

ORIGINALDecision No. 69770

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of KERN MUTUAL TELEPHONE COMPANY)
for an order authorizing it to)
issue and sell 14,000 shares of)
its 5-1/8% Cumulative Preferred)
Stock, \$25 par value.)

Application No. 47897
Filed September 16, 1965

O P I N I O N

This is an application for an order of the Commission authorizing Kern Mutual Telephone Company to issue and sell 14,000 shares of its \$25 par value 5-1/8% Cumulative Preferred Stock for an aggregate consideration of \$350,000.

Applicant is a California corporation furnishing local and toll telephone service in the Counties of Kern, San Luis Obispo, Santa Barbara and Ventura, California. For the year 1964, it reports gross operating revenues of \$1,065,717 and net income of \$136,373. The company has reported net plant investment of \$2,422,516 and 9,261 telephones in service as of December 31, 1964.

The corporation's capital ratios as of June 30, 1965, and as adjusted to give effect to the proposed preferred stock issue, as computed from Exhibit D attached to the application, are as follows:

	<u>June 30, 1965</u>	<u>Pro Forma</u>
Long-term debt	64.5%	55.7%
Preferred stock	-	13.7
Common stock equity	<u>35.5</u>	<u>30.6</u>
Total	<u>100.0%</u>	<u>100.0%</u>

In this proceeding applicant seeks authority to issue and sell 14,000 shares of its 5-1/8% Cumulative Preferred Stock, at their par value of \$25 each, to the Sun Life Insurance Company of America, in connection with which it has agreed to pay a finder's fee of \$3,500 to Estabrook & Co. The company proposes to use the proceeds from the stock issue to repay, in part, short-term borrowings of \$647,000 from Crocker-Citizens National Bank. Applicant expended a portion of said \$647,000 for the purpose of retiring 10,315 shares of its previously outstanding 5.36% Cumulative Preferred Stock and the balance for carrying on its construction program.

The Commission has considered this matter and finds that: (1) the proposed stock issue is for a proper purpose; (2) applicant has need for funds from an external source for reducing its short-term indebtedness; (3) the money, property or labor to be procured or paid for by the issue of the stock herein authorized is reasonably required for the purpose specified herein; and (4) such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income. On the basis of these findings we conclude that the application should be granted. A public hearing is not necessary.

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 the value of applicant's stock or properties nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. Kern Mutual Telephone Company, on or after the effective date hereof and on or before March 31, 1966, may issue and sell not to exceed 14,000 shares of its 5-1/8% Cumulative Preferred Stock at their par value of \$25 per share, and shall use the proceeds for the purpose specified in this proceeding.

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

3. The effective date of this order is the date hereof.

Dated at San Francisco, California, this 13th day of OCTOBER, 1965.

Frederick B. Hallock
President
George H. Hoover
Morgan
William L. Brown

Commissioners

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.