

ORIGINAL

Decision No. 49902

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 KERN MUTUAL TELEPHONE COMPANY, a)
 California corporation, for an order)
 authorizing it (a) to issue and sell)
 \$150,000 principal amount of First)
 Mortgage 4% Bonds, Series C, due)
 March 1, 1979, (b) to execute and)
 deliver a Second Supplemental Indenture)
 as of March 1, 1954, 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 pro-)
 ceeds of sale of said Bonds toward the)
 payment of outstanding unsecured notes)
 and to reimburse its treasury.)
 -----)
 Application)
 No. 35299)

O P I N I O N

This is an application for an order authorizing Kern Mutual Telephone Company to execute a supplemental indenture and to issue and sell \$150,000 in principal amount of its first mortgage bonds.

Applicant is engaged as a public utility in furnishing local and toll telephone service in portions of the counties of Kern, San Luis Obispo, Santa Barbara and Ventura. It has financed the cost of its properties, in part, through the issue of bonds and shares of preferred and common stock and the use of earnings from operations. At December 31, 1953, it reported its capital structure as follows:

First mortgage bonds -			
Series A 4's, due 1973	\$460,000		
Series B 4's, due 1975	<u>168,000</u>	\$ 628,000	50%
Preferred stock, 6%		118,625	9
Common stock equity -			
Common stock	400,000		
Surplus	<u>119,882</u>	<u>519,882</u>	<u>41</u>
 Total		 <u>\$1,266,507</u>	 <u>100%</u>

In addition, applicant presently is indebted to Bank of America National Trust and Savings Association in the amount of \$125,000, evidenced by short-term unsecured 6% notes now past due, representing borrowings made to pay for plant additions and replacements.

Subject to receiving authorization from the Commission, applicant now proposes to execute a second supplemental indenture establishing the form of a new series of bonds to be known as First Mortgage 4% Bonds, Series C, due March 1, 1979, and to sell \$150,000 in principal amount of said bonds to Aid Association for Lutherans, of Appleton, Wisconsin, at a price of 97.68% of the principal amount plus accrued interest from March 1, 1954. At the price indicated the yield to the purchaser will be approximately 4.15%.

The purpose of the proposed financing is to provide applicant with funds to pay the outstanding short-term notes and to reimburse its treasury for moneys used from income in carrying on its construction activities.

In presenting this matter to the Commission applicant has filed its financial statement showing, among other things, its revenues and expenses for the year 1953, as follows:

Operating revenues -		
Local service	\$215,078	
Toll service	315,516	
Other	<u>4,584</u>	
Total operating revenues		\$535,178
Operating expenses		<u>467,322</u>
Net operating income		67,856
Income charges-net		<u>29,214</u>
Net income		<u>\$ 38,642</u>

Applicant's financial position as of December 31, 1953, is indicated in the following statement of assets and liabilities.

Assets

Telephone plant-less reserve		\$1,317,596
Other investments		52,701
Current assets -		
Cash and deposits	\$(14,516)	
Accounts receivable	61,053	
Materials and supplies	<u>33,383</u>	
Total current assets		79,920
Prepaid accounts and deferred charges		<u>36,529</u>
	Total	<u>\$1,486,746</u>

Liabilities and Capital

Long-term debt	\$	628,000
Current liabilities		205,931
Deferred credits		14,308
Preferred stock		118,625
Common stock equity		<u>519,882</u>
	Total	<u>\$1,486,746</u>

The issue of the bonds for the purpose of paying current obligations and of replenishing applicant's treasury clearly will improve its current position. In our opinion, the money, property or labor to be procured or paid for by the issue and sale of the bonds herein authorized is reasonably required by applicant for the purposes specified herein, which purposes, except as otherwise authorized, are not, in whole or in part, reasonably chargeable to operating expenses or to income. Although the issue of bonds at this time will increase applicant's bond ratio to approximately 55%, the agreement for the sale of the bonds provides that applicant will undertake to improve its bond position by the issue of \$90,000 of preferred stock on or before June 1, 1955.

ORDER

The Commission having considered this application and being of the opinion that a public hearing is not necessary and that applicant's requests should be granted; therefore,

IT IS HEREBY ORDERED as follows:

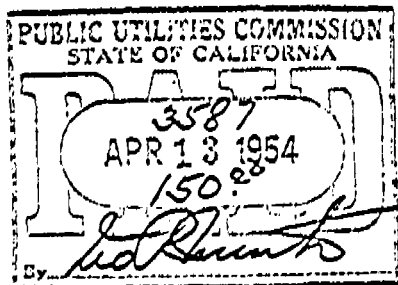
1. Kern Mutual Telephone Company, on and after the effective date hereof and on or before July 31, 1954, may execute a second supplemental indenture in substantially the same form as that filed in this proceeding as Exhibit A and may issue and sell not exceeding \$150,000 of its First Mortgage 4% Bonds at not less than 97.68% of the principal amount plus accrued interest.

2. Kern Mutual Telephone Company shall use the proceeds to be received from the issue and sale of said bonds for the purpose of paying expenses incident to such sale, of paying outstanding unsecured notes and of reimbursing its treasury. The accrued interest may be used for such purposes or for general corporate purposes.

3. Kern Mutual Telephone Company shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

4. The authority herein granted will become effective when Kern Mutual Telephone Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$150.00.

Dated at San Francisco, California, this 13th day of April, 1954.



R. F. [Signature]
President

Justin J. [Signature]
[Signature]
[Signature]

Commissioners