

**ORIGINAL**

Decision No. 67409

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application

of EVANS TELEPHONE COMPANY,  
a corporation,

for authority to (a) borrow up  
to \$140,000, (b) execute a  
Mortgage and Supplemental  
Mortgages, and (c) issue and  
distribute shares of its common  
stock as a stock dividend

Application No. 46654  
Filed May 21, 1964

O P I N I O N

In this application Evans Telephone Company requests an order of the Commission authorizing it (1) to issue notes aggregating \$140,000 and to execute a mortgage and supplemental mortgages, and (2) to issue 31,500 shares of \$5 par value common stock for distribution to its common shareholders as a stock dividend.

Applicant is a California corporation engaged as a public utility in the business of providing telephone service in and about the City of Patterson, Stanislaus County. As of December 31, 1963, it reported operating revenues of \$233,436, net income of \$25,786 and 2,229 telephones in service. The December 31, 1963 balance sheet attached to the application indicates that the depreciated investment in telephone plant amounted to \$500,948; its outstanding common stock, preferred

stock and earned surplus totaled \$105,000, \$20,000 and \$205,068, respectively; its long-term debt was \$71,608; and its current liabilities exceeded current assets by \$97,221.

The company asserts that increasing demand for telephone service has required it to expand central office equipment and outside plant facilities at a cost in excess of \$140,000, the major portion of which it financed by issuing demand notes in favor of Stromberg-Carlson, a division of General Dynamics Corporation. Applicant proposes to refinance the demand notes with long-term borrowings, and it seeks authority to enter into a loan agreement with General Dynamics Corporation for borrowing \$140,000 to be represented by interim notes which will be replaced by a final note on or before December 31, 1964. The interim and final notes will bear interest at the rate of 5-7/8% per annum, and the final note will be repayable in 240 substantially equal monthly installments of principal. The indebtedness to be evidenced by the notes will be secured by a mortgage and supplemental mortgages.

The application shows that the company intends to amend its Articles of Incorporation so as to increase the authorized number of common shares, each having a \$5 par value, from 30,000 to 100,000 shares. Applicant proposes to pay a stock dividend to holders of its common stock by issuing 31,500 shares of common stock on the basis of one and one-half shares for each common share outstanding, and to transfer an amount

equal to the par value of stock so issued, or \$157,500, from earned surplus to its capital stock account. Management of applicant alleges that because of continuing demand for reinvestment of corporate earnings, payment of cash dividends on common stock is not anticipated in the foreseeable future.

The Commission has considered this matter and finds that: (1) the proposed note issues are for a proper purpose; (2) applicant's retained earnings from operations exceed the proposed common stock dividend to the extent that it may properly issue 31,500 shares of common stock against such earnings; (3) the money, property or labor to be procured or paid for by the issue of the notes and stock herein authorized is reasonably required for the purposes specified herein; and (4) such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income. On the basis of these findings we conclude that the application should be granted. A public hearing is not necessary.

The authorization herein granted is for the purposes of this proceeding only and is not to be construed as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. Evans Telephone Company may enter into a loan agreement with General Dynamics Corporation, may execute a mortgage and supplemental mortgages and, for the purpose specified in this proceeding, may issue interim notes in the aggregate amount of not to exceed \$140,000 and thereafter may replace such interim notes with a final note. Said documents shall be in the same form, or in substantially the same form, as those attached to the application.

2. Evans Telephone Company, on or after the effective date hereof and on or before December 31, 1964, may issue not to exceed 31,500 shares of common stock to its common shareholders for the purpose of reimbursing its treasury for retained earnings expended for additions, betterments and extensions to its telephone plant and, upon such reimbursement, may distribute such stock to its common shareholders as a stock dividend.

3. Evans 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 hereby made a part of this order.

4. The authority herein granted to issue stock shall become effective when Evans Telephone Company has filed with the Commission a certified copy of an Amendment of its Articles of Incorporation authorizing it to issue at least 52,500 shares of \$5 par value common stock. In all other respects this order

shall become effective when Evans Telephone Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$140.

Dated at San Francisco, California, this 23<sup>rd</sup> day of June, 1964.

[Signature] President  
[Signature]  
[Signature]  
[Signature]  
[Signature] Commissioners

Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.

