

ORIGINAL

Decision No. 89461 OCT 3 1978

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
The Volcano Telephone Company)

(1) To enter into an amended and)
supplemental loan agreement)
with the United States of)
America under and pursuant to)
the Rural Electrification Act)
of 1936, as amended, acting)
through the Administrator of)
the Rural Electrification)
Administration;)

Application No. 58248
(Filed July 25, 1978)

(2) To execute its promissory note)
to Rural Telephone Bank in the)
sum of \$5,166,000, said obli-)
gation to bear interest at the)
rate of 6.5 per centum per)
annum;)

(3) To apply the proceeds derived)
from said note to the further)
expansion of the plant and)
facilities of said company.)

O P I N I O N

The Volcano Telephone Company (Volcano) seeks authority to enter into a supplemental loan agreement, and to issue its Rural Telephone Bank promissory note in the principal amount of \$5,166,000.

The applicant is a California corporation engaged in furnishing telephone service to the unincorporated towns of Volcano, Pine Grove and Pioneer in Amador County, and West Point and vicinity in Calaveras County. For the calendar year 1977, Volcano's operating revenues totalled \$1,825,269 and net earnings were \$468,096. The company's balance sheet as of March 31, 1978 is summarized as follows:

Assets

Net telephone plant	\$6,363,708
Investments	259,019
Current assets	661,815
Prepayments and deferred charges	<u>38,255</u>
Total	<u>\$7,322,797</u>

Liabilities and Equity

Common equity	\$2,050,883
Long-term debt	4,873,027
Current and accrued liabilities	385,737
Deferred credits and reserves	<u>13,150</u>
Total	<u>\$7,322,797</u>

By this application, Volcano proposes to enter into an amendment to its original loan agreement with the United States of America and to execute its promissory note to the Rural Telephone Bank in the sum of \$5,166,000. The note would bear interest at the rate of 6.5% and would be repayable over a period of 35 years. Security for the note would be provided by a supplemental mortgage and security agreement dated June 22, 1972.

The proceeds of the note would be used for further expansion of the company's plant and facilities, and would be allocated as follows:

Central office	\$1,563,000
Outside plant and equipment	3,000,000
Engineering	350,000
Class B stock-Telephone Bank ^{1/}	246,000
Contingencies	<u>7,000</u>
Total	<u>\$5,166,000</u>

^{1/} Borrowers receiving funds from the Rural Telephone Bank are required to invest in the Bank's Class B stock in an amount equal to 5% of the loan funds provided.

A feasibility study prepared by the Rural Electrification Administration indicates that there will be adequate funds available for interest and principal payments.

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

After considering the 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 of \$5,166,000 is for proper purposes.
3. The money, property, or labor to be procured or paid for by the 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 purposes 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:

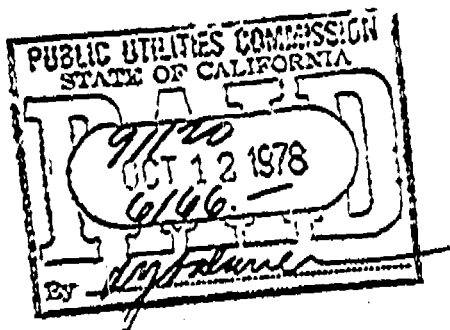
1. The Volcano Telephone Company, on or after the effective date hereof and on or before March 31, 1979 may enter into a Telephone Loan Contract Amendment with the United States of America acting through the Rural Electrification Administration and with the Rural Telephone Bank, which document shall be in substantially the same form set forth in Exhibit E attached to the application.

2. The Volcano Telephone Company, for the purposes specified in the application, may issue a Mortgage Note in a principal amount not exceeding \$5,166,000 in substantially the same form set forth in Exhibit D attached to the application.

3. The Volcano Telephone Company shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

4. This order shall become effective twenty days after the date hereof, or, if later, on the date the fee prescribed by Section 1904(b) of the Public Utilities Code is paid, which fee is \$6,166.

Dated at San Francisco, California, this 3rd day of OCTOBER, 1978.



Robert Bateman
President
William J. Quinn
George L. Strigman
Richard D. Hedges
Clair D. DeLish
Commissioners