

ORIGINAL

Decision No. 45306

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
Coachella Valley Home Telephone &)
Telegraph Co., for authority (1) to)
issue and sell 5,000 shares of its)
Cumulative Preferred Stock, \$20 Par)
Value, 5% Series, and (2) to issue)
to its common shareholders 14,352)
shares of its Common Stock, \$20 Par)
Value in exchange for its outstand-)
ing shares of Common Stock, \$100 Par)
Value.)
-----)

Application
No. 31973

O P I N I O N

This is an application for an order of the Commission authorizing Coachella Valley Home Telephone & Telegraph Co., a corporation,

1. To issue and sell \$100,000 of its Cumulative Preferred Stock, \$20 Par Value, 5% Series, at a price not less than the par value thereof (\$20 a share) for the purpose of financing the acquisition of property, the construction, completion, extension and improvement of its service and facilities and the payment of indebtedness or to reimburse its treasury for funds spent for such purposes, and

2. To issue 14,352 shares of Common Stock, \$20 Par Value, of the aggregate par value of \$287,040, in exchange for the presently outstanding 119.6 shares of common stock of the par value of \$100 each and of the aggregate par value of \$11,960, the exchange to be made on the basis of 120 of the new \$20 par value shares for each one of the present \$100 par value shares.

Applicant is engaged in operating telephone systems in Riverside County in and about Coachella, Indio, La Quinta, Mecca, Oasis, Palm Village and Thermal. In meeting its capital requirements

it has used funds obtained from its operations and from the issue of long-term debt, notes and accounts payable, and common stock. Its investment in its properties and assets and its liabilities and net worth, as of October 1, 1950, are shown below:

Assets

Fixed capital -		
Telephone plant	\$814,421.86	
Less-depreciation reserve	<u>139,757.62</u>	
Net fixed capital		\$674,664.24
Current assets -		
Cash	<u>(1,791.46)</u>	
Due from consumers	28,492.72	
Materials and supplies	13,029.24	
Prepayments	<u>2,266.64</u>	
Total current assets		41,997.14
Discount on long-term debt		<u>7,811.15</u>
	Total	<u>\$724,472.53</u>

Liabilities

Long-term debt		\$275,000.00
Current liabilities -		
Notes and accounts payable	\$110,852.42	
Accrued liabilities	<u>14,719.91</u>	
Total current liabilities		125,572.33
Deferred credits		24,690.85
Net worth -		
Common stock	11,960.00	
Surplus	<u>287,249.35</u>	
Total net worth		<u>299,209.35</u>
	Total	<u>\$724,472.53</u>

Reports filed with the Commission by applicant show that its investment in its telephone plant and its volume of business have been increasing rapidly, particularly in the postwar years, as indicated in the following tabulation:

	Increase in Plant	Operating Revenues	Net Income	Stations End of Period
1946	\$ 54,695	\$107,775	\$28,433	1,823
1947	95,552	124,987	28,749	2,135
1948	146,425	154,386	31,806	2,679
1949	164,479	175,803	19,021	3,349
1950 - 9 mos.	118,548	151,801	19,089	3,717(1)

For the year 1951 applicant contemplates that additional expenditures for additions to its plant in the aggregate amount of

(1) Applicant reports 116 held orders for telephone service on September 30, 1950.

\$201,000 will be required to meet continuing demands for telephone service, as shown in some detail in the application.

On December 19, 1950, the Commission authorized applicant to issue additional long-term notes in the principal amount of \$75,000. Applicant proposes to use the proceeds from such notes, together with the proceeds from the \$100,000 par value of preferred stock covered by the present application, along with earnings from operations, to pay in part its outstanding notes and accounts and to finance its estimated additional plant expenditures.

A review of the application clearly indicates that applicant will have need for the additional funds from the issue of its notes and the shares of preferred stock for the purposes set forth in its applications and to improve its cash position. Its request to issue shares of preferred stock accordingly will be granted.

Coming now to the request to issue shares of common stock, the application shows that applicant is taking steps to amend its articles of incorporation so as to provide for shares of common stock of the par value of \$20 each, instead of shares of the par value of \$100 each as now are authorized, and to issue new shares of the aggregate par value of \$287,040 to the holders of the presently outstanding shares in exchange for their holdings in order to distribute to such holders a portion of the unappropriated surplus. Through such exchange, the capital stock account, on the books, will be increased from \$11,960 to \$287,040, and more accurately will reflect the book value of the stock. To accomplish the proposed transaction, applicant will transfer \$275,080 from its surplus account to its capital stock account, leaving a balance in surplus in an estimated amount of approximately \$19,000 at the close of 1950.

In support of its request, applicant has presented tabulations showing that since 1925 its surplus has grown from \$3,885.94 to

\$287,249.35, the increase representing income from operations, except for minor amounts, and that during the same period it has paid but two dividends to its stockholders, one for \$8,372 in 1936 and another for a like amount in 1937, and that in addition it has increased its reserve for depreciation from \$7,581.18 to \$139,757.62 through charges to operating expenses.

A review of applicant's books of account has been made by members of the Commission's staff. It appears that applicant has had earnings in excess of the proposed distribution of surplus, that it has not been applicant's policy to distribute its earnings to its stockholders, and that such earnings have been invested in its assets. Under the circumstances set forth in this particular proceeding, the granting of applicant's request is warranted.

ORDER

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

IT IS HEREBY ORDERED as follows:

1. Coachella Valley Home Telephone & Telegraph Co., after the effective date hereof and on or before December 31, 1951, may issue and sell \$100,000 of its Cumulative Preferred Stock, \$20 Par Value, 5% Series, at a price of not less than the par value thereof for the purposes set forth in this application, and may issue 14,352

shares of its Common Stock, \$20 Par Value, in exchange for the shares of common stock presently outstanding.

2. Applicant 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 authority herein granted will become effective twenty (20) days after the date hereof.

Dated at San Francisco, California, this 30th day of

January 1951.

A. J. [Signature]
Justice J. [Signature]
Harold [Signature]
[Signature]
Commissioners