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ORIGINAL

Decision No. \_\_\_\_\_

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 120,000 shares of its Twenty  
Dollar Par Value Cumulative  
Preferred Stock, 5.50% Series.

Application No. 43362  
Filed May 1, 1961

O P I N I O N

California Interstate Telephone Company has filed this application for authorization to issue and sell 120,000 shares of its Cumulative Preferred Stock, 5.50% Series, of the par value of \$20 each and of the aggregate par value of \$2,400,000.

The company proposes to sell the shares at their par value, plus accrued dividends, to certain institutional investors and to use the proceeds to pay outstanding short-term indebtedness and to finance the cost of additions to its plant. It reports, as of February 28, 1961, outstanding notes payable to Bank of America National Trust and Savings Association in the amount of \$1,650,000, now about to become due, and estimated expenditures for plant, during the year ending March 31, 1962, in the amount of \$4,538,150.

According to the application, the company's business has been increasing at a rapid rate, the number of telephones, for example, having increased from 12,192 on December 31, 1954 to 26,240 on June 30, 1960, and to 27,768 on March 31, 1961. The company's balance sheet attached to the application shows that it had recorded its net investment in plant, as of February 28, 1961, at \$25,629,625 and that it had financed itself with short-term notes, first mortgage bonds, debentures, shares of preferred and common stock and retained earnings. Its capital ratios as of February 28, 1961, and as adjusted to give effect to the proposed share offering are as follows:

	<u>Feb. 28, 1961</u>	<u>Pro Forma</u>
First mortgage bonds	43%	41%
Debentures	16	16
Short-term notes	6	-
Subtotal	<u>65</u>	<u>57</u>
Preferred stock	6	14
Common stock equity	<u>29</u>	<u>29</u>
Total	<u>100%</u>	<u>100%</u>

In Decision No. 60296, dated June 20, 1960, the Commission reviewed applicant's results of operations and issued its interim opinion and order authorizing the company to increase rates to an extent calculated to produce a return of 6.2% on applicant's rate base for the test year ended March 31, 1959 for the California operations. The company's 1960 annual report shows total revenues for the year of \$5,987,710 of which \$5,537,258, or 92%, were attributable to the California operations.

Upon reviewing the information now before us, we find and conclude that applicant has need for funds from external sources to liquidate short-term borrowings, to improve its cash position and to enable it to meet its capital requirements, and that applicant's capital structure and present and prospective earnings warrant an order at this time authorizing the issue of the preferred shares.

The authorization herein given is for the issue of shares of stock and is not to be construed as indicative of amounts to be included in a future rate base for the determination of 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 money, property or labor to be procured or paid for through the issue of the stock herein authorized is reasonably required 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 ORDERED -

1. That California Interstate Telephone Company, on or after the effective date hereof and on or before December 31, 1961, may issue and sell not to exceed 120,000 shares of its Cumulative Preferred Stock, 5.50% Series, at not less than par plus accrued dividends and use the proceeds for the purposes set forth in this application.

2. That California Interstate 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.

3. That the authority herein granted shall become effective on the date hereof.

Dated at San Francisco, California,  
this 22nd day of May, 1961.

Lowell H. Dean  
President  
John M. Mitchell  
S. Lynn Fox  
George T. Grover  
Fredrick B. Halbach  
Commissioners