

Decision No. 82783**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of)

KERMAN TELEPHONE CO.,)

a California Corporation,)

for authority to execute and deliver)
a supplemental mortgage and issue a)
\$425,000 note.)Application No. 54765
(Filed March 29, 1974)O P I N I O N

Kerman Telephone Co. seeks authority to execute and deliver a supplemental mortgage and to issue a \$425,000 note.

Applicant is a California corporation owning and operating telephone systems serving portions of Fresno County in Kerman and Biola and surrounding territory. Its balance sheet at December 31, 1973, as summarized from Exhibit A attached to the application, is as follows:

Assets

Net telephone plant	\$ 902,976
Current assets	159,299
Other assets	5,143
Total	<u>\$1,067,418</u>

Liabilities

Preferred stock	\$ 219,700
Common stock equity	371,479
Long-term debt	231,000
Current liabilities	245,239
Total	<u>\$1,067,418</u>

The company proposes to enter into a Loan Agreement with Pacific Mutual Life Insurance Company for the borrowing of \$425,000. The borrowing would be evidenced by a note maturing on May 1, 1999 and bearing interest, payable semi-annually, at the rate of 9-1/4% per annum, and would be secured by an existing mortgage, as previously supplemented and amended, and by a proposed Second Supplemental Mortgage. The note would be subject to a ten-year restricted prepayment provision.

The proceeds from the proposed note would be applied as follows: \$40,000 to repay previously authorized long-term notes; \$186,940 to repay short-term notes incurred for plant construction and equipment; approximately \$185,200 to finance, in part, additional plant to provide flat rate toll service between Kerman and Fresno; and the balance of approximately \$12,860 for permanent additions under applicant's construction program.

After consideration the Commission finds that:

1. The proposed note would be for proper purposes.
2. The proposed restricted prepayment provision is reasonable.
3. The proposed Second Supplemental Mortgage would not be adverse to the public interest.
4. The money, property or labor to be procured or paid for by the note herein authorized is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

On the basis of the foregoing findings we conclude that the application should be granted. A public hearing is not necessary. The authorization herein granted is for the purpose of this proceeding only, and is not to be construed 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:

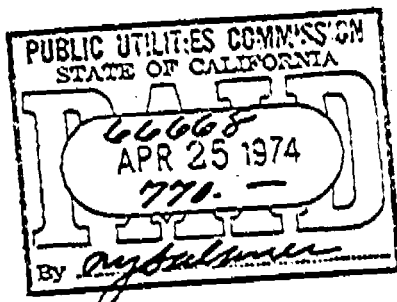
1. Kerman Telephone Co., on or after the effective date hereof and on or before September 30, 1974, for the purposes set forth in the application, may issue a note, pursuant to a Loan Agreement, in the principal amount of not exceeding \$425,000. The documents shall be in substantially the same forms as those attached to the application.

2. Kerman Telephone Co. may execute and deliver a Second Supplemental Mortgage in substantially the same form as the Mortgage document attached to the application.

3. Kerman Telephone Co. shall file with the Commission the reports required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

4. 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 \$770.

Dated at San Francisco, California, this 23rd day of April, 1974.



Vernon L. Sturgeon
President
William J. Quinn
William J. Quinn
William J. Quinn
William J. Quinn
Commissioners