

ORIGINAL

Decision 93542 SEP 15 1981

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of LIVINGSTON TELEPHONE COMPANY)
for an Order authorizing it to)
issue notes in an aggregate amount)
not exceeding \$4,508,700 and to)
execute a related agreement and)
original and supplemental security)
instruments.)

Application 60785
(Filed August 4, 1981;
amended August 11, 1981)

O P I N I O N

Livingston Telephone Company (Livingston) requests authority under Sections 817 and 818 of the Public Utilities Code for the following:

1. To enter into a Telephone Loan Contract (Loan Contract) with the Rural Electrification Administration (REA) and the Rural Telephone Bank^{1/} (Telephone Bank),
2. To enter into a Mortgage and Security Agreement (Agreement) with the REA and the Telephone Bank,
3. To issue, to the REA and the Telephone Bank, Mortgage Notes in the aggregate principal amount of up to \$4,508,700, and
4. To execute and deliver one or more supplemental mortgages and other security instruments as may be required in the future by the terms of the Loan Contract.

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 REA.

Notice of the filing of the application and amendment appeared on the Commission's Daily Calendars of August 7 and 14, 1981. No protests have been received.

Livingston, a California corporation, operates as a telephone utility under the jurisdiction of this Commission. Livingston engages in the business of providing telephone service in a portion of Merced County.

For the calendar year 1980, Livingston reported it generated total operating revenues of \$1,494,414 and net income of \$93,367 shown as part of Exhibit E attached to the application.

Also shown as part of Exhibit E is Livingston's Balance Sheet as of December 31, 1980, which is summarized below:

<u>Assets</u>	<u>Amount</u>
Net Telephone Plant	\$2,566,282
Current Assets	318,014
Deferred Charges	76,801
Other Assets	20,585
Total	<u>\$2,981,682</u>
 <u>Liabilities and Common Equity</u>	
Stockholder's Equity	\$1,059,937
Long-Term Debt	1,327,072
Current Liabilities	568,748
Deferred Credits	25,925
Total	<u>\$2,981,682</u>

Livingston 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 replacements of portions of the telephone plant. The company will require an estimated \$4,508,700 or more to pay for modifications, replacements, and additions to plant facilities, and for refinancing of its existing debt in connection with its new borrowings. A summary of the approximate anticipated allocation of these funds is as follows:

<u>Item</u>	<u>Amount</u>
Central Office Equipment	\$1,366,000
Outside Plant & Station Equipment	1,148,000
Removal Costs	95,000
Right of Way Procurement	6,000
Buildings	20,000
Engineering	359,000
Vehicles and Work Equipment	75,000
Acquisition of Headquarters --	
Central Office Building, Service Yard, and Pole Yard	295,900
Class B Stock -- Telephone Bank	214,700
Debt Refinancing with Loan Funds	1,357,153
Contingencies & Allocable Costs in above Categories	1,547
Subtotal	<u>\$4,938,300</u>
Less proceeds of sale by Company of existing Central Office Equipment	<u>(429,600)</u>
Total	<u>\$4,508,700</u>

(Red Figure)

Livingston states it is unable to finance its large construction program from its current earnings or resources and has, therefore, negotiated a Loan Contract with the United States Government acting through REA and the Telephone Bank to provide for long-term borrowing in an amount up to \$4,508,700. The form of the Loan Contract is attached to the application as Exhibit A. The loan

will be secured by a Mortgage and Security Agreement of substantially all of Livingston's property to the REA and the Telephone Bank. The form of Mortgage and Security Agreement is attached to the application as Exhibit B.

Under the terms of the Loan Contract, money will be advanced to Livingston from time to time after the execution of the Mortgage Notes in substantially the form attached to the application as Exhibits C and D. The Mortgage Notes in the amount of \$4,508,700 to be given to the REA and the Telephone Bank by the utility will bear interest at the rate of 11.25% per annum and are repayable in quarterly installments over a period of 35 years. From time to time Livingston will be required under the terms of the Loan Contract to execute a supplemental mortgage or mortgages and other security instruments in favor of its secured lenders.

Under the Loan Contract, Livingston will also be required to purchase and will purchase \$214,700 of Class B stock of the Telephone Bank.

Livingston has previously made long-term borrowings under authority granted by this Commission. These borrowings are presently outstanding and are secured by a mortgage on the assets of Livingston. These previously authorized long-term loans totaled \$1,169,153 as of

December 31, 1980, which balance is composed of notes of \$149,153 to Stromberg Carlson Corporation and \$1,020,000 to Nationwide Life Insurance Company. These loans must be refinanced by the proposed loan before the Telephone Bank will authorize the proposed loan because the U.S. Government will not take second mortgages. In addition, the loan proceeds will be used to repay other company debt consisting of outstanding short-term notes in the amount of \$188,000.

The Commission's Revenue Requirements Division and the Communications Division have reviewed the application and the utility's proposed construction program. The Divisions conclude that the proposed financing is necessary to implement Livingston's proposed construction program; however, the Divisions reserve the right to reconsider the reasonableness of any construction expenditures in future rate proceedings.

Findings of Fact

1. Livingston, a California corporation, operates as a telephone utility subject to the jurisdiction of this Commission.
2. Livingston has need for external funds for the purposes set forth in the application.
3. The execution of the proposed Loan Contract, Agreement, and the Mortgage Notes would not be adverse to the public interest.

4. The issuance of the proposed Mortgage Notes is for proper purposes.

5. The execution of supplemental mortgage or mortgages and other security agreements as is required by the Loan Contract would not be adverse to the public interest.

6. The money, property, or labor to be procured or paid for by the proposed Mortgage Notes is reasonably required for the purposes specified in the application.

7. There is no known opposition and there is no reason to delay granting the authority requested.

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 proposed security issue is for lawful purposes and the money, property, or labor to be obtained by it is required for these purposes. Proceeds from the security issue may not be charged to operating expenses or income.

The following order should be effective on the date of signature to enable Livingston to issue debt securities expeditiously.

O R D E R

IT IS ORDERED that:

1. Livingston Telephone Company, on or after the effective date of this order and on or before December 31, 1981 may, for the purposes set forth in the application, enter into a Telephone Loan Contract with the United States of America acting through the Rural Electrification Administration (REA) and with the Rural Telephone Bank (Telephone Bank) under a document which shall be in substantially the same form as set forth in Exhibit A attached to the application .

2. Livingston Telephone Company may, in conjunction with entering into the Telephone Loan Contract, further enter into a Mortgage and Security Agreement with the Telephone Bank, under a document which shall be in substantially the same form as set forth in Exhibit B attached to the application.

3. Livingston Telephone Company may, for the purposes specified in the application, issue Mortgage Notes in the aggregate amount of up to \$4,508,700 in substantially the same forms as set forth in Exhibits C and D, attached to the application.

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

5. Livingston Telephone Company shall file the reports required by General Order Series 24.

6. This order shall become effective upon payment of the \$4,340 fee set by Section 1904(b) of the Public Utilities Code after taking credit for the retirement of \$1,169,153 principal amount of long-term loans being refunded.

Dated SEP 15 1981, at San Francisco, California.

John E. Bayson
President

Richard D. Smith

Thomas J. Smith

Pratt C. Chen
Commissioner

