

ORIGINALDecision No. 69018

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 not to exceed)
150,000 Shares of its Cumulative)
Preferred Stock, \$20 par value,)
Series A)

Application No. 47459
Filed March 31, 1965
and Amendments
Filed April 23, 1965
and May 5, 1965

O P I N I O N

California Interstate Telephone Company has filed this application requesting authority to issue and sell 150,000 shares of its Cumulative Preferred Stock, Series A, of the par value of \$20 each, having an aggregate par value of \$3,000,000 and bearing a 4.75% dividend rate.

Applicant is a California corporation engaged as a public utility in the business of providing telephone service in various cities and areas located in the Counties of Alpine, Inyo, Kern, Los Angeles, Madera, Mono, San Bernardino and Tulare in the State of California. It also serves in portions of the State of Nevada. For the year 1964, the company reports total operating revenues and net income of \$12,237,975 and \$1,535,914, respectively, and a \$48,867,456 net telephone plant investment as of December 31, 1964. According to applicant's 1964 annual report on file with the Commission, 45,600 telephones were in service at the end of the year, of which 45,512 were located in the State of California.

By Decision No. 68836, dated April 6, 1965, in Application No. 47346, the company was authorized to issue and sell 160,000 shares of its common stock, exempt from competitive bidding, for the purpose of discharging, in part, short-term obligations incurred, or to be incurred, for capital expenditures. Applicant reports that because of current developments, including the conversion of its convertible debentures into common stock, it does not plan to proceed with an issue of common stock at the present time.

The following summary shows applicant's reported capital structure as of December 31, 1964, together with adjustments thereto giving effect to (a) the issue and sale of \$3,000,000 of preferred stock as proposed in this proceeding, and (b) the conversion of \$3,000,000 principal amount of debentures and the remaining outstanding shares of convertible preferred stock into common stock:

	<u>Dec. 31, 1964</u>	<u>Pro Forma</u>
Long-term debt	51%	42%
Preferred stock	12	16
Common stock equity	<u>37</u>	<u>42</u>
Total	<u>100%</u>	<u>100%</u>

Applicant asserts that its business continues to increase at a rapid rate and that permanent capital is needed to finance the cost of its construction program for the year 1965. The utility's estimated cash requirements for

construction during the year ending December 31, 1965, total \$16,986,700 segregated as follows:

Telephone and other exchange equipment	\$ 5,380,100
Toll and local exchange lines	1,541,900
Central office equipment	6,781,800
Land and buildings	1,195,200
Other telephone plant	<u>2,087,700</u>
Total	<u>\$16,986,700</u>

The company advises that the required cash will be obtained from the sale of preferred stock as proposed herein, from future security issues, from short-term bank borrowings and from internal sources.

In this proceeding applicant seeks authority to issue and sell 150,000 shares of its Cumulative Preferred Stock, Series A, at their par value of \$20 each plus accrued dividends at the rate of 4.75% per annum, to certain institutional investors, in connection with which it proposes to pay a placement fee of \$20,000 to Blyth & Co., Inc. The company proposes to use the proceeds from the stock issue to discharge, in part, short-term indebtedness incurred, or to be incurred, for capital expenditures. The application, as amended, shows that as of March 12, 1965, such indebtedness, amounting to \$5,100,000, was represented by short-term notes in favor of Bank of America National Trust and Savings Association. The utility anticipates that additional temporary borrowings during the interim will cause the amount of short-term notes outstanding to increase to \$8,850,000 on or about May 13, 1965.

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, as amended, 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 the 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.

O R D E R

IT IS ORDERED that:

1. California Interstate Telephone Company, on or after the effective date hereof and on or before August 31, 1965, may issue and sell not to exceed 150,000 shares of its Cumulative Preferred Stock, Series A, at their par value of

\$20 each plus accrued dividends, and shall apply the proceeds toward reducing its short-term bank loans.

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 authority herein granted is alternative to that granted by Decision No. 68836, dated April 6, 1965, in Application No. 47346.

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

Dated at San Francisco, California, this 11th day of MAY, 1965.

[Signature] President

George H. Hoover

[Signature]

[Signature] Commissioners

Commissioner Frederick B. Holoboff, being necessarily absent, did not participate in the disposition of this proceeding.