

ORIGINAL

Decision No. 72739

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of)

CALIFORNIA INTERSTATE TELEPHONE)
COMPANY, a California)
corporation,)

Application No. 49479
Filed June 19, 1967

for an order authorizing it to)
issue and sell 125,000 shares)
of its 5.95% Cumulative)
Preferred Stock, Series B, \$20)
par value.)

O P I N I O N

This is an application for an order of the Commission authorizing California Interstate Telephone Company to issue and sell 125,000 shares of its 5.95% Cumulative Preferred Stock, Series B, \$20 par value, the proceeds to be used for refunding \$2,500,000 of outstanding bank loans.

Applicant is a California corporation furnishing local and toll telephone service in portions of California and Nevada. For the year 1966 the company reports total operating revenues and net income of \$17,793,366 and \$2,916,506, respectively. According to applicant's 1966 annual report on file with the Commission, 59,637 telephones were in service at the end of the year, of which 53,123 were located in California.

In its April 30, 1967 balance sheet the company reports net telephone plant of \$82,573,146. The corporation's capital ratios on said date, and as adjusted to give effect to the proposed preferred stock issue, are computed as follows:

	<u>April 30, 1967</u>	<u>Pro Forma</u>
Long-term debt	55%	53%
Preferred stock	10	13
Common stock equity	<u>35</u>	<u>34</u>
Total	<u>100%</u>	<u>100%</u>

Applicant estimates that its construction program for the year 1967 will amount to \$15,373,000 segregated as follows:

Central office equipment	\$ 8,624,200
Local exchange and toll lines	5,308,000
Land and buildings	359,800
Station equipment and apparatus	<u>1,081,000</u>
Total	<u>\$15,373,000</u>

The application shows that the company has financed a portion of its construction program by means of short-term bank loans, of which \$13,100,000 are outstanding as of June 19, 1967. Additional short-term borrowings are expected to be incurred to provide a portion of funds to complete said construction program. Internally generated funds will supplement said short-term borrowings for this purpose. Permanent financing plans in 1967 include an \$8,000,000 first mortgage bond issue and a common stock issue which is expected to provide approximately \$2,500,000, in addition to the proposed \$2,500,000 preferred stock issue.

In this proceeding the company proposes to issue and sell 125,000 shares of its \$20 par value 5.95% Cumulative Preferred Stock, Series B, and to apply the proceeds toward reduction of said outstanding short-term bank loans. The application shows that the utility has negotiated with Investors Syndicate of America, Inc. for the purchase of all said shares at their par value of \$20 each, for an aggregate purchase price of \$2,500,000.

The Commission has considered this matter and finds that: (1) the proposed stock issue is for a proper purpose; (2) applicant has need for funds from external sources for the purpose set forth in this proceeding; (3) 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 (4) 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. California Interstate Telephone Company, on or after the date hereof and on or before September 30, 1967, may issue and sell not exceeding 125,000 shares of its 5.95% Cumulative Preferred Stock, Series B, at their par value of \$20 each, and shall expend the proceeds for the purpose specified in this proceeding.

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 is the date hereof.

Dated at San Francisco, California,
this 11th day of JULY, 1967.

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