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Decision No. 89339

SEP 6 1978

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)
\$400,000. note.)Application No. 58283
(Filed August 8, 1978)O P I N I O N

In this application Kerman Telephone Company seeks authority to issue a note in the principal amount of \$400,000 and to execute and deliver a supplemental mortgage.

Kerman Telephone Company is a California corporation which owns and operates telephone systems serving a portion of Fresno County including the City of Kerman, the community of Biola and surrounding territory. For the year 1977 the company reported total operating revenues of \$1,197,130 and net income of \$143,187. The company's balance sheet as of December 31, 1977 is summarized below:

<u>Assets</u>	
Net telephone plant	\$1,636,266
Current assets	389,676
Other assets	10,878
Total	<u>\$2,036,820</u>
<u>Liabilities and Equity</u>	
Preferred stock	\$ 230,600
Common equity	747,080
Long-term debt	621,738
Notes payable	315,000
Current liabilities	122,402
Total	<u>\$2,036,820</u>

The applicant proposes to borrow \$400,000 from Pacific Mutual Life Insurance Company for the purposes of providing for future capital requirements and to refinance a portion of existing indebtedness. The loan would be represented by a note repayable as to principal and interest in semi-annual installments over a period of 20 years. Interest on the unpaid balance would be at the annual rate of 9-7/8%. The note would be secured by an original mortgage on all the utility's property (except cash and motor vehicles) dated July 7, 1958, as supplemented and amended, and as to be further supplemented and amended by a third supplemental mortgage. A restriction against early redemption of the note would be in effect until September 1, 1988.

The proceeds of the note would be used primarily to refinance \$315,000 of short-term notes, all due before the close of 1978, and \$65,987.73 of long-term notes, issued pursuant to Decision No. 84833 dated August 26, 1975. The short-term notes bear interest of 9-1/4%. The long-term notes have an interest rate of 10% and are not due until 1995-1997. They are, however, callable at any time without penalty. The balance of the proceeds would be used to partially finance future construction requirements, estimated to be \$202,000.

The utility notes in its application that in the past five years it has experienced an increase of 44% in the number of telephones in service, has installed touch tone service and prepay coin service, eliminated toll charges to Fresno, and installed an in-house computer billing system. Further growth is anticipated, and the company plans to convert from "N" carrier toll facilities owned by The Pacific Telephone and Telegraph Company to joint "T" carrier facilities.

The Communications Division has reviewed the application and the applicant's construction program and concurs with the conclusion of the Finance Division that the proposed financing is appropriate in the circumstances. The Communications Division reserves the right, however, to reconsider the reasonableness of any construction expenditures in future rate proceedings.

After consideration the Commission finds that:

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

There is no known opposition and there is no reason to delay granting the authority requested. 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 Company may execute and deliver a Third Supplemental Mortgage in substantially the same form as that attached to the application.

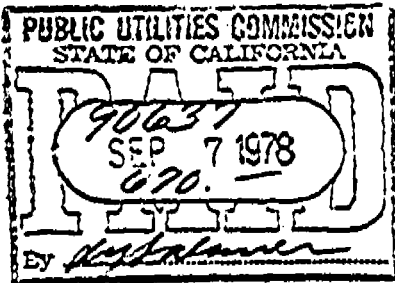
2. Kerman Telephone Company may issue a promissory note in the principal amount not exceeding \$400,000 in substantially the same form as that attached to the application.

3. Kerman Telephone Company shall apply the proceeds from the issuance of said note to the purposes referred to in the application.

4. Kerman 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.

5. This order shall become effective when Kerman Telephone Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$670.

Dated at San Francisco, California, this 16th day of SEPTEMBER, 1978.



Robert Batemanich
President
William J. ...
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...
Commissioners

Commissioner Claire T. Dedrick, being necessarily absent, did not participate in the disposition of this proceeding.