

ORIGINAL

Decision No. 58337

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 shares of its common
stock (\$5 par value).

Application No. 41023

O P I N I O N

California Interstate Telephone Company has filed this application for authority to issue and sell 150,000 shares of its common stock.

Applicant is engaged in supplying telephone service, as a public utility, in portions of the Counties of San Bernardino, Kern, Inyo, Mono and Alpine in California and in portions of Nevada. It was organized in 1954 and since entering upon its operations in March of that year has increased its recorded net investment in plant from \$7,696,007 to \$17,262,029 at December 31, 1958, and to \$17,748,736 at February 28, 1959, according to its financial reports, and the number of company telephones from 11,121 to 20,775. For the year 1958, applicant has reported operating revenues of \$4,219,257 and net income available for fixed charges of \$898,027.

It appears that applicant has financed its capital requirements, in part, with bonds, debentures, other indebtedness, preferred and common shares and retained earnings. Its capital ratios, as of February 28, 1959, including short-term bank borrowings, are as follows:

Long-term debt	\$ 9,733,500	55%
Bank borrowings	1,200,000	7
Preferred stock	1,681,860	10
Common stock equity	<u>5,058,913</u>	<u>28</u>
Total	<u>\$17,674,273</u>	<u>100%</u>

The company's balance sheet shows current assets in the amount of \$1,067,712 and current liabilities in the amount of \$1,957,339, including the bank borrowings.

The outstanding common stock consists of 469,158 shares of the par value of \$5 each and with a book value, on the basis of the foregoing figures, of \$10.78 each. Since issuing its common shares applicant has paid annual dividends at the rate of 70 cents a share. Such shares recently have been quoted on the over-the-counter market at 14-3/4 bid, 16 asked.

Applicant proposes to effect a public sale, through a group of underwriters, of the 150,000 shares of stock covered by this application. Final arrangements for the sale have not been completed but applicant reports it is expected that the shares will be sold to the public at a price not to exceed \$16 a share and that the commission will not exceed 5 per cent. Applicant will file a copy of the underwriting agreement at a later date.

The purpose of the proposed financing is to provide applicant with funds to discharge its bank borrowings, which applicant expects will rise to \$2,200,000 by the time the stock money becomes available and to meet, in part, the cost budgeted capital requirement. In Exhibit B applicant sets forth in some detail estimated expenditures aggregating \$8,308,000 for the two fiscal years ending March 31, 1961.

Upon reviewing this application, we are of the opinion that applicant has need for additional funds from external sources, that the money, property or labor to be procured or paid for by the issue of the stock herein authorized is reasonably required for the purposes specified herein and that the expenditures for such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income. Accordingly, we will enter an order granting applicant's request.

The authorization herein granted shall not 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, 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, 1959, 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 to pay indebtedness and to finance construction costs, as set forth in this application.

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 5th day of May, 1959.

E. L. Fox
President
W. H. H. H. H.
W. H. H. H. H.
Theodore J. H. H.
Commissioners