

ORIGINAL

Decision No. 49196

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 to)
 issue and sell 774 shares of its)
 Cumulative Preferred Stock, \$20 Par)
 Value, 5% Series, and 5000 shares)
 of its Common Stock, \$20. Par Value.)
 -----)

Application
 No. 34759

O P I N I O N

Coachella Valley Home Telephone & Telegraph Co. has filed this application for authorization to issue and sell, at par, 774 shares of its 5% preferred stock of the aggregate par value of \$15,480, and 5,000 shares of its common stock of the aggregate par value of \$100,000, for the purpose of reimbursing its treasury for funds spent for the construction, completion, extension and improvement of its facilities and for the discharge of its current liabilities.

Applicant is a California corporation engaged in operating telephone systems in and about Coachella, Indio, La Quinta, Mecca, Oasis, Palm Desert, Thermal and Thousand Palms, all located in the County of Riverside. In its financial statements filed with this Commission it has reported its revenues and expenses for the last two calendar years and the first six months of 1953 as follows:

	<u>1951</u>	<u>1952</u>	<u>1953-6 Mos.</u>
Operating revenues	\$249,851	\$335,846	\$204,695
Operating expenses and taxes	<u>211,990</u>	<u>277,804</u>	<u>160,558</u>
Net operating revenues	<u>\$ 37,861</u>	<u>\$ 58,042</u>	<u>\$ 44,137</u>

By Decision No. 46662, dated January 22, 1952, the Commission authorized applicant to adopt certain rate schedules, applicable to service rendered on and after March 1, 1952, which were designed to produce annual net operating revenues of \$65,300, representing an estimated return of 6.5% on the 1952 rate base of \$1,008,000.

In Exhibit A filed in this proceeding applicant presents its balance sheet showing its assets, liabilities and capital as of June 30, 1953, as follows:

<u>Assets</u>		
Telephone plant less reserve		\$1,054,637
Current assets -		
Cash and deposits	\$ 6,511	
Accounts receivable	81,533	
Materials and supplies	22,745	
Prepaid expenses	<u>4,179</u>	
Total current assets		114,968
Deferred debits		<u>5,049</u>
	Total	<u>\$1,174,654</u>
<u>Liabilities and Capital</u>		
Long-term debt		\$ 339,500
Current liabilities -		
Notes payable	\$ 32,990	
Vouchers payable	206,828	
Accrued liabilities	42,773	
Other current liabilities	<u>51,995</u>	
Total current liabilities		334,586
Deferred credits		16,820
Preferred stock		84,520
Equity capital -		
Common stock	287,040	
Surplus	<u>112,188</u>	
Total equity capital		<u>399,228</u>
	Total	<u>\$1,174,654</u>

A review of applicant's records and reports shows that its investment has been increasing rapidly. During 1951 it reported net increase in its telephone plant in the amount of \$160,258, during 1952 in the amount of \$125,974 and during the first six months of

1953 in the amount of \$91,503. It appears that applicant has financed itself in part with earnings from operations and with current obligations and that during the first six months of the year its working capital was decreased by approximately \$30,000. Analysis shows that applicant has deferred the payment of some of its current obligations in order to carry forward its construction program. As will be noted in the preceding balance sheet, its current assets at June 30, 1953, amounted to \$114,968 as compared with current liabilities of \$334,586.

Applicant now seeks to issue its shares of stock in order to replenish its treasury. Upon considering this matter and reviewing applicant's reports of operations we are of the opinion that it will have need for the additional funds to be obtained through its security issues in order to reimburse its treasury, to reduce its liabilities and thus to improve its current position. Accordingly, we will enter an order granting this application.

O R D E R

The Commission having considered the above entitled matter and being of the opinion that a public hearing is not necessary, that the application should be granted, as herein provided, that the money, property or labor to be procured or paid for by the issue of the shares of 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. may issue and sell, at not less than par, for cash, not exceeding 774 shares of its 5% preferred stock and 5,000 shares of its common stock, on or before June 30, 1954, for the purpose of paying indebtedness and of reimbursing its treasury.

2. Applicant shall file with the Commission monthly 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 20 days after the date hereof.

Dated at San Francisco, California, this 13th day of October, 1953.

A. J. [Signature]
President

[Signature]

[Signature]
[Signature]

Commissioners