

Decision No. 88946 JUN 13 1978

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of)
 MARIPOSA COUNTY TELEPHONE COMPANY,)
 INC. for an order authorizing it (a))
 to issue a \$2,240,000 note.)

Application No. 57667
 (Filed November 3, 1977)

O P I N I O N

Mariposa County Telephone Company, Inc. (Mariposa Telephone) requests authority (a) to enter into a Telephone Loan Contract Amendment with the Rural Telephone Bank^{1/} and with the United States of America, acting through the Administrator of the Rural Electrification Administration (REA), and (b) to issue a Mortgage Note in the principal amount of not exceeding \$2,240,000.

Mariposa Telephone is a California corporation furnishing telephone service in portions of Mariposa and Madera Counties. For the year 1976, its reported total operating revenues and net income amounted to \$581,813 and \$19,918, respectively. The balance sheet on December 31, 1976 is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Telephone plant less reserve for depreciation	\$2,601,186
Other assets	411,879
Total	<u>\$3,013,065</u>
 <u>Liabilities</u>	
Long-term debt	\$2,325,617
Common stock	10,533
Retained earnings	375,888
Other liabilities	301,027
Total	<u>\$3,013,065</u>

^{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.

14
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The long-term debt set forth in the above tabulation in the amount of \$2,325,617, represents the outstanding REA notes authorized by this Commission in prior years.

Mariposa Telephone proposes to issue a Mortgage Note in the principal amount not exceeding \$2,240,000, and to use the proceeds for the following purposes:

<u>Item</u>	<u>Amount</u>
Extend service to 556 new subscribers	\$ 100,080
Purchase land for new central offices and equipment	15,000
Complete the job of upgrading the exchange	1,705,920
Additional toll trunking facilities	50,000
Reimburse \$75,000 of general funds used for work order construction	75,000
Engineering fees	294,000
Total	<u>\$2,240,000</u>

An analysis of the Mariposa Telephone financial statements for the year 1976 indicates that the utility cannot finance the large construction program from current earnings or resources, and the company has therefore negotiated a Telephone Loan Contract Amendment with the Rural Telephone Bank and the REA to provide for long-term borrowing not exceeding \$2,240,000. The form of the amended loan contract is attached to the application as Exhibit D. ✓

Under the terms of the amended loan contract, money would be advanced to Mariposa Telephone from time to time after the execution of a Mortgage Note substantially in the form attached to the application as Exhibit C. The note, bearing interest at the rate of 5% per annum, would be repayable in quarterly installments over a period of 35 years and would be secured by the Mortgage dated September 14, 1972, as previously amended or supplemented. ✓

Mariposa Telephone has furnished the staff a summary of the estimated operating revenues and operating income which the new plant additions will generate. The company estimates the new plant, to be acquired with funds from the proceeds of the proposed loan, would generate annual operating revenues of \$559,000 and annual operating income of \$134,000. The principal and interest payments on the proposed loan would amount to about \$69,000. The remaining difference of \$65,000 would be available for working capital and future plant additions.

The Communications Division reviewed the application and investigated the proposed construction program in conjunction with a review of the utility's service standards, and concurs with the Finance Division's conclusion that the proposed financing is necessary to implement the utility's program. The Communications Division reserves the right, however, to reconsider the reasonableness of any construction expenditures in future rate proceedings.

After considering this matter the Commission finds that:

1. The execution of the Telephone Loan Contract Amendment would not be adverse to the public interest.
2. The issuance of the proposed Mortgage Note in the principal amount not exceeding \$2,240,000 is for proper purposes.
3. The money, property, or labor to be procured or paid for by the Mortgage Note herein authorized is reasonably required for the purposes specified herein, which purposes are not in whole or in part, reasonably chargeable to operating expenses or to income.

There is no known opposition, and there is no reason to delay granting the authority requested in the application. On the basis of the foregoing findings we conclude that the application should be granted. A public hearing is not necessary. The

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

O R D E R

IT IS ORDERED that:

1. Mariposa County Telephone Company, Inc. on or after the effective date hereof and on or before December 31, 1978 for the purposes set forth in the application, may enter into a Telephone Loan Contract Amendment with the United States of America acting through the Rural Electrification Administration and with Rural Telephone Bank, which document shall be in substantially the same form set forth in Exhibit D, attached to the application.
2. Mariposa County Telephone Company, Inc. may issue a Mortgage Note in the principal amount not exceeding ✓
\$2,240,000 in substantially the same form set forth in Exhibit C attached to the application.
3. Mariposa County Telephone Company, Inc. shall file with the Commission a report, or reports, as required by General Order 24-B, which order, insofar as applicable, is hereby made a part of this order.
4. This order shall become effective when Mariposa County Telephone Company, Inc. has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$3,240.

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Dated at San Francisco, California, this 13th day
of JUNE 7, 1978.

Robert B. Brown
President
William J. Brown
Vernon L. Sturgeon
Richard D. Hoxley
Marie L. Doherty
Commissioners

