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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)

**COMMENTS ON WORKSHOP REPORT
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)
HORNIOS 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)
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

1 Ponderosa Telephone Co. (U 1014 C), Sierra Telephone Company, Inc. (U 1016 C), The
2 Siskiyou Telephone Company (U 1017 C), Volcano Telephone Company (U 1019 C) and
3 Winterhaven Telephone Company (U 1021) (collectively the "Small LECs") hereby
4 submit their comments on the Workshop Report submitted in connection with the Order
5 Instituting Rulemaking on the Commission's Own Motion to Consider Effectiveness and
6 Adequacy of the Competitive Bidding Rule for Issuance of Securities and Associated
7 Impacts of General Order 156, Debt Enhancement Features, and General Order 24-B (the
8 "OIR").

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

17 The Workshop Report properly reflects the support of the Small LECs for the
18 provision in the Draft Revised Competitive Bidding rule provided with the Administrative
19 Law Judge Ruling of November 28, 2011 (the "Draft Rule") that would specifically
20 exempt RUS loans from the competitive bidding rule. In addition, the Small LECs would
21 remain exempt from the competitive bidding requirement under the Draft Rule because it
22 would apply only to utilities with an investment-grade bond rating or higher. If the
23 competitive bidding rule is retained, the Small LECs support the proposed exemptions in
24 the Draft Rule that would apply to their debt financing activities.

25 Appendix A of the Workshop Report contains proposed revisions to the competitive
26 bidding rule and General Order 24-B. These proposed revisions based on discussions at
27 the workshop would replace the competitive bidding rule with a Utility Long-Term Debt
28 Financing Rule and a revised General Order 24-B. These proposed revisions also appear

1 consistent with the recommendations of the Small LECs to exempt their financing
2 activities from what is currently the competitive bidding rule.

3 Executed at San Francisco, California, this 2nd day of February 2012.

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