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Decision No. 11235.

BEFORE THE RAILROAD COMMISSION OF
THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of)
THE KERMAN TELEPHONE COMPANY)
for an order authorizing the issue)
of notes or certificates of indeb-)
tedness to pay outstanding notes)
and open accounts.)

Application No. 8291.

W.J. Palethorpe for Applicant.

BENEDICT, Commissioner.

O P I N I O N.

THE KERMAN TELEPHONE COMPANY asks permission to issue and sell, at not less than 95 per cent. of their face value and accrued interest, \$35,000.00 of serial notes bearing interest at the rate of 7 per cent. per annum. The notes are to be issued for the purpose of obtaining moneys to pay outstanding notes and indebtedness represented by accounts payable.

The Kerman Telephone Company was organized in 1911, with an authorized capital stock of \$35,000.00 divided into 1000 shares of \$35.00 each. Stock in the amount of \$8,395.00 has been issued and is outstanding. On May 17, 1914, an assessment of \$15.00 per share was levied upon the stock. It is of record that the holders of 7 shares of stock have paid their assessment. The time within which the remainder were permitted to pay the assessment was extended from time to time and none of the assessment has been collected, neither has any of the stock been sold at delinquent sale. The result is that the company carries on its balance sheet an item

of \$3,492.00 due from stockholders on account of non-payment of assessment. This amount should forthwith be collected from stockholders and applied to the payment of indebtedness. The authority herein granted will not become effective until the Commission has been advised that the unpaid assessment is collected or the proper legal steps taken to enforce collection and the stock sold at delinquent sale.

In Exhibit No. 1 applicant as of October 9, 1922, reports its indebtedness at \$33,022.09. Of this amount, \$3,800.00 is represented by a note payable to the First National Bank, \$1,568.26 by a note payable to the Western Electric Company, and \$4,977.98 by trade acceptances payable to the Western Electric Company. The company's indebtedness represented by audited vouchers amounts to \$22,675.85, of which \$18,796.48 is payable to the Fresno Farms Company and \$2,562.17 to the Western Electric Company. The Fresno Farms Company owns all of applicant's outstanding stock, except 30 shares. The record shows that applicant's indebtedness was incurred for the purpose of paying for new properties and meeting operating deficits. At least \$3,492.00 of applicant's debt should be paid through the collection of unpaid assessments.

On September 3, 1921, the Railroad Commission authorized applicant to increase its rates provided that certain improvements be made in its telephone system and telephone service. Not until recently have these improvements been completed. Consequently applicant has not benefitted by the rate increase. As of July 1, 1920, the Commission found the estimated historical cost of applicant's properties to be \$24,563.00 and the depreciated historical cost \$15,607.00. Since the date of the appraisal of applicant's properties by the Commission's engineers, it reports an expenditure of \$18,635.54 for new properties.

In my opinion applicant should not be permitted to issue more than \$30,000.00 of notes, and I herewith submit the following form of Order:--

O R D E R

KERMAN TELEPHONE COMPANY having applied to the Railroad Commission for permission to issue notes, a public hearing having been held and the Railroad Commission being of the opinion that applicant should be permitted to issue \$30,000.00 of notes subject to the conditions of this order;

IT IS HEREBY ORDERED, that KERMAN TELEPHONE COMPANY be, and it is hereby, authorized to issue and sell on or before March 15, 1923, for cash, at not less than 95 per cent. of their face value and accrued interest \$30,000.00 of 7 per cent. notes payable on or before three years after the effective date of this order, and use the proceeds to pay indebtedness reported in its Exhibit Number One filed in this proceeding.

The authority herein granted is subject to the following conditions:

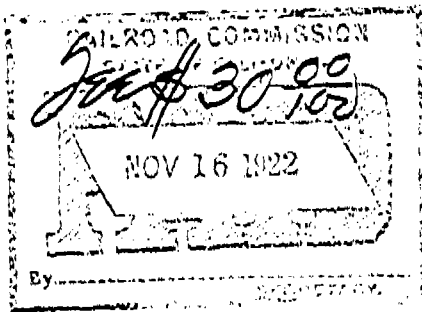
- 1.--The authority herein granted will not become effective until the Commission has been advised that the unpaid assessment on applicant's capital stock, referred to in applicant's balance sheet of September 1, 1922, has been collected, or the proper final legal steps taken to enforce collection of the assessment.
- 2.--The authority herein granted will not become effective until applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee amounts to thirty dollars (\$30.00).
- 3.--Kerman Telephone Company shall keep such record of the issue and sale of the notes and the disposition of the proceeds as will enable it to file on or

before the twenty-fifth day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

IT IS HEREBY FURTHER ORDERED, that the application in so far as it relates to the issue of \$5,000.00 face value of notes, be, and it is hereby, denied without prejudice.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

DATED at San Francisco, California, this 14th day of November, 1922.



H. B. Brundage
Charles J. ...
J. J. ...

Commissioners