

RR/lq

Decision No. 92414 NOV 18 1980

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
CALAVERAS TELEPHONE COMPANY

for an Order authorizing it to issue a note in an amount not exceeding \$2,116,000 and to execute a related agreement and supplemental security instruments.

Application No. 59991
(Filed October 7, 1980)

O P I N I O N

Calaveras Telephone Company (Calaveras) requests authority, pursuant to Sections 817 and 818 of the Public Utilities Code, (a) to enter into a Telephone Loan Contract Amendment with the Rural Electrification Administration (REA) and the Rural Telephone Bank^{1/} (Telephone Bank) and (b) to issue a Mortgage Note not to exceed the aggregate principal amount of \$2,116,000.

Notice of the filing of the application appeared on the Commission's Daily Calendar of October 10, 1980.

Calaveras is a California corporation operating as a public utility telephone company furnishing telephone service in Calaveras and Stanislaus Counties. Applicant's income statement attached to the application as Exhibit C indicates that in the twelve months ended

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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June 30, 1980, Calaveras generated total operating revenues of \$489,933 and net income of \$28,075. Exhibit C also contains a Balance Sheet as of June 30, 1980, which is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Telephone Plant	\$1,658,518
Other Investments	30,000
Current Assets	<u>174,609</u>
Total	<u>\$1,863,127</u>
<u>Liabilities and Common Equity</u>	
Common Equity	\$ 488,760
Long-Term Debt	1,093,478
Current Liabilities	<u>280,889</u>
Total	<u>\$1,863,127</u>

Calaveras is experiencing an increasing demand for the telephone services provided by it and a need to upgrade its telephone services. These demands now require the improvement and replacement of portions of applicant's existing telephone facilities and the construction of additional facilities. Applicant will require in excess of an additional \$2,116,000 to pay for modifications, replacements and additions to plant. Applicant is not in a position to finance such a large program out of its current earnings or resources. A summary of the approximate allocation of such uses among the authorized uses of such funds is as follows:

<u>Item</u>	<u>Amount</u>
Central Office Equipment	\$ 505,000
Outside Plant and Station Equipment	1,252,000
Removal Costs	1,000
Land	5,000
Buildings	98,000
Engineering	193,000
Contingencies and Allocable Costs in above Categories	<u>62,000</u>
Total	<u>\$2,116,000</u>

Calaveras has previously engaged in long-term borrowings from The United States of America, acting through REA, and more recently from the Telephone Bank. Applicant now desires to make a further long-term borrowing from The United States of America, acting through the REA. This long-term borrowing will be secured by a previously executed mortgage of applicant's property to The United States of America and the Telephone Bank. Applicant has negotiated a Telephone Loan Contract Amendment, substantially in the form attached to the application as Exhibit A, with the REA and with the Telephone Bank.

Calaveras proposes to enter into a Telephone Loan Contract Amendment with the REA and the Telephone Bank, and to issue a Mortgage Note to The United States of America, in substantially the form attached to the application as Exhibit B, to provide for the additional long-term borrowing by the applicant of a principal aggregate amount not to exceed \$2,116,000.

Pursuant to the Telephone Loan Contract Amendment and Mortgage Note, money will be advanced to Calaveras from time to time after the execution of the Mortgage Note. The Mortgage Note will bear interest at the rate of two percent (2%) per year and will be payable quarterly in amounts and pursuant to a schedule more fully set forth in such Exhibit B attached to the application.

Pursuant to the existing Telephone Loan Contract Agreement with the REA and the Telephone Bank, as amended, Calaveras is obligated from time to time to execute supplemental mortgages and other security instruments in favor of applicant's secured lenders. No supplemental mortgage or other security document is being required by the REA in connection with the proposed loan of not to exceed the principal aggregate amount of \$2,116,000. The company requests, however, that it be authorized to continue to execute and deliver its supplemental mortgages and other security instruments as may be required by the terms of its Telephone Loan Contract, as amended.

The Communications Division and the Revenue Requirements Division of the Commission's staff have reviewed the application and concur that the proposed financing is necessary to implement the utility's program and should be granted. The Communications Division reserves the right to reconsider the reasonableness of the utility's construction expenditures in future rate proceedings.

Findings of Fact

1. Calaveras 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 execution of a supplemental mortgage or mortgages and other security agreements would not be adverse to the public interest.
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 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.

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

O R D E R

IT IS ORDERED that:

1. Calaveras Telephone Company may, on or after the effective date hereof and on or before June 30, 1981, 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 the Rural Telephone Bank, under a document which shall be in substantially the same form as set forth in Exhibit A attached to the application.

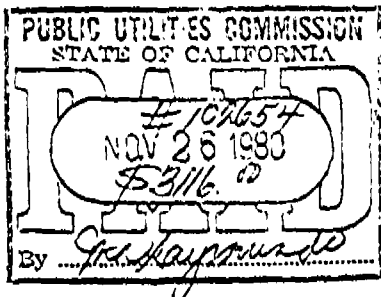
2. Calaveras Telephone Company may issue a Mortgage Note in the aggregate principal amount not to exceed \$2,116,000 in substantially the same form as set forth in Exhibit B attached to the application.

3. Calaveras Telephone Company may execute and deliver such supplemental mortgages and other security instruments as are required by the terms of the Telephone Loan Contract.

4. Calaveras 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.

5. This order shall become effective when Calaveras Telephone Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code which fee is \$3,116.

Dated NOV 18 1980, at San Francisco, California.



J. E. Bryan President
Debra L. Stanger
Richard D. Howell
Clair T. Pedrick
Samuel J. Jensen Commissioners