

Decision No. 51728

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of the Kerman Telephone Company for)
authority to issue and sell 2014)
(Two thousand-fourteen) shares of)
its common stock, \$35.00 par value.)
Proceeds to be used for retiring)
indebtedness and expanding and)
improving its plant.)
-----)

Application
No. 37066

O P I N I O N

Kerman Telephone Company has filed this application for authorization to issue and sell, at par for cash, 2,014 shares of its common stock of the par value of \$35 each and of the aggregate par value of \$70,490, for the purpose of paying indebtedness and of financing the cost of property.

Applicant was organized on October 5, 1911. It has an authorized capital stock of \$650,000, divided into 10,000 shares of common stock of the par value of \$35 each and 3,000 shares of 6% cumulative preferred stock of the par value of \$100 each, of which there are now outstanding shares of common stock of the total par value of \$55,860 and shares of preferred stock of the total par value of \$87,600. It appears that the shares of common stock are held by six individuals and that it has not been the practice of the corporation, in general, to pay dividends on its common stock, although a 50-cent dividend was declared payable to shareholders of record as of June 30, 1955.

According to financial statements filed with the Commission applicant's operating revenues in 1954 amounted to \$101,242, with

net income of \$10,629. For the first three months of 1955 its operating revenues were reported in the amount of \$27,027 and its net income \$3,727. Its financial position as of March 31, 1955, is indicated in the following balance sheet:

<u>Assets</u>		
Telephone plant, less reserve		\$190,079
Current assets -		
Cash	\$10,379	
Accounts receivable	3,987	
Materials and supplies	6,337	
Prepayments	1,937	
Total current assets		22,640
Work orders		534
Capital stock expense		<u>476</u>
	Total	<u>\$213,729</u>

<u>Liabilities and Capital</u>		
Current liabilities -		
Notes payable	\$27,995	
Accounts payable	11,078	
Other current liabilities	9,765	
Total current liabilities		\$ 48,838
Contributions to plant		1,055
Preferred stock		87,600
Common stock equity -		
Common stock	55,860	
Surplus	20,376	
Total common stock equity		<u>76,236</u>
	Total	<u>\$213,729</u>

From the foregoing balance sheet it appears that applicant has met its capital requirements in large part with moneys represented by current liabilities and that it is in need of additional funds to improve its current position and to enable it to liquidate its current obligations.

If authorized by the Commission to issue and sell the additional shares of common stock, applicant proposes to apply the

proceeds to the following purposes:

Estimated construction--1955-56 -	
Miscellaneous pole line extensions	\$20,000
Extend trunk and exchange cable to Biola	12,000
Central office growth and terminal per station cut	10,000
Miscellaneous cable extensions	6,000
Telephone instruments	<u>2,500</u>
	Subtotal
	50,500
Retirement of indebtedness -	
Notes payable (all or in part) Ethel Ball	6,000
E. and F. Sebastian	<u>14,500</u>
	Total
	<u>\$71,000</u>

From a review of the verified application we are of the opinion that applicant's request should be granted, that the money, property or labor to be procured or paid for by the issue of the shares of stock 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.

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 and that the application should be granted, as herein provided, therefore,

IT IS HEREBY ORDERED as follows:

1. Kerman Telephone Company, a corporation, on and after the effective date hereof and on or before June 30, 1956, may issue and sell, at par for cash, not exceeding 2,014 shares of its common stock of the aggregate par value of \$70,490, and use the proceeds for the purposes set forth in this application.

2. 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.

3. The authority herein granted will become effective 20 days after the date hereof.

Dated at Los Angeles, California, this 18th day of July, 1955.

Justin J. Casner
President
Paul J. ...
...
B. Hardy

Commissioners