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ORIGINAL

Decision No. _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of
DORRIS TELEPHONE COMPANY,
a corporation,
to engage in \$900,000 of
Rural Electrification
Administration financing.

Application No. 58853
(Filed May 10, 1979)
and
Amendment
(Filed October 24, 1979)

O P I N I O N

Dorris Telephone Company (Dorris Telephone) requests authority, pursuant to Sections 817 and 818 of the Public Utilities Code, (a) to enter into a Telephone Loan Contract Amendment and (b) to issue a Rural Electrification Administration and Rural Telephone Bank^{1/} Mortgage Note in the aggregate principal amount not exceeding \$900,000.

Notice of the filing of the application and the amendment appeared on the Commission's Daily Calendars of May 11 and October 26, 1979, respectively.

Dorris Telephone is a California corporation furnishing telephone service in and about the community of Dorris in Siskiyou County. The most recent operating statement and balance sheet are attached to the application as Exhibit "D". The exhibit indicates that for the year ended December 31, 1978 the utility's total operating revenues and net income amounted to \$319,260 and \$28,594, respectively. The balance sheet as of December 31, 1978 is summarized as follows:

^{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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<u>Assets</u>	<u>Annual Report</u>
Telephone Plant less Reserve for Depreciation	\$547,159
Other Investments	62,105
Current Assets	39,240
Prepaid and Deferred Charges	<u>17,142</u>
Total	<u>\$665,646</u>
 <u>Liabilities and Common Equity</u>	
Common Equity	\$356,341
Long-term Debt	209,425
Current and Accrued Liabilities	<u>99,880</u>
Total	<u>\$665,646</u>

Dorris Telephone is experiencing the need to upgrade its telephone plant to meet the increasing demands being placed on its present service. These demands result in the need to make required improvements and to replace a major portion of the telephone plant. The company will require an estimated \$900,000 or more to pay for modifications, replacements and additions to plant facilities. Short-term financing for plant additions will be required pending completion of the long-term financing described in the application. Specifically, the utility proposes to allocate the funds needed for the following purposes:

<u>Item</u>	<u>Amount</u>
Central office equipment	\$ 49,600
Buildings	277,000
Outside plant and station equipment including removal costs	419,000
Engineering and right-of-way	142,400
Contingencies and allocable overhead costs in above categories	<u>12,000</u>
Total	<u>\$900,000</u>

Dorris Telephone is unable to finance its large construction program from its current earnings or resources and has, therefore, negotiated a Telephone Loan Contract Amendment with the United States Government acting through the Rural Electrification Administration and the Rural Telephone Bank to provide for long-term borrowing not exceeding \$900,000. The form of the contract is attached to the application as Exhibit "B".

Under the terms of the contract, money will be advanced to Dorris Telephone from time-to-time after the execution of the Mortgage Note in substantially the form attached to the application as Exhibit "C". The Note in the amount of \$900,000 to be given to the Government by the utility will bear interest at the rate of five percent (5%) per annum and is repayable in equal quarterly installments over a period of 35 years. The Note and such supplemental mortgage or mortgages as are required under the terms of the telephone loan contract (as amended) will be secured by the present mortgage by the utility to the Government and the Bank.

A summary statement of estimated net income and cash flow, incorporating the proposed REA loan and assuming the loan was made during calendar year 1978, has been furnished to the staff. This statement indicates that Dorris Telephone would have generated operating revenues and net operating income of \$613,731 and \$199,639, respectively, had the loan been received during calendar year 1978. Estimated cash flow from operations would amount to \$321,639, of which \$185,930 could be applied to the servicing of debt. The remaining \$135,709 would be available for future plant additions and for working capital.

The Communications Division has reviewed the application as amended together with the company's proposed construction program, and with one exception, concurs with the Revenue Requirements Division that the proposed financing is necessary to implement the utility's program.

The Communications Division inspected the company's facilities and determined that the cost of the proposed garage and warehouse facility (estimated at \$257,000) is excessive considering the company's number of 800 subscribers and a 5% projected growth rate. Because it would be imprudent to construct this facility, we will not authorize any of the funds from the Note authorized herein to be spent on the proposed warehouse and garage.

The Communications Division reserves the right to reconsider the reasonableness of any construction expenditures in future rate proceedings.

The attorney representing Dorris Telephone informed the Commission's staff, by letter dated October 24, 1979, that the company's management desires an expedited decision in this proceeding, even if such Commission decision initially prohibits the use of borrowed funds for construction of the proposed warehouse and garage facility without further approval of the Commission. The attorney's letter is marked as Exhibit 1 in this proceeding.

The attorney further stated, in his letter of October 24, that Dorris Telephone has determined it can and will meet its present needs, although not its future needs, by removing one 25 by 50 feet section (1,250 square feet) from the building plan as described in the amendment to the application. This action will result in the removal from the proposed facility of that portion considered excessive by the staff of the Communications Division.

Findings of Fact

1. Dorris Telephone is a California corporation and a telephone utility subject to the jurisdiction of the Commission.
2. The execution of the Telephone Loan Contract Amendment and the Mortgage Note would not be adverse to the public interest.
3. The issuance of the proposed Mortgage Note is for proper purposes.
4. The construction of the proposed garage and warehouse facility is imprudent.
5. There is no known opposition and there is no reason to delay granting the authority requested.
6. 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.

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Conclusions of Law

1. The application should be granted to the extent set forth in the order which follows.

2. 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. Dorris Telephone Company, on or after the effective date hereof and on or before December 31, 1979 may, for the purposes set forth in the application, enter into a Telephone Loan Contract Amendment with the United States of America acting through the Rural Electrification Administration and with Rural Telephone Bank, under a document which shall be in substantially the same form as set forth in Exhibit "B" attached to the application.

2. Dorris Telephone Company may issue a Mortgage Note in the aggregate principal amount not exceeding \$900,000 in substantially the same form as set forth in Exhibit "C" attached to the application.

3. Dorris Telephone Company 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 Dorris Telephone Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code which fee is \$1,800.

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5. None of the funds authorized herein shall be expended for or used to reimburse any funds borrowed or expended for construction of the proposed warehouse or garage building until further order of this Commission.

Dated NOV 30 1979, at San Francisco, California.

John E. Coyne
President

Thomas P. Stearns

Richard D. Howell

Alvin T. DeLuca

James J. Quinn
Commissioners

