

EC/CFE

OCT 28 1987

Decision 87 10 063

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of	)	
KERMAN TELEPHONE CO. for an Order	)	Application 60686
authorizing it to issue notes in an	)	(Filed June 25, 1981;
aggregate amount not exceeding	)	Petition for Modification,
\$5,508,450 and to execute a related	)	Filed September 8, 1987)
agreement and original and supple-	)	
mental security instruments.	)	
(U-1012-C)	)	

SUPPLEMENTAL OPINION

Summary of Decision

This decision grants Kerman Telephone Co. (Kerman) the authority requested in the petition for modification of Decision (D.)93366.

In D.93366 dated August 4, 1981 in Application (A.)60686 Kerman was authorized by the Commission, among other things, to enter into a telephone loan contract (Contract) with the Rural Electrification Administration (REA) and the Rural Telephone Bank (RTB) and to issue and deliver long-term Mortgage Notes (Notes) in an aggregate principal amount not to exceed \$5,508,450, to finance improvements of the company's plant facilities.

Kerman, in its petition for modification of D.93366 filed on September 8, 1987, requests a five-year extension of time in which to obtain and repay the loan funds from the REA which were authorized by Commission D.93366.

Notice of the filing of the petition for modification appeared on the Commission's Daily Calendar of September 15, 1987. No protests have been received.

Justification for Extension of Time

On August 10, 1981, pursuant to D.93366, Kerman executed the Contract and issued a Note to the REA and two Notes to the RTB. The Contract provided that the loan funds would be advanced to Kerman over a six-year period and the Notes provided for the repayment of the loan funds over a period of 35 years.

Currently, all the loan funds have not been advanced to Kerman and the time period for loan funds to be advanced, as set forth in the Contract entered into by the utility, expired on August 10, 1987. The REA, which is the lender on the Note pertaining to this extension of time requested by Kerman, has agreed to extend the time period for advancing loan funds and to extend the schedule for repayment of these loan funds. Since the Commission approved the terms of the Contract, authorization is required for Kerman to enter into an extension of time agreement with the REA.

Under the terms of the Contract, the Notes were issued at different interest rates, with a composite rate of approximately 8.60% per year. The Contract provided that the loan funds on the RTB Notes bearing the higher interest rate would be advanced first. The loan funds which have not been advanced are under the REA Note bearing interest at five percent per year.

In Kerman's petition for modification, the utility alleges that granting the five-year extension of time would be beneficial to the company because of the five percent interest

rate per year on the REA Note. A letter dated September 28, 1987 from Kerman's attorney to the Commission's Evaluation and Compliance Division (E&C Division), states that the low five percent interest rate on the REA loan funds would benefit the company's ratepayers, as well as the utility. Also, the letter indicates that if the Commission does not grant Kerman's petition for modification and the company is not able to extend the time for drawing down the available five percent loan funds, Kerman would lose a year or more in starting the borrowing process over again, and according to the REA counsel, the utility could not be certain of receiving the advantageous five percent interest rate on a new REA loan.

The E&C Division has reviewed Kerman's petition for modification of D.60686 and has concluded that granting the company the five-year extension of time for loan funds to be advanced and the schedule for repayment of these loan funds are not unreasonable.

Findings of Fact

1. Kerman, a California corporation, operates as a public utility subject to the jurisdiction of this Commission.
2. The proposed five-year extension of time for loan funds to be advanced and the schedule for repayment of these loan funds would be for proper purposes and would not be adverse to the public interest.
3. There is no known opposition to the proceeding and no reason to delay granting the authority requested.

Conclusions of Law

1. A public hearing is not necessary.
2. The petition for modification should be granted to the extent set forth in the supplemental order that follows.

The following supplemental order should be effective on the date of signature to enable Kerman to implement the extension of time expeditiously.

SUPPLEMENTAL ORDER

IT IS ORDERED that:

1. Kerman Telephone Co. (Kerman), on or after the effective date of this supplemental order and on or before December 31, 1992, is authorized a five-year extension of time for loan funds to be advanced and to extend the schedule for repayment of these loan funds, and may include the additional authority for this extension of time as a modification of Ordering Paragraphs 1 and 3 of Decision (D.)93366 dated August 4, 1981, as set forth in Kerman's petition for modification of D.93366, filed with the Commission on September 8, 1987.
2. This supplemental order is effective today.

The petition for modification is granted as set forth above. In all other respects, D.93366 remains in full force and effect.

Dated OCT 28 1987, at San Francisco, California.

STANLEY W. HULETT  
President  
DONALD VIAL  
FREDERICK R. DUDA  
G. MITCHELL WILK  
JOHN B. OHANIAN  
Commissioners