

Decision No. 90654 AUG 14 1979

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
Tuolumne Telephone Co.

- (1) To enter into an amendment to loan contract 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;
- (2) To execute its promissory note to United States of America in the sum of \$5,170,000.00, said obligation to bear interest at the rate of five (5) centum per annum; and, to execute a Supplement TO SUPPLEMENTAL MORTGAGE AND SECURITY AGREEMENT, securing such note;
- (3) To apply the proceeds derived from said notes to financing the construction and operation of additional telephone lines and facilities in the Counties of Tuolumne, Tehama and Shasta.

Application No. 58960
(Filed June 26, 1979)

O P I N I O N

Tuolumne Telephone Co., (Tuolumne) seeks authority to enter into a telephone loan contract amendment with the United States of America acting through the Rural Electrification Administration and with Rural Telephone Bank (Bank)^{1/} to issue a Mortgage Note to the Bank in a principal amount not exceeding

^{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 Electrification Administration.

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\$5,170,000, and to execute a supplemental mortgage and security agreement and such other supplemental mortgages as are required under the terms of the telephone loan contract amendment.

Authority is sought pursuant to Sections 817, 818 and 851 of the Public Utilities Code. Notice of the filing of the application appeared on the Commission's daily calendar of June 28, 1979.

Tuolumne is a California corporation and a public utility owning and operating a telephone system furnishing exchange and toll service to 3,675 stations in the counties of Tuolumne, Shasta and Tehama. Tuolumne, in its annual report to the Commission for the calendar year 1978, reported operating revenues of \$1,463,689 and net income of \$245,754. The company's balance sheet as of March 31, 1979 attached to the application as Exhibit A is summarized as follows:

| <u>Assets</u> | <u>Amount</u> |
|----------------------------------|---------------------|
| Net telephone plant | \$ 4,912,543 |
| Investments | 256,702 |
| Current assets | 365,747 |
| Prepayments and deferred charges | 120,483 |
| Total | <u>\$ 5,655,475</u> |
| <u>Liabilities and Equity</u> | |
| Common equity | \$ 1,501,790 |
| Long-term debt | 3,976,996 |
| Current and accrued liabilities | 176,689 |
| Total | <u>\$ 5,655,475</u> |

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By this application Tuolumne proposes to enter into an amendment to its original loan agreement with the United States of America and to execute a mortgage note to the Bank in the principal amount of \$5,170,000. The note would bear interest at the rate of 5% per year and would be repayable in quarterly installments over a period of 35 years. Security for the note would be provided by a supplemental mortgage and security agreement in substantially the form attached as Exhibit F to the application, and other such supplemental mortgages as are required under the terms of the amended loan contract.

The application indicates that the proceeds of the note would be used (1) to complete previously authorized construction projects; (2) extend service to 1,328 new subscribers and construct 147 miles of related new line; (3) upgrade existing service in the Oak Run and Shingletown exchanges to one- and two-party service; (4) replace the Oak Run central office equipment; (5) purchase land on which to construct buildings to house remote switching units for a new digital central office; and (6) cover engineering fees. Exhibit B attached to the application indicates the proceeds of the loan would be allocated as follows:

| <u>Budget Item</u> | <u>Amount</u> |
|---------------------|---------------|
| Construction | \$ 4,055,000 |
| Engineering | 810,000 |
| Operating Equipment | 201,000 |
| Contingencies | 104,000 |
| | <hr/> |
| | \$ 5,170,000 |
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Tuolumne's management by letter dated July 10, 1979 states that in its opinion a rate increase will not be necessary. They allege that increased efficiencies in handling telephone messages and additional revenues generated by way of toll settlements will be adequate to service the interest requirements and amortize the principal payments.

The Communications Division has reviewed the application and concurs with the opinion of the Revenue Requirements 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.

Tuolumne's attorney by letter dated June 26, 1979 requests that the order be made effective on the date that the order is issued. The request is made in order to comply with Decision No. 90428 dated June 16, 1979 in Case No. 10509 and to provide adequate service to the area involved at the earliest possible date.

Findings of Fact

1. Tuolumne Telephone Co. is a California corporation operating under the jurisdiction of this Commission.
2. Tuolumne Telephone Co. 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 \$5,170,000 is for a proper purpose.
5. 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.

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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 herein granted is for the purposes 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.

O R D E R

IT IS ORDERED that:

1. Tuolumne Telephone Co., on or after the effective date hereof and on or before December 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. Tuolumne Telephone Co., for the purposes specified in the application, may issue a Mortgage Note in a principal amount not exceeding \$5,170,000 in substantially the same form set forth in Exhibit F attached to the application.

3. Tuolumne Telephone Co. may execute and deliver such supplemental mortgages as are required by the terms of the telephone loan contract amendment.

4. Tuolumne Telephone Co. 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.

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5. This order shall become effective when Tuolumne Telephone Co. has paid the fee prescribed by Section 1904 (b) of the Public Utilities Code, which fee is \$6,170.

Dated AUG 14 1979, at San Francisco, California.

John E. Bryan

President
Vernon L. Stegeman

Richard D. Gravelle

Richard D. Gravelle

Commissioner

Commissioner Richard D. Gravelle, being necessarily absent, did not participate in the disposition of this proceeding.

