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ORIGINAL

Decision No. _____

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 87,000 shares of its common
 stock.

Application No. 44096
 Filed January 12, 1962

O P I N I O N

This is an application for an order of the Commission authorizing Western California Telephone Company to issue and sell 87,000 shares of its common stock of the par value of \$10.00 a share.

The company proposes to offer approximately 81,700 of the shares to the holders of its presently outstanding common and preferred shares and 2,300 shares to the public through underwriters, a total of 84,000 shares. The offering to shareholders will be made to those of record at the close of business on February 15, 1962, and the company will issue to such shareholders rights to subscribe for additional common stock, which rights will be evidenced by transferable subscription warrants. The holders of the common shares will receive one right for each share held and the holders of the preferred shares will receive 2/5ths of a right for each share held and two rights will be required to subscribe for

one new share of common stock. It is contemplated that the subscription rights will expire at the close of business on March 12, 1962, unless previously exercised.

In order to insure the success of the financing, applicant has entered into negotiations with a group of underwriters whereby, subject to the approval of the Commission, it is contemplated that such underwriters will enter into an agreement with applicant to purchase at the subscription price per share such number of the 84,000 shares of common stock as are not purchased by holders of subscription warrants. The present negotiations call for payment to the underwriters of compensation equal to 1% of the subscription price as to all the 84,000 shares, plus an additional 2% for each share acquired by underwriters for their own accounts through the exercise of subscription rights. In the event any of the unsubscribed shares are sold by the underwriters at an average gross price in excess of the subscription price, plus 2% thereof, the underwriters will agree to pay applicant 50% of such excess. It is contemplated that the subscription price will not be less than \$25.00 a share nor more than \$27.50 a share.

In addition to the 84,000 shares being underwritten, applicant proposes to issue 3,000 shares of common stock to its full-time employecs, except the chairman of the board of directors and the president, at a price equal to the subscription price of the shares being underwritten.

Applicant asserts that it has need for additional funds to liquidate outstanding short-term bank loans which are reported at \$795,000.00 in the company's balance sheet of September 30, 1961, and to finance, in part, its 1962 construction program. The application shows that for a number of years applicant has been engaged in a continuing program of plant expansion and improvements and that for the last three months of 1961 and for the year 1962 its expenditures will total approximately \$1,800,000.00, a large portion of which will be for line extensions and connections and for central office equipment. It appears that the company does not expect to do any further permanent financing in 1962 and that it will generate from internal sources any amounts needed to complete its program.

In the past, applicant has met its capital requirements primarily through the issue of first mortgage bonds, shares of preferred and common stock, and retained earnings. Its capital ratios as of September 30, 1961, and as adjusted to give effect to the proposed common stock offering, assuming all the shares will be sold at or about \$25.00, are indicated in the following tabulation:

	<u>Sept. 30, 1961</u>	<u>Pro Forma</u>
Long-term debt	53%	46%
Notes payable	9	-
Preferred stock	9	8
Common stock equity	<u>29</u>	<u>46</u>
Total	<u>100%</u>	<u>100%</u>

The common shares have a par value of \$10.00 each and a book value, based on the September 30, 1961 balance sheet, of approximately \$20.00. Dividends have been paid on the outstanding common shares in every year since the organization of the company in 1910. From 1910 through 1954, the annual dividend rate was 80 cents a share; beginning in 1955, the rate was increased to 90 cents a share; and in December of 1960, to \$1.00 a share.

We have considered this application and are of the opinion and we so find and conclude that applicant will have need for additional funds to enable it to meet its capital requirements and to proceed with its construction activities; that the issue of the shares of common stock under the terms proposed is not adverse to the public interest; and that an order should be entered granting the application.

The action taken herein is for the issue of stock 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 application 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 shares of common 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 HEREBY ORDERED that -

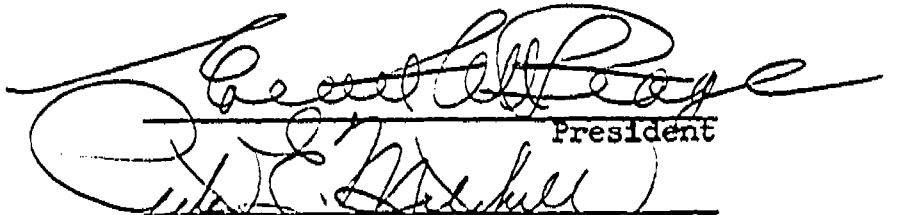
1. Western California Telephone Company, after the date hereof and on or before June 30, 1962, may issue to the holders of its outstanding common and preferred shares transferable subscription warrants evidencing rights to subscribe for additional common shares under the terms set forth in this application.

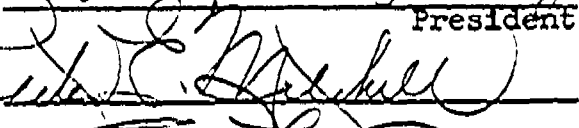
2. Western California Telephone Company may issue and sell not to exceed 87,000 shares of its common stock at not less than \$25.00 a share to the holders of said subscription warrants, to underwriters, and to its employees, under the terms and for the purposes set forth in this application.

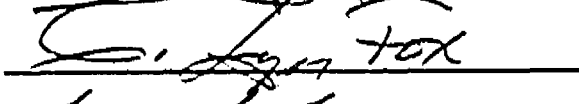
3. Western California Telephone Company shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.


4. The authority herein granted shall become effective on the date hereof.


Dated at San Francisco, California,
this 6th day of FEBRUARY, 1962.



President








Commissioners