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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the Commission's Own Motion to Consider Effectiveness and Adequacy of the Competitive Bidding Rule for Issuance of Securities and Associated Impacts of General Order 156, Debt Enhancement Features, and General Order 24-B.

R. 11-03-007
(Filed March 10, 2011)

PRE-WORKSHOP STATEMENT OF
CALAVERAS TELEPHONE COMPANY (U 1004 C)
CAL-ORE TELEPHONE CO. (U 1006 C)
DUCOR TELEPHONE COMPANY (U 1007 C)
FORESTHILL TELEPHONE CO. (U 1009 C)
HAPPY VALLEY TELEPHONE COMPANY (U 1010 C)
HORNITOS TELEPHONE COMPANY (U 1011 C)
KERMAN TELEPHONE COMPANY (U 1012 C)
PINNACLES TELEPHONE CO. (U 1013 C)
THE PONDEROSA TELEPHONE CO. (U 1014 C)
SIERRA TELEPHONE COMPANY, INC. (U 1016 C)
THE SISKIYOU TELEPHONE COMPANY (U 1017 C)
VOLCANO TELEPHONE COMPANY (U 1019 C)
WINTERHAVEN TELEPHONE COMPANY (U 1021 C)

("SMALL LECS")

Respondents Calaveras Telephone Company (U 1004 C), Cal-Ore Telephone Co. (U 1006 C), Ducor Telephone Company (U 1007 C), Foresthill Telephone Co. (U 1009 C), Happy Valley Telephone Company (U 1010 C), Hornitos Telephone Company (U 1011 C), Kerman Telephone Co. (U 1012 C), Pinnacles Telephone Co. (U 1013 C), The Ponderosa Telephone Co. (U 1014 C), Sierra Telephone Company, Inc. (U 1016 C), The Siskiyou Telephone Company (U 1017 C), Volcano Telephone Company (U 1019 C) and

1 Winterhaven Telephone Company (U 1021) (collectively the "Small LECs") hereby
2 submit their pre-workshop statement in connection with the Order Instituting Rulemaking
3 on the Commission's Own Motion to Consider Effectiveness and Adequacy of the
4 Competitive Bidding Rule for Issuance of Securities and Associated Impacts of General
5 Order 156, Debt Enhancement Features, and General Order 24-B (the "OIR").

6 In their opening comments, the Small LECs observed that many of the issues raised
7 in the OIR are not relevant to their financing practices because the Small LECs rely almost
8 exclusively on loans from the Rural Utilities Service (the "RUS"), a federal agency. As
9 such, they are already exempt from the requirements of the competitive bidding rule in its
10 present form because competitive bidding is not viable in the context of RUS loans (OIR,
11 Appendix A, § B(6)). Further, the typical RUS loan is also exempt because it is generally
12 less than \$20 million (OIR, Appendix A, § B(5)). Finally, the Small LECs are not subject
13 to the competitive bidding rule because it is only applicable to utilities with a bond rating
14 of "A" or higher (OIR, Appendix A, §A(2)).

15 The Draft Revised Competitive Bidding rule provided with the Administrative Law
16 Judge Ruling of November 28, 2011, would specifically exempt RUS loans from the
17 competitive bidding rule. In addition, the Small LECs would not be subject to the revised
18 competitive bidding rule because it would be applicable only to utilities with an
19 investment-grade bond rating or higher. Accordingly, the proposed revisions to the
20 competitive bidding rule would not apply to the debt financing of the Small LECs. If the
21 competitive bidding rule is retained, the Small LECs support the exemptions that would
22 apply to their debt financing activities.

23 In their opening comments, the Small LECs did support a proposal to increase the
24 exemption level for small debt issuances should the Commission determine that the
25 competitive bidding rule should be retained.¹ The existing rules exempt debt issuances of
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27 ¹ Cal Pacific Electric Company proposed to increase the exemption level to \$100 million
28 (footnote continued)

1 up to \$20 million (OIR, Appendix A, § B(5)). The proposed rule would not increase this
2 amount, which was set in Resolution F-616 in 1986. If the competitive bidding rule is
3 retained, the Small LECs recommend that the Commission consider at the workshop
4 whether the exemption level for small debt issuances should be increased.

5 Executed at San Francisco, California, this 4th day of January 2012.

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27 (Comments of CalPeco, pp. 3-5).