

ORIGINAL

Decision 83 09 026 SEP 7 1983

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
TUOLUMNE TELEPHONE CO., a California)
Corporation for an order authorizing)
it to issue a mortgage note.)

Application 83-07-49
(Filed July 25, 1983)

O P I N I O N

Tuolumne Telephone Co. (Tuolumne), seeks authority to enter into telephone contract agreements with the United States of America (acting through the Administrator of the Rural Electrical Administration) and the Rural Telephone Bank^{1/} (collectively, REA) to issue a Mortgage Note in a principal amount not to exceed \$4,542,000, and to execute a supplemental mortgage and security agreement and such other supplemental mortgages as are required under the terms of an amendment to the telephone loan contract.

Authority is sought under Public Utilities (PU) Code Sections 816 through 830. Notice of the filing of the application appeared on the Commission's daily Calendar of July 28, 1983. No protests have been received.

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 Rural Electrical Administration.

Tuolumne is a California corporation and a public utility owning and operating a telephone system furnishing exchange and toll service to approximately 3,400 main stations and 4,000 subscribers in the counties of Tuolumne, Shasta and Tehama. Tuolumne's outstanding stock is held by CP National Corporation. Tuolumne, in its annual report to the Commission for the calendar year 1982, reported operating revenues of \$4,031,001 and net income of \$862,783. The company's balance sheet and income statement as of March 31, 1983 attached as Exhibit A to the application reports operating revenues and net income of \$1,006,000 and \$119,000 respectively, and is summarized as follows:

<u>Assets</u>	<u>Amount</u> (In Thousands)
Net Telephone Plant	\$ 12,453
Investments	357
Current Assets	1,639
Prepayments and Deferred Charges	<u>10</u>
Total	\$ 14,459
 <u>Liabilities and Equity</u>	
Common Equity	\$ 3,386
Long-Term Debt	10,051
Current and Accrued Liabilities	<u>1,022</u>
Total	\$ 14,459

Tuolumne proposes to enter into agreements with the United States of America and to execute a Mortgage Note in the principal amount of \$4,542,000. The note would bear interest at the rate of 5% per year and would be payable in level monthly installments over a period of 32 years.

A copy of the Telephone Loan Contract Amendment dated as of May 31, 1983, the Mortgage Note and the supplement to Supplemental Mortgage and Security Agreement to be executed in connection with the proposed financing are attached to the application as Exhibits B, C, and D, respectively.

The application indicates that the proceeds of the note would be used for the construction, completion, extension, or improvement of Tuolumne's telephone facilities. Tuolumne reported by letter dated August 5, 1983 that the proceeds of the loan would be allocated as follows:

<u>Budget Item</u>	<u>Amount</u> (In Thousands)
Central Office Equipment	\$ 2,395
Outside Plant	1,598
Engineering	437
Buildings	72
Right-of Way Procurement	27
Removal Costs	13
	<hr/>
Total	\$ 4,542

The application indicates that Tuolumne is engaged in an extensive construction program and estimates that gross expenditures required for such construction program for the years 1983, 1984, and 1985 will approximate \$828,000, \$2,800,000 and \$2,200,000, respectively. Tuolumne estimates that internally generated funds will provide approximately 22% of the total of its 1983-1985 capital needs. Therefore, the proposed Mortgage Note is reasonably necessary to help Tuolumne meet its requirements for external financing on a permanent basis.

Tuolumne's capital ratios reported as of March 31, 1983, and after giving effect to the issue and sale of the proposed Mortgage Note (as of March 31, 1983 rather than the 3-year period over which the funds would be advanced) are as follows:

	<u>March 31, 1983</u>	<u>Pro Forma</u>
Long-Term Debt	75.1%	81.2%
Common Equity	<u>24.9</u>	<u>18.8</u>
Total	100.0%	100.0%

Tuolumne states in its application that its common equity ratio would remain at about 25%, over the period during which REA funds would be advanced.

The Commission's Revenue Requirements Division and the Communications Division have reviewed Tuolumne's construction budget for 1983, 1984 and 1985, and find the \$4,542,000 Mortgage Note is necessary to fund the planned construction expenditures. The Divisions are not finding that the construction is necessary and reasonable or that the expenditures are reasonable in amount. These issues are normally tested in general rate or rate base offset proceedings.

Findings of Fact

1. Tuolumne is a California telephone utility operating under the jurisdiction of this Commission.
2. Tuolumne has need for external funds for the purposes set forth in the application.
3. The execution of a supplemental mortgage or mortgages would not be adverse to the public interest.
4. The issuance of the proposed mortgage note in the principal amount of \$4,542,000 is for proper purposes.
5. The money, property or labor to be obtained with the proceeds of the mortgage note are reasonably required for the purposes specified in the application. Proceeds from the issuance of the proposed note or notes may not be charged to operating expenses or to income.

6. There is no known opposition and no reason to delay granting the authority requested in the application.

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 authorization here granted is for the purpose of this proceeding only, and is not to be construed as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

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 Tuolumne to issue its mortgage note expeditiously.

O R D E R

IT IS ORDERED that:

1. Tuolumne Telephone Co., (Tuolumne) on or after the effective date of this order, may execute and deliver the telephone loan contract amendment, the mortgage note and the supplement to supplemental mortgage and security agreement, substantially in the form attached to the application as Exhibits B, C, and D.

2. Tuolumne shall apply the net proceeds from the Mortgage Note for the purposes set forth in the application.

3. Within ten business days after the execution of the supplement to supplemental mortgage and security agreement, Tuolumne shall file a true copy of the contract with the Commission.

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

5. The authority granted by this order to issue a mortgage note and to execute and deliver a supplemental mortgage and security agreement will become effective when Tuolumne pays \$5,542., the fee set by PU Code Section 1904 (b). In all other respects, this order is effective today.

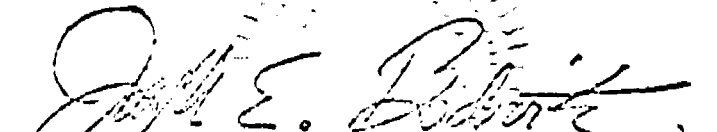
Dated SEP 7 1983, at San Francisco, California.

Commissioner William T. Bagley
being necessarily absent, did
not participate.

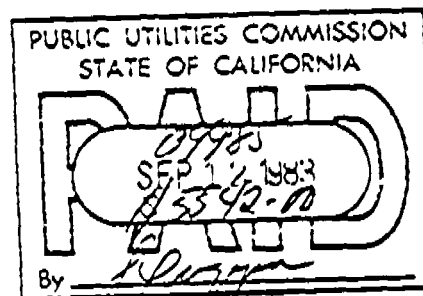
LEONARD M. GRIMES, JR.
President

VICTOR CALVO
PRISCILLA C. GREW
DONALD VIAL
Commissioners

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


Joseph E. Bodovitz, Executive Director

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