

Decision No. 50796

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 Kerman Telephone Company for authority :  
 to continue to issue and sell 1,000 )  
 shares of its Cumulative Preferred :  
 Stock, \$100 Par Value, 6% Series, and )  
 for an order authorizing it to issue a : Application  
 Seven Thousand Five Hundred Dollar ) No. 35928  
 (\$7,500.00) Note bearing Six Percent :  
 (6%) interest, to Ethel B. Ball, a )  
 single woman, and a Fourteen Thousand :  
 Five Hundred Dollar (\$14,500.00) Note )  
 bearing Six Percent (6%) interest to :  
 Emil Sebastian and Florence Sebastian, )  
 husband and wife. )  
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O P I N I O N

Kerman Telephone Company, applicant herein, is engaged in operating telephone systems serving Kerman and Biola and surrounding territory in Fresno County. In this application it seeks authorization for the issue of 437 shares (\$43,700 par value) of its 6% preferred stock and for the issue of two notes in the total principal amount of \$22,000 for the purpose of paying indebtedness, of reimbursing its treasury for funds spent for the improvement of its service and of financing the cost of telephone facilities.

Applicant was organized under the laws of California on October 5, 1911. Its shares of capital stock as authorized by its articles of incorporation, as amended, and the amounts presently outstanding are shown in the following tabulation:

	<u>Authorized</u> <u>Shares Par Value</u>	<u>Outstanding</u> <u>June 30, 1954</u>
6% preferred, \$100 par	3,000 \$300,000	\$ 56,300
Common, \$35 par	<u>10,000</u> <u>350,000</u>	<u>55,860</u>
Totals	<u>13,000</u> <u>\$650,000</u>	<u>\$112,160</u>

By Decision No. 49905, dated April 13, 1954, in Application No. 35294, the Commission authorized applicant to issue 1000 shares (\$100,000 par value) of its preferred stock on or before December 31, 1954, at par for cash, for the purpose of reimbursing its treasury, of paying indebtedness and of financing capital expenditures during 1954.

Up to the close of June of this year applicant had issued and sold 563 shares of the preferred stock heretofore authorized by the Commission. It now reports that it intends to proceed with the sale of the remaining 437 shares and that it has need for the funds to be obtained through such issue and sale, as well as from the long-term borrowings of \$22,000, to enable it to meet in part its construction requirements during the remainder of 1954 and during 1955, to reimburse its treasury, and to retire presently outstanding indebtedness, all as follows:

Estimated construction, 1954-1955 -	
Rural pole lines	\$20,000
Cable plant	6,000
Central office growth	4,000
Motor vehicles	5,000
Subtotal	<u>35,000</u>
Payment of one-year 6% notes	27,000
Reimbursement of treasury	<u>5,000</u>
 Total	 <u>\$67,000</u>

The present outstanding one-year notes represent moneys borrowed to provide temporary financing of telephone facilities. The new notes for \$22,000 will be unsecured, will be payable on or before five years after date and will carry interest at the rate of 6% per annum. One note, in the amount of \$14,500, will be issued to Emil Sebastian and Florence Sebastian, and the other, in the amount of \$7,500, to Ethel B. Ball. The payees are owners of shares of applicant's outstanding common stock.

A review of applicant's financial statements on file with the Commission shows its operating revenues at \$89,019 in 1952, at \$98,200 in 1953 and at \$49,604 during the first six months of 1954, with net income, after payment of interest, of \$8,450 in 1952, \$16,341 in 1953, and \$4,712 during the six-months period of the current year. Its financial position as of June 30, 1954, is indicated by its balance sheet filed in this proceeding as Exhibit A, a summary of the same being as follows:

Assets

Telephone plant, less reserve		\$179,363.76
Current assets -		
Cash	\$ 5,716.15	
Deposits for payroll taxes	1,546.81	
Accounts receivable	3,955.01	
Materials and supplies	<u>390.71</u>	
Total current assets		11,608.68
Deferred debits		<u>1,814.08</u>
	Total	<u>\$192,786.52</u>

Liabilities and Capital

Current liabilities -		
Notes payable	\$43,339.58	
Accounts payable	13,577.79	
Accrued liabilities	<u>7,056.30</u>	
Total current liabilities		\$ 63,973.67
Contributions to plant		1,325.09
Preferred stock		56,300.00
Common stock equity -		
Common stock	55,860.00	
Premium	1,075.50	
Surplus	<u>14,252.26</u>	
Total common stock equity		<u>71,187.76</u>
	Total	<u>\$192,786.52</u>

From a review of the application it clearly appears that applicant will have need for funds from external sources to enable it to meet its capital requirements and that the issue of the stock and the long-term notes is necessary to enable it to proceed with its program and also to improve its current position. Accordingly, we will enter an order at this time permitting it to continue with the

issue and sale of the shares of preferred stock during 1955 and authorizing it to issue the notes as requested.

O R D E R

The Commission having considered the above entitled matter, and being of the opinion that a public hearing is not necessary, that the application should be granted, as herein provided, that the money, property or labor to be procured or paid for by the issue of the shares of stock and the notes herein authorized is reasonably required by applicant for the purposes specified herein, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. The order in Decision No. 49905, dated April 13, 1954, hereby is modified so as to permit Kerman Telephone Company to issue and sell the shares authorized therein on or before December 31, 1955, at par for cash, and to use the proceeds for the purposes set forth in this application.

2. Kerman Telephone Company may issue its promissory notes in the aggregate amount of \$22,000, in, or substantially in, the same form as the notes filed in this proceeding as Exhibit D, and use the proceeds for the purposes set forth in this proceeding.

3. Kerman Telephone Company shall file with the Commission monthly 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 Kerman Telephone Company has paid the minimum fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$25.00.

Dated at San Francisco, California, this 30<sup>th</sup> day of November, 1954.

*Robert E. Mitchell*  
President

*Samuel Pittel*

*Gene Roggins*

*Ray L. Hester*

Commissioners

