

ORIGINAL

Decision No. 56007

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
WESTERN CALIFORNIA TELEPHONE COMPANY,

a California corporation, for an order authorizing it (a) to issue and sell 17,631 common shares, \$10 par value, at the price of \$16.50 per share, in cash, and (b) to use the proceeds of sale of said common shares to finance plant additions and betterments and to reimburse its treasury.

Application No. 39581

In the Matter of the Application of
WESTERN CALIFORNIA TELEPHONE COMPANY,

a California corporation, for an order authorizing it (a) to issue and sell \$375,000 principal amount of First Mortgage Bonds, Series D, 5-1/2%, Due January 1, 1983, (b) to execute and deliver a Third Supplemental Indenture as of January 1, 1958, to set forth the special terms and provisions in respect of said series of Bonds and to secure said Bonds, and (c) to apply the proceeds of sale of said Bonds toward the payment of outstanding unsecured notes.

Application No. 39591

O P I N I O N

In these two proceedings, Western California Telephone Company, a corporation, seeks authorization to issue and sell 17,631 shares of its common stock of the par value of \$10 each and \$375,000 principal amount of First Mortgage Bonds, Series D, 5-1/2%, Due January 1, 1983, and to execute a supplemental indenture.

Applicant is a California corporation engaged in furnishing local and toll telephone service in the Counties of Santa Clara, Santa Cruz, Sonoma and Marin. In the development of its plant, it has invested \$4,523,039, net after depreciation, according to its balance sheet of October 31, 1957, and, in part, has financed itself temporarily with current liabilities and with retained earnings from operations. Its assets, liabilities and capital, as of October 31, 1957, are reflected in the following statement:

Assets

Fixed assets, less depreciation reserve		\$4,523,039
Current and prepaid assets -		
Cash	\$ 78,680	
Accruals	65,440	
Accounts payable	72,796	
Materials and supplies	180,326	
Prepaid charges	<u>114,057</u>	
Total current assets		511,299
Deferred charges		<u>38,336</u>
Total		<u>\$5,072,674</u>

Liabilities and Capital

First mortgage bonds		\$2,000,000
Current liabilities -		
Notes payable	\$568,750	
Accounts payable	104,388	
Other current liabilities	<u>375,351</u>	
Total current liabilities		1,048,489
Deferred credits		10,635
Preferred stock		774,710
Common stock equity -		
Common stock	700,700	
Premium on common stock	351,120	
Earned surplus	<u>187,020</u>	
Total common stock equity		<u>1,238,840</u>
Total		<u>\$5,072,674</u>

The outstanding common stock consists of 70,070 shares of the par value of \$10 each and with a book value, according to the balance sheet figures, of approximately \$17.70 a share. It has been applicant's practice for a number of years to pay annual dividends at the rate of 8 per cent of the par value of the shares.

Applicant reports that it is in need of funds to meet its current obligations, to reimburse its treasury and to proceed with its construction. Subject to receiving authorization from the Commission, it proposes to offer 17,631 shares of its common stock to its existing shareholders at a price of \$16.50 a share, a total of \$290,912 for the entire block, and to sell \$375,000 of bonds at their principal amount, plus accrued interest, to Occidental Life Insurance Company of California. Upon completion of the sale, it intends to use the proceeds, which will aggregate \$665,912, for the following purposes:

To pay bank borrowings	\$535,000
To liquidate accounts payable	43,436
To provide project costs	<u>82,476</u>
Total	<u>\$665,912</u>

With the issue of these additional securities, applicant's capital ratios, on the basis of the recorded figures at the close of October, 1957, may be expressed as follows:

First mortgage bonds	51%
Preferred stock	16
Common stock equity	<u>33</u>
Total	<u>100%</u>

Upon reviewing the applications, it is clear that applicant has need for money from external sources to liquidate its current

obligations and to improve its financial structure and that an order is warranted granting its requests. In the opinion of the Commission the money, property or labor to be procured or paid for by the issue of the stock and bonds herein authorized is reasonably required for the purposes specified herein and such purposes, except as otherwise authorized, are not, in whole or in part, reasonably chargeable to operating expenses or to income.

The authorization herein granted is for the issue of securities only and 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 matters and being of the opinion that public hearings are not necessary and that the applications should be granted, therefore,

IT IS HEREBY ORDERED as follows:

1. Western California Telephone Company, on and after the effective date hereof and on or before June 30, 1958, may issue and sell not to exceed 17,631 shares of its common stock at not less than \$16.50 a share.
2. Western California Telephone Company, on and after the effective date hereof and on or before June 30, 1958, may execute a third supplemental indenture in, or substantially in, the same form as that filed as Exhibit A attached to Application No. 39591 and may issue and sell not to exceed \$375,000 of First Mortgage Bonds at not less than their principal amount, plus accrued interest.

3. Western California Telephone Company shall use the proceeds from the sale of said shares of common stock and bonds for the purposes set forth in these applications. The accrued interest may be used for said purposes or for general corporate purposes.

4. Western California Telephone Company 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.

5. The authorization herein granted to issue bonds will become effective when Western California Telephone Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$375. In other respects, the authorization herein granted will become effective on the date hereof.

Dated at San Francisco, California, this 19th day of December, 1957.

[Signature]
President

[Signature]

[Signature]
Commissioners

