

ORIGINAL

Decision No. 69720

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of The Western)
Telephone Company for)
authority to issue 4,111)
shares of Common Stock,)
\$25 Par Value)

Application No. 47870
Filed September 3, 1965

O P I N I O N

The Western Telephone Company has filed this application requesting authority to issue and sell 4,111 shares of its \$25 par value common stock for an aggregate consideration of \$200,000. The purpose of the proposed stock issue is to provide funds for the discharge of existing short-term debt related to the company's continuing construction program.

Applicant is a California corporation engaged as a public utility in the business of providing telephone service generally throughout Trinity County and in portions of Humboldt and Mendocino Counties. According to the utility's 1964 annual report on file with the Commission, its operating revenues and net income for the calendar year were \$1,352,972 and \$139,794, respectively, and a total of 5,197 telephones were in service at the end of the year. For the six months ended June 30, 1965, applicant reports total operating revenues of \$664,968 and net income of \$65,732. It reports \$5,102,592 net telephone plant investment as of June 30, 1965.

The application shows that the utility has been experiencing substantial growth and is presently engaged in an extensive construction program in connection with which it has borrowed \$200,000 on short-term notes as of June 30, 1965.

In this proceeding, the company proposes to issue and sell for book value not to exceed 4,111 shares of its \$25 par value common stock to Continental Telephone Company, which applicant states is the owner of 93% of its common stock. The proceeds from the sale will be used to repay said existing short-term construction loans aggregating \$200,000. As of April 30, 1965, the company reports a book value of \$48.65 per share of its common stock, which for 4,111 shares would, to the nearest dollar, amount to \$200,000.

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 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.

ORDER

IT IS ORDERED that:

1. The Western Telephone Company, on or before December 31, 1965, may issue and sell not to exceed 4,111 shares of its common stock for an aggregate consideration of not less than \$200,000, and shall apply the proceeds toward repayment of short-term loans incurred for construction purposes.

2. The Western 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 is the date hereof.

Dated at San Francisco, California, this 28th day of SEPTEMBER, 1965.

Frederick B. Holliff
President

Augustin

William L. Rivers
Commissioners

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

Commissioner George G. Grever, being necessarily absent, did not participate in the disposition of this proceeding.