

Decision No. 51128**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application  
of Coachella Valley Home Tele-  
phone & Telegraph Co., for an  
Order authorizing it to issue  
a stock dividend of 7,772 shares  
of Common Stock to Common Stock-  
holders.

Application  
No. 36733

O P I N I O N

Coachella Valley Home Telephone & Telegraph Co., applicant herein, is a California corporation engaged in supplying telephone service in and about Coachella, Indio, La Quinta, Mecca, Oasis, Palm Desert, Thermal and Thousand Palms, all located in the County of Riverside. In this application it seeks authorization to issue 7,771½ shares of common stock of the aggregate par value of \$155,430, and to distribute such shares as a dividend to the holders of its presently outstanding shares of common stock.

In Exhibit A applicant reports its authorized and outstanding shares of stock as follows:

	<u>Authorized Shares</u>	<u>Outstanding</u>	
		<u>Shares</u>	<u>Par Value</u>
Common stock, \$20 par value	30,000	15,543	\$310,860
5% preferred, \$20 par value	<u>10,000</u>	<u>5,000</u>	<u>100,000</u>
Totals	<u>40,000</u>	<u>20,543</u>	<u>\$410,860</u>

Applicant has paid the cumulative dividends on its outstanding shares of preferred stock. It has been its practice, however, not to pay dividends on its outstanding shares of common stock but to retain the earnings otherwise distributable to its common shareholders in its business and to utilize them for the acquisition of property.

A review of information filed with the Commission shows that applicant's investment in its plant and its volume of business have been increasing rapidly. The balance in its plant accounts has increased from \$234,719 at December 31, 1945, to \$1,445,491 at November 30, 1954, its telephones in service from 1,415 to more than 5,000, and its annual revenues from \$94,038 in 1945 to \$393,708 during the first 11 months of 1954. It has financed its expansion in part with internal funds, including earnings from operation, and in part with long-term borrowings and sales of preferred and common stock.

A summary statement of applicant's assets, liabilities and capital as of November 30, 1954, is as follows:

Assets

Investment -		
Telephone plant	\$1,445,491	
Less-depreciation reserve	<u>299,181</u>	
Net investment		\$1,146,310
Current assets		162,800
Prepayments and deferred charges		<u>7,605</u>
	Total	<u>\$1,316,715</u>

Liabilities and Capital

Long-term debt		\$ 543,500
Current and accrued liabilities		158,231
Deferred credits		22,986
Preferred stock		100,000
Common stock equity -		
Common stock	\$ 310,860	
Premium on stock	5,955	
Surplus	<u>175,183</u>	
Total common stock equity		<u>491,998</u>
	Total	<u>\$1,316,715</u>

In order that the common stock more nearly will reflect the investment by the equity owners, applicant proposes to issue the shares of stock covered by this application as a stock dividend on the basis of one new share for each two shares now held. It also proposes to sell, at par value, fractional shares in those cases where shareholders presently own an odd number and consequently

would have the right to a dividend of a fractional share.

It clearly appears that applicant has had earned surplus, after making allowances for depreciation, in excess of the proposed stock dividend and that such earned surplus, instead of being distributed as cash dividends, has been retained by applicant in its assets. An order, therefore, properly can be entered authorizing applicant to issue the shares of stock in the amount requested for the purpose of reimbursing its treasury for moneys actually expended from income for additions, betterments and extensions to its facilities. Such shares thereafter may be distributed to the holders of the presently outstanding shares as a stock dividend.

The issue of the shares of stock as a dividend will not call for the withdrawal of cash from applicant's business. It will result in the transfer of the sum of \$155,430 from the unappropriated surplus account to the common stock account, the transaction thus resulting in the permanent retention of earnings of that amount and in the development of a broader base of permanent equity in applicant's capital structure.

Upon a review of this matter we are of the opinion that an order should be entered granting applicant's requests.

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., on or before June 30, 1955, may issue not exceeding 7,771½ shares of its common stock, of the aggregate par value of \$155,430, for the purpose of reimbursing its treasury and thereafter may distribute such shares as a stock dividend to the holders of its outstanding shares of common stock of record December 21, 1954.

2. Coachella Valley Home Telephone & Telegraph Co., on or before June 30, 1955, may issue and sell, at not less than par, such fractional shares of common stock as may be required to any shareholder having the right to a dividend of a fractional share of stock, and use the proceeds for the purpose of reimbursing its treasury and of financing the cost of additions and betterments.

3. 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.

4. The authority herein granted will become effective 20 days after the date hereof.

Dated at San Francisco, California, this 8<sup>th</sup> day of March, 1955.

*John E. Mitchell*  
President

*Justin J. Calver*

*Raymond L. ...*

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Commissioners