

Decision No. 55738

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 CALIFORNIA INTERSTATE TELEPHONE COMPANY)
 for authority to issue and sell 150,000) Application No. 39427
 shares of its common stock (\$5 par value).) (and First Amendment)
 -----)

O P I N I O N

In this application, as amended, California Interstate Telephone Company seeks an order from this Commission authorizing it to issue and sell 150,000 shares (\$750,000 par value) of its common stock for the purpose of paying indebtedness, financing the acquisition of property and the construction, completion, extension and improvement of its facilities, and for maintenance and improvement of its service to the public.

Applicant is a California corporation engaged primarily in the business of supplying telephone service to the public in portions of the counties of Alpine, Inyo, Kern, Mono and San Bernardino, in the State of California, and in portions of the State of Nevada. It has reported its operating revenues and net income, as follows:

	<u>Operating</u> <u>Revenues</u>	<u>Net</u> <u>Income</u>
1954 (March 25 - December 31)	\$1,963,096	\$232,017
1955	2,756,793	336,269
1956	3,189,287	314,870
1957 (January 1 - August 31)	2,384,370	304,062

Schedule (a) of Exhibit A attached to the application shows that applicant has been paying quarterly dividends of 17-1/2 cents on its outstanding shares of common stock.

A summary statement of applicant's assets and liabilities, as reflected in its August 31, 1957 balance sheet, follows:

<u>Assets</u>		
Investment in telephone plant, less reserve for depreciation		\$12,847,761
Current assets -		
Cash and working funds	\$234,279	
Accounts receivable	300,999	
Material and supplies	<u>620,604</u>	1,155,882
Prepaid expenses		32,147
Unamortized expense on bonds		120,421
Unamortized expense on debentures		29,670
Other deferred charges		<u>9,551</u>
Total assets		<u>\$14,195,432</u>
<u>Liabilities</u>		
Bonds		\$ 5,899,000
Debentures		1,459,000
Current liabilities -		
Notes payable	\$600,000*	
Accounts payable	188,026	
Accrued and other liabilities	<u>743,339</u>	1,531,365
Deferred credits		209,745
Preferred stock		1,930,000
Common stock equity -		
Common stock	\$1,520,000	
Premium on common stock	1,429,500	
Capital stock expense	<u>(117,223)</u>	
Surplus	<u>334,045</u>	<u>3,166,322</u>
Total liabilities		<u>\$14,195,432</u>

(Deduction)

* Increased to \$750,000 on September 10, 1957.

The increase in the number of telephones in service is shown by the following tabulation:

December 31, 1954	12,192
December 31, 1955	13,881
December 31, 1956	16,086
July 31, 1957	17,513

Applicant proposes to effect a public sale of the 150,000 shares of its common stock through a group of underwriters represented by William R. Staats & Co., who will be paid a commission equal to 6 per cent of the sales price paid for the shares by the public. It is anticipated that the shares will be sold to the public at a price not to exceed \$12.50 per share, although the final arrangements have not been made and the price is not known at this time. However, assuming a price of \$12.50 per share and reflecting the 6 per cent commission, applicant's capital ratios adjusted to give effect to the proposed issue of 150,000 shares of common stock, as compared with its ratios at August 31, 1957, are as follows:

	<u>August 31, 1957</u>	<u>Pro Forma</u>
Bonds	47.37%	41.44%
Debentures	11.71	10.25
Preferred stock	15.50	13.56
Common stock equity	<u>25.42</u>	<u>34.75</u>
	<u>100.00%</u>	<u>100.00%</u>

The purpose of the proposed financing is to provide applicant with funds to enable it to liquidate indebtedness and to finance construction costs. Applicant reports that its short-term bank borrowings now amount to \$750,000 and will be increased to \$850,000 by the time the common stock money becomes available and that its construction budget for the year ended March 31, 1958 is \$2,445,000 and for the year ended March 31, 1959, \$2,808,000. Included in the construction program are the following items:

Bishop-San Bernardino microwave installation	\$300,000
Bishop traffic building	150,000
Central office and outside plant additions exchange	250,000
Subscriber installations	80,000
Additional toll facilities	200,000
Purchase of land, building, furniture, fixtures and work equipment	<u>50,000</u>
Total	<u>\$1,030,000</u>

It is clear that applicant does not have sufficient cash on hand to liquidate its short-term borrowings and to meet its construction program. A review of the proceeding indicates that applicant will have need for funds from external sources and that an order is warranted authorizing the issue of additional shares of common stock at this time.

The authorization herein granted for the issue and sale of shares of common stock is not to be construed as indicative of amounts to be included in a future rate base for the purpose of determining just and reasonable rates.

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 and sale of the shares of common 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. California Interstate Telephone Company, on and after the effective date hereof and on or before December 31, 1957, may issue and sell 150,000 shares of its common stock at a price to be fixed in a supplemental order. Applicant shall use the proceeds for the purposes set forth in this application, as amended.

2. The authority herein granted will become effective when the Commission, by supplemental order, has fixed the price at which said shares may be sold.

3. California Interstate Telephone Company 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.

Dated at San Francisco, California, this 25th day of October, 1957.

[Signature]
President

[Signature]

Commissioners