

ORIGINAL

Decision No. 44311

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of)
KERN MUTUAL TELEPHONE COMPANY, a Calif-)
ornia corporation, for an order author-)
izing it (a) to issue and sell \$175,000)
principal amount of First Mortgage 4%)
Bonds, Series B, due June 1, 1975, (b))
to execute and deliver a First Supple-)
mental Indenture as of June 1, 1950, to)
set forth the special terms and provisions:)
in respect of said series of Bonds and to)
secure said Bonds, and (c) to apply the)
proceeds of sale of said Bonds toward)
payment of outstanding accounts payable)
and to reimburse its treasury.)
-----)

Application
No. 31480

O P I N I O N

This is an application for an order authorizing Kern Mutual Telephone Company to execute a First Supplemental Indenture and to issue and sell \$175,000 of First Mortgage 4% Bonds, Series B, due June 1, 1975, at their face value plus accrued interest, for the purpose of paying indebtedness and of reimbursing its treasury.

Applicant is a California corporation engaged as a public utility in giving local and long distance telephone service in and about Taft, Fellows, Maricopa, McKittrick, Buttonwillow, Lost Hills and Cuyama Valley, all in Kern County. It reports its investment in properties and assets and its liabilities as of March 31, 1950, as follows:

Assets

| | | |
|----------------------------|------------------|-----------------------|
| Telephone plant in service | | \$1,217,563.06 |
| Work in progress | | 136,361.09 |
| Sinking funds | | 8,576.56 |
| Current assets - | | |
| Cash and working funds | \$ (7,875.83) | |
| Accounts receivable | 35,112.39 | |
| Materials and supplies | <u>26,835.01</u> | |
| Total current assets | | 54,071.57 |
| Deferred debits | | <u>38,766.51</u> |
| | Total | <u>\$1,455,338.79</u> |

Liabilities

| | | |
|---------------------------|------------------|-----------------------|
| Capital stock | | \$ 250,000.00 |
| Long-term debt | | 533,000.00 |
| Current liabilities - | | |
| Notes payable | \$ 20,000.00 | |
| Accounts payable | 263,818.14 | |
| Advance payments | 138.33 | |
| Accrued liabilities | <u>22,232.43</u> | |
| Total current liabilities | | 306,188.90 |
| Reserve for depreciation | | 282,202.13 |
| Other reserves | | 1,337.13 |
| Donations | | 24,728.92 |
| Surplus | | <u>57,881.71</u> |
| | Total | <u>\$1,455,338.79</u> |

Since the date of the balance sheet applicant, under authority granted by Decision No. 43997, dated April 4, 1950, as amended, issued and sold \$150,000 par value of its common stock, bringing the total amount outstanding up to \$400,000. The long-term debt of \$533,000 shown on the balance sheet consisted of \$500,000 of First Mortgage 4% Bonds, Series A, due September 1, 1973, and \$33,000 of 5% Cumulative Income Debentures, due June 1, 1973. Said debentures since have been paid with proceeds from the sale of the additional stock.

It appears from this and from earlier applications filed with the Commission that in 1948 applicant entered upon a construction program calling for expenditures in the amount of approximately \$500,000 to install a dial office at Taft, to expand its cable plant,

to enlarge its central office buildings to take care of held orders and to provide normal requirements and other purposes. It reports that its program substantially has been completed but that it must obtain additional funds to complete the permanent financing of its construction costs. In Exhibit G it reports its estimated receipts from the sale of the stock authorized by Decision No. 43997, as amended, and from the presently proposed issue of bonds, and the application of such receipts, as follows:

Receipts

| | | |
|-----------------------------------|-----------------|---------------------|
| Sale of common stock | | \$150,000.00 |
| Sale of bonds | | 175,000.00 |
| Less-expenses incident to issue - | | |
| 3% commission | \$ 9,750.00 | |
| Attorney's fees | 3,550.00 | |
| Miscellaneous | <u>1,000.00</u> | <u>14,300.00</u> |
| Net receipts | | <u>\$310,700.00</u> |

Disbursements

| | | |
|---------------------------|-----------------|---------------------|
| Accounts payable - | | |
| Automatic Electric Co. | \$237,871.63 | |
| Contractor | 16,729.87 | |
| Attorneys | <u>1,500.00</u> | \$256,101.50 |
| Retirement of debentures | | 33,990.00 |
| Reimbursement of treasury | | <u>20,608.50</u> |
| Total disbursements | | <u>\$310,700.00</u> |

The proposed bonds of Series B will be dated as of June 1, 1950, will bear interest at the rate of 4% per annum, will be payable June 1, 1975, and will be redeemable, at the option of applicant, at 103% of face value plus accrued interest if redeemed prior to June 1, 1955, and thereafter at a premium reducing 1/10th of 1% on June 1 of each of the years 1955 to 1973, inclusive, plus accrued interest, and at the face value on and after June 1, 1974, plus accrued interest. They will be issued under and pursuant to the terms of a First Supplemental Indenture, to be dated as of June 1, 1950.

Applicant intends to sell its proposed issue of Series B bonds to Aid Association for Lutherans, the holder of its presently outstanding Series A bonds, at their face value plus accrued interest.

A review of the application clearly shows that applicant has need for the proceeds to be received from the issue and sale of its bonds to meet its capital requirements, to pay indebtedness and to improve its financial position. Accordingly, an order will be entered pursuant to the application.

O R D E R

The Commission having considered the above entitled application and being of the opinion that a public hearing thereon is not necessary, that the money, property or labor to be procured or paid for through the issue of the bonds herein authorized is reasonably required by applicant for the purposes indicated herein, that the expenditures for said purposes, other than for expenses incident to the issue and sale and for accrued interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that this application should be granted, as herein provided; therefore,

IT IS HEREBY ORDERED as follows:

1. Kern Mutual Telephone Company, after the effective date hereof and on or before August 31, 1950, may execute a First Supplemental Indenture in substantially the same form as that filed in this proceeding as Exhibit A, and may issue and sell not exceeding \$175,000 of First Mortgage 4% Bonds, Series B, due June 1, 1975,

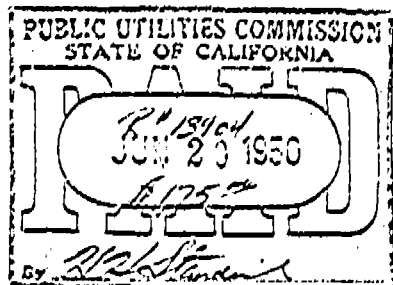
at their face value plus accrued interest in accordance with the agreement of sale filed as Exhibit B.

2. Kern Mutual Telephone Company shall use the proceeds, exclusive of accrued interest, to be received from the issue and sale of said bonds to pay expenses incident to said issue and sale, to pay outstanding indebtedness and to reimburse its treasury as set forth in the application. The accrued interest may be used for general corporate purposes.

3. The authority herein granted to execute a First Supplemental Indenture and to issue and sell bonds will become effective when Kern Mutual Telephone Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is one hundred seventy-five (\$175.00) dollars.

4. Kern Mutual Telephone Company shall file with the Commission, within sixty (60) days after the issue and sale of said bonds, two (2) copies of said First Supplemental Indenture as executed, and a report showing the total amount of bonds issued under the authority herein granted, to whom they were issued, the consideration received and the purposes for which the proceeds were used.

Dated at San Francisco, California, this 20th day of June, 1950.



R.B. Standish
James P. Hill
Harold P. Hill
Wesley P. Potter
Commissioners