

Decision No. 56874**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of the Kerman Telephone Co. for authority to borrow \$100,000 from The Pacific Mutual Life Insurance Company, to execute and issue notes and to execute and deliver a first Mortgage on its properties.

Application No. 40149

OPINION AND ORDER

In this application Kerman Telephone Company requests authorization to issue its note, or notes, in the principal amount of not exceeding \$100,000 and to execute a mortgage securing the payment thereof.

Applicant is a California corporation operating telephone systems in and about the towns of Kerman and Biola. Its balance sheet, attached to the application as Exhibit A, shows, as of December 31, 1957, that its net investment in telephone plant and other assets totaled \$304,917.27 and that it had financed this investment, without incurring long-term indebtedness, by the issue of preferred and common capital stock and the reinvestment of retained earnings as follows:

Preferred capital stock -		
Class A cumulative 6%	\$100,000.00	
Class B cumulative 5-1/2%	<u>39,700.00</u>	\$139,700.00
Common stock equity -		
Common capital stock	\$126,350.00	
Premium on capital stock	2,984.90	
Retained earnings	<u>35,882.37</u>	<u>165,217.27</u>
Total capital		<u>\$304,917.27</u>

Applicant's annual reports on file with this Commission, for the years 1953 and 1957, show that during this five-year period its gross investment in telephone plant increased from \$222,395.46 to \$342,367.82, the number of stations increased from 1,308 to 1,825 and its operating revenues increased from \$98,200.41 to \$144,608.46. Applicant now reports, in Exhibit B attached to the application, that it has need for funds to reimburse its treasury, to refinance short-term indebtedness, and to finance its construction program, as follows:

Reimburse H. G. Hurley	\$ 1,000
Reimburse treasury for cable plant expanded late 1957 and early 1958	40,000
Motor vehicles	4,000
New Biola central office building	3,000
Biola central office rearrangements	4,000
Toll board rearrangements	5,000
Pole line extensions and expansion	25,000
Proposed cable construction 1958-59	15,000
Kerman central office expansion	10,000
Miscellaneous and station additions	5,000
Booths and coin telephones	4,000
Joint Pole Association, initial purchase	<u>10,000</u>
Total	<u>\$126,000</u>

To obtain a portion of the needed funds, applicant has entered into a loan agreement with The Pacific Mutual Life Insurance Company under the terms of which it proposes to issue its note, or notes, in the principal amount of not exceeding \$100,000. The note, or notes, to be issued will be dated July 1, 1958 and will be due July 1, 1983 and will bear interest at the rate of 5-3/8% per annum. The loan is subject to prepayment through operation of a sinking fund commencing July 1, 1960 and may be prepaid at the option of applicant subject to the following conditions:

Noncallable for five years; at 110 for five years thereafter; at 106 for the eleventh and twelfth years; and thereafter at one-half point less each year until July 1, 1981 and at par thereafter.

The notes are to be secured by mortgage on applicant's real and personal property other than cash and motor vehicles. A copy of the form of note is attached to the application as Exhibit C and a copy of the mortgage as Exhibit D.

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

IT IS HEREBY ORDERED as follows:

1. Kerman Telephone Company, on and after the effective date hereof and on or before December 31, 1959, may issue its note, or notes, in the aggregate principal amount of not exceeding \$100,000, and execute a mortgage to secure payment thereof, and use the proceeds for the purposes set forth in this application. The note and the mortgage shall be in, or substantially in, the same form as those on file in this proceeding as Exhibit C and Exhibit D, respectively.

2. Kerman 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.

3. The approval herein indicated is for the issue of securities only and is not to be construed as indicative of amounts to be included in a future rate base for the purpose of determining just and reasonable rates.

4. The authority herein granted will become effective when Kerman Telephone Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$100.

Dated at San Francisco, California, this 24th day of June, 1958.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners

