

Decision No. 90004 FEB 27 1979**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of)
 HAPPY VALLEY TELEPHONE)
 COMPANY, a corporation,)
 to engage in \$4,760,000 of)
 Rural Electrification)
 Administration financing.)

Application No. 58594
 (Filed January 11, 1979)

O P I N I O N

Happy Valley Telephone Company (Happy Valley) seeks authority to enter into a telephone loan contract with the United States of America, acting through the Rural Electrification Administration (REA).

Happy Valley, a California corporation, provides telephone service in and about the communities of Igo, Olinda, and Platina in the county of Shasta. For the calendar year 1977, Happy Valley reported operating revenues of \$453,474 and net income of \$45,137. The company's balance sheet as of December 31, 1977 is summarized below:

<u>Assets</u>	
Net telephone plant	\$ 947,461
Investments	9,845
Current assets	91,971
Deferred charges	4,280
Total	<u>\$1,053,557</u>
<u>Liabilities and Equity</u>	
Common equity	\$ 276,729
Long-term debt	280,040
Notes payable	426,626
Current liabilities	70,136
Deferred credits	26
Total	<u>\$1,053,557</u>

The applicant has negotiated a telephone loan contract with the REA to provide for long-term borrowing not exceeding \$4,760,000. The borrowing will be evidenced by two mortgage notes in substantially the form attached to the application as Exhibits "C" and "D". Both notes will bear interest at the rate of 5% per annum and will be repayable as to principal and interest in quarterly installments over a period of 35 years. The notes will be secured by a mortgage on all of the utility's real and personal property, and such supplemental mortgage or mortgages as are required under the terms of the loan contract.

The application states that Happy Valley is experiencing an increasing demand for telephone services and for higher grades of such service. The company will require in excess of \$4,760,000 to pay for modifications, replacements and additions to plant, including refinancing of outstanding debt originally incurred for capital purposes. The proceeds from the proposed REA financing will be allocated approximately as follows:

Central office equipment, including removal costs	\$1,092,000
Buildings and land	491,000
Outside plant and station equipment, including removal costs	1,993,000
Engineering and right of way	413,000
Office equipment, vehicles and work equipment	22,500
Contingencies and allocable costs in above categories	<u>51,234</u>
SUBTOTAL:	\$4,062,734
Retirement of outstanding indebtedness	<u>697,266</u>
GRAND TOTAL:	<u><u>\$4,760,000</u></u>

The Communications Division has reviewed the application and concludes that the planned additions and improvements are reasonable and necessary. The Division does not necessarily concur, however, with certain provisions of the loan contract that would require the utility to seek Commission authorization for a tariff which would not include mileage or zone charges for the lowest grade of service in each central office area. The Division also takes exception to the provisions of Section 4.5 (b) of the loan contract, which provision seems to restrict the utility's application of line extension charges.

Happy Valley does not seek authority in this application to exclude mileage or zone charges, nor any change in rates or service as a result of the proposed loan.

The Finance Division has evaluated the application and concludes that with the exceptions noted above, the terms of the proposed financing are reasonable. A pro forma statement of income and cash flow indicates that sufficient funds will be available to meet debt service requirements.

After consideration the Commission finds that:

1. The execution of the Telephone Loan Contract would not be adverse to the public interest.
2. The issuance of proposed Mortgage Notes in the principal amount of \$4,760,000 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

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reasonable rates, or concurrence in the reasonableness of serving arrangements or tariff modifications contained in the Telephone Loan Contract.

O R D E R

IT IS ORDERED that:

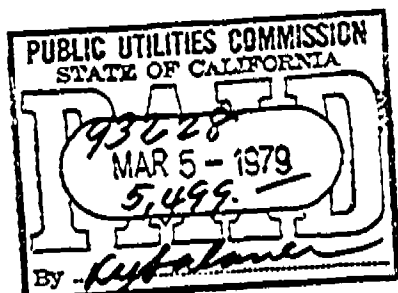
1. Happy Valley Telephone Company, on or after the effective date hereof and on or before September 30, 1979 may enter into a Telephone Loan Contract with the United States of America acting through the Rural Electrification Administration, which document shall be in substantially the same form set forth in Exhibit B attached to the application.

2. Happy Valley Telephone Company, for the purposes specified in the application, may issue mortgage notes in a principal amount not exceeding \$4,760,000 in substantially the same form set forth in Exhibits C and D attached to the application.

3. Happy Valley 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 when Happy Valley Telephone Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$5,499.

Dated at San Francisco, California, this 27th day of FEBRUARY, 1979.



John E. Conroy
President
George L. Stegeman
Richard J. Glavin
Philip J. ...
Edward J. ...
Commissioners