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ORIGINAL

Decision No. \_\_\_\_\_

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Kerman Telephone Co. for authority to borrow \$150,000 from Pacific Mutual Insurance Co. and to execute and issue a note for the same. And for authority to issue 5-1/2% preferred Stock Series C. in the amount of \$100,000

Application No. 45999  
Filed December 4, 1963

O P I N I O N

This is an application for an order of the Commission authorizing Kerman Telephone Co. (1) to issue and sell \$100,000 par value of its 5-1/2% Series C Cumulative Preferred Stock, and (2) to execute a loan agreement and a supplemental mortgage, and to issue notes in the aggregate principal amount of \$150,000.

Applicant is a California corporation operating telephone systems in and about Kerman and Biola. The application shows that the company has financed itself, primarily, with borrowed money, shares of preferred and common stock, and retained earnings. Its capital ratios, according to its September 30, 1963 balance sheet, are indicated in the following tabulation:

Long-term debt		\$ 87,500	16%
Notes payable		10,700	2
Preferred stock		200,000	37
Common stock equity -			
Common stock	\$211,925		
Capital surplus	2,985		
Retained earnings	<u>28,973</u>		
Total common stock equity		<u>243,883</u>	<u>45</u>
Total		<u>\$542,083</u>	<u>100%</u>

The long-term debt consists of 5-3/8% mortgage notes due July 1, 1983, issued to Pacific Mutual Life Insurance Company, and the \$10,700 for notes payable represents indebtedness to individuals for financing underground installations. The preferred stock includes equal amounts of 5-1/2% and 6% cumulative preferred shares. The common stock consists of 6,055 shares of the par value of \$35 each on which the company indicates that it is currently paying quarterly dividends at the rate of 50 cents per share.

Applicant now desires authority to issue \$150,000 principal amount of additional mortgage notes in favor of Pacific Mutual Life Insurance Company, which notes will bear interest at the rate of 5-1/4% per annum and will be due November 1, 1988. The telephone company proposes to enter into a loan agreement and to execute a supplemental mortgage in connection with the proposed borrowings. In addition, applicant desires authority to issue and sell 1,000 shares of its 5-1/2% cumulative preferred stock at the par value of \$100 per share, for cash, to bona fide residents of the State of California. The company proposes to expend the proceeds to be derived from

issuing the notes and preferred stock (a) to refinance outstanding indebtedness represented by short-term notes; (b) to reimburse its treasury for funds expended for the improvement and extension of its telephone service; and (c) to finance future construction, completion, extension and improvement of its facilities, as set forth in some detail in Exhibit C attached to the application.

The Commission has considered this matter and finds that: (1) applicant's proposed financing program is similar to that which it has previously accomplished successfully; (2) the proposed stock and note issues are for proper purposes; (3) applicant has need for additional funds from external sources for the purposes indicated in the application; (4) the money, property or labor to be procured or paid for by the issue of the stock and notes herein authorized is reasonably required for the purposes specified herein; and (5) such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income. A public hearing is not necessary.

On the basis of the foregoing findings, we conclude that the application should be granted. In issuing our order herein, we place applicant and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares nor the dividends paid as measuring the return applicant should be allowed to earn on its investment in plant and that the authorization herein given is not to be construed as a finding of value of applicant's stock or properties

nor as indicative of amounts to be included in future proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. Kerman Telephone Co. may issue and sell, at par, for cash, not to exceed 1,000 shares of its Cumulative Preferred Stock, \$100.00 par value, 5-1/2% Series C.

2. Kerman Telephone Co. may execute a loan agreement and a supplemental mortgage and may issue a note, or notes, in the aggregate principal amount of not to exceed \$150,000, which documents shall be in the same form, or in substantially the same form, as those attached to the application.

3. Kerman Telephone Co. shall expend the proceeds to be derived from issuing said stock and note, or notes, for the purposes set forth in the application.

4. Kerman Telephone Co. 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.

5. This order shall become effective when Kerman Telephone Co. has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$150.

Dated at San Francisco, California, this 14<sup>th</sup> day of January, 1964.

Hallamby Duvall  
President  
W. E. Dutton  
Wesley W. Leage  
George H. Grover  
Friedrich B. Holloff  
Commissioners

