

TELCO/RHG

Decision 99-01-007 January 7, 1999

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SIERRA)	
TELEPHONE COMPANY, INC. U-1016-C, for)	Application 98-03-047
an Order authorizing it to issue notes in an amount)	(Petition for Modification
not exceeding \$35,500,000, and to execute a)	filed November 16, 1998)
related agreement and supplemental security)	
instruments.)	
_____)	

SUPPLEMENTAL OPINION

Summary of Decision

This decision corrects the last paragraph of page five of Decision (D.) 98-07-088 in Application (A.) 98-03-047 pursuant to Sierra Telephone Company, Inc.'s (Sierra Telephone) request under its petition for modification of D. 98-07-088.

Sierra Telephone requests modification of the decision pursuant to Rule 47 of the Commission's Rules of Practice and Procedure, to delete or replace a sentence on page five of D.98-07-088 addressing the Commission's treatment of capital ratios.

Notice of the filing appeared on the Commission's Daily Calendar of November 19, 1998. No responses have been received.

Background

D.98-07-088 dated July 23, 1998 authorized Sierra Telephone to enter into a loan contract with the Rural Utilities Service and the Rural Telephone Bank in an amount not exceeding \$35,500,000.

Sierra Telephone's recorded and pro-forma capital ratios as of December 31, 1997 are itemized on page five of D.98-07-088. Thereon, the decision stated that "Under our New Regulatory Framework for local exchange companies, capital structure is not a factor in setting rates."

Modification Sought

Sierra Telephone states in the petition that in its last general rate case (D.97-04-032) the Commission reviewed Sierra Telephone's capital ratios as part of its rate setting determination. Accordingly, Sierra Telephone requests that the Commission correct the statement presented under the capital ratios section D.98-03-047 to avoid confusion.

We agree with Sierra Telephone. Due to an oversight, the statement "Under our New Regulatory Framework for local exchange companies, capital structure is not a factor in setting rates" is misplaced and does not apply to Sierra Telephone.

Therefore, the last paragraph of page 5 of D.98-07-088 is replaced with the following:

Capital structures are normally subject to review in cost of capital or general rate case proceedings. We will not therefore, make a finding in this decision of the reasonableness of the projected capital ratios for ratemaking purposes.

This text change reflects accurately the Commission's current procedure for adopting rates for rate of return regulated local exchange companies, such as that for Sierra Telephone.

Findings of Fact

1. Sierra Telephone's request for modification is proper.
2. D.98-07-088 should be corrected to reflect the Commission's current procedure of adopting rates for rate of return regulated utility.
3. There is no known opposition to the Petition and there is no reason to delay granting the modification described therein.

Conclusions of Law

1. A public hearing is not necessary.
2. The following order should be effective on the date of signature.

SUPPLEMENTAL ORDER

IT IS ORDERED that:

1. The last paragraph of page five of Decision 98-07-088 in Application (A.) 98-03-047 is replaced and corrected to read as follows:

Capital structures are normally subject to review in cost of capital or general rate case proceedings. We will not therefore, make a finding in this decision of the reasonableness of the projected capital ratios for ratemaking purposes.

2. Sierra Telephone's petition for modification is granted as set forth above.
3. A.98-03-047 is closed.

This order is effective today.

Dated January 7, 1999, at San Francisco, California.

RICHARD A. BILAS
President
HENRY M. DUQUE
JOSIAH L. NEEPER
Commissioners