

ORIGINAL

Decision No. 67787

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 Exchange 33,000 Shares of its
\$5 Par Value Common Stock For All
of the Outstanding Capital Stock
of WALKER RIVER TELEPHONE CO.,
INC., a Nevada corporation.

Application No. 46854
Filed July 30, 1964

O P I N I O N

This is an application for an order of the Commission authorizing California Interstate Telephone Company to issue 33,000 shares of its \$5 par value common stock in exchange for all of the outstanding shares of capital stock of Walker River Telephone Co., Inc.

Applicant is a California corporation engaged as a public utility in the business of providing telephone service in portions of California and Nevada. Subject to receiving authorization from the Commission, it proposes to issue 33,000 shares of its \$5 par value common stock and to exchange such shares for the 12,000 outstanding common shares of Walker River Telephone Co., Inc., representing all of the outstanding capital stock of said corporation. The proposed exchange will be made under the terms of an Agreement and Plan of Reorganization executed on July 1, 1964, a copy of which is attached to the application as Exhibit C. Applicant estimates a value of

\$26.50 per share for its common stock in the transaction, which amount approximates the over-the-counter market price as of the date of said Agreement. As soon as possible after acquiring the stock of Walker River Telephone Co., Inc., applicant proposes to effect the dissolution of said corporation and the distribution to itself of the latter's assets and business.

The application shows that Walker River Telephone Co., Inc., a Nevada corporation, provides public utility telephone service in certain areas of said State pursuant to authority granted by the Public Service Commission of Nevada. Such company's December 31, 1963 financial statements, presented in Exhibit I of this proceeding, indicate that its depreciated investment in telephone plant was \$617,081 and that its long-term debt and common stock equity amounted to \$462,845 and \$154,642 (including \$20,000 donated surplus), respectively. For the year 1963, the company's operating revenues totaled \$187,300 and its net income was \$11,390 according to said Exhibit I.

Applicant alleges that the proposed exchange is proper and desirable for the following reasons:

- (a) The Walker River system serves territory in Nevada contiguous to that served by applicant.
- (b) Eventual integration of both systems will result in operating efficiencies and economies.
- (c) Substantial economic development is anticipated in the area.

- (d) The acquisition will not impose a burden upon applicant's California operations and will spread the risk of property damage and the adverse effects of local economic conditions over a broader geographical base.

The Commission has considered this matter and finds that: (1) the proposed stock issue is for a proper purpose; (2) 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 (3) such purpose is 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.

In issuing our order herein, we place applicant and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares, nor the dividends paid as measuring the return applicant should be allowed to earn on its investment in plant, and that the authorization herein given is not to be construed as a finding of value of applicant's stock or properties, nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

ORDER

IT IS ORDERED that:

1. California Interstate Telephone Company, on or after the effective date hereof and on or before December 31, 1964, may issue not to exceed 33,000 shares of its common stock in exchange for 12,000 shares of common stock of Walker River Telephone Co., Inc.

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

3. The effective date of this order shall be five days after the date hereof.

Dated at San Francisco, California, this 1st day of SEPTEMBER, 1964.

Fredrick B. Hallock
President

Charles W. [unclear]

George H. [unclear]

William C. [unclear]

Commissioners

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.