

ORIGINAL

Decision No. 58582

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 to issue and  
sell 44,729 shares of its common  
stock.

Application No. 41181

OPINION AND ORDER

Western California Telephone Company has filed this  
application for authorization to issue 44,729 shares of its  
common stock of the par value of \$10 each.

Applicant is a California corporation which is engaged  
as a public utility in furnishing local and toll telephone service  
in portions of the Counties of Santa Clara, Santa Cruz, Sonoma  
and Marin. Its authorized capital stock consists of 400,000  
shares of the par value of \$10 each, divided into preferred and  
common shares. The shares authorized and the shares outstanding  
are as follows:

	<u>Authorized</u>	<u>Outstanding</u>
Preferred stock	200,000	77,471
Common stock	<u>200,000</u>	<u>87,701</u>
Total	<u>400,000</u>	<u>165,172</u>

The holders of the preferred stock are entitled to cumulative dividends at the rate of 5% per annum. On the outstanding common stock, the company has paid dividends for a number of years at the rate of 9% of the par value of \$10. The book value of the common shares, on the basis of the balance sheet figures as of March 31, 1959, is \$17.64 each.

In addition to the outstanding stock, the company reports, at the close of March, first mortgage bonds of \$2,375,000 and short-term bank loans of \$1,160,000.

Applicant proposes to offer the 44,729 shares of common stock, at \$17.50 a share, to the holders of its outstanding preferred and common shares of record at the close of business on June 17, 1959, on the basis of one new share for each three shares of common stock and one new share for each five shares of preferred stock then held of record and to issue transferable warrants evidencing the right to subscribe, each warrant to carry with it the privilege of subscribing for additional shares, and to offer any unsubscribed shares to the public after the warrants expire. Applicant intends to use the proceeds from the sale of the shares to pay bank loans of \$160,000 and accounts payable of \$522,758, all of which represent borrowings incurred by the company to pay a portion of its telephone plant costs. At a later date it intends to file an application to issue first mortgage bonds to pay off the remaining \$1,000,000 of bank loans.

The Commission has considered this matter and is of the opinion that a public hearing is not necessary, that the application should be granted, 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 purpose specified herein, and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. Western California Telephone Company, on and after the date hereof and on or before December 31, 1959, (1) may issue to the holders of its common stock and preferred stock transferable warrants evidencing rights to subscribe to 44,729 shares of common stock; (2) may issue and sell such of said 44,729 shares as are subscribed for pursuant to said rights to subscribe, and the additional subscription privileges, at the subscription price of \$17.50 per share; and (3) may issue and sell such of said 44,729 shares as are not so subscribed at not less than \$17.50 a share.

2. The authorization herein given is for the issue of stock 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.

3. Western California Telephone Company shall use the proceeds from the sale of the stock herein authorized to pay outstanding indebtedness, to reimburse its treasury and to finance construction costs.

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 authority herein granted shall become effective on the date hereof.

Dated at San Francisco, California,  
this 16th day of June, 1959.

E. J. Fox  
President  
E. P. Mitchell  
Matthew D. ...  
Commissioners