on or before December 31, 1986, to execute and enter into a Basis Date Agreement with the United States of America under a document which shall be in substantially the same form as set forth in Exhibit A attached to the application.

A.83-05-43 RR/TC/ARM/WPSC

2. In all other respects, D.86849 dated January 11, 1977, in A.56929 remains in full force and effect.

This order is effective today.

Dated JUL 20 1983, at San Francisco, California.

LEONARD M. GRIMES, JR.
President

VICTOR CALVO

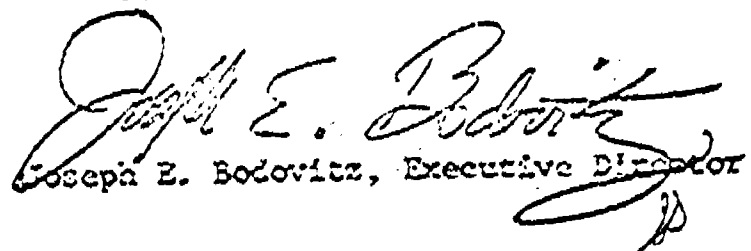
PRISCILLA C. GREN

DONALD VIAL

WILLIAM T. BACLEY

Commissioners

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


Joseph E. Bodovitz, Executive Director

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