

Decision No. 13411

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 SUNLAND RURAL TELEPHONE COMPANY,)
 a corporation, for authority to is-) Application Number 9941
 sue stock.)

Ernest Irwin, for Applicant.

BY THE COMMISSION:

O P I N I O N

Sunland Rural Telephone Company asks permission in the above entitled application to issue \$18,400.00 par value of its common capital stock for the purpose of reimbursing its treasury because of earnings expended for additions and betterments to its properties, pay indebtedness and to pay the cost of additions and betterments which it intends to hereafter install.

The Railroad Commission by Decision Number 11891, dated April 4, 1923 in Application Number 8229, revised applicant's rates. In such decision the Commission recites that its engineering department made an appraisal of the company's properties and estimated the historical cost new of such properties on October 1, 1922 to be \$10,890.00 and the historical reproduction cost less depreciation \$7,475.00. The decision also shows that the company owned non-operative property valued at \$2,050.00 which consisted of a switchboard and 140 telephone instruments not in service. The testimony in this proceeding shows that since the date of the Commission's decision the

switchboard and substantially all of the telephone instruments have been placed in service. The Commission in its decision directed the company to move its central office to Tujunga and rebuild its lines and cables so that it can furnish to the public the various classes of service for which provision was made in the rates established by the decision of the Commission. The testimony of Mr. A. Adams, Jr., president of the Sunland Rural Telephone Company, shows that all of the improvements directed by the Commission have been made and that the rates fixed by the Commission in its decision of April 4, 1923 became effective about February 1, 1924.

Applicant reports as of December 31, 1923 assets and liabilities as follows:-

A S S E T S

Plant and equipment	\$18,217.91
Cash	38.54
Treasury stock	200.00
Accounts receivable	200.43
Materials and supplies	369.43
Prepayments	28.45
Other debit accounts	123.00
	<u>\$19,177.76</u>
TOTAL ASSETS	<u>\$19,177.76</u>

L I A B I L I T I E S

Capital stock	\$ 2,000.00
Notes payable	3,544.26
Accounts payable	2,462.51
Depreciation reserve	4,689.28
Other credit accounts	- 189.70
Surplus	6,292.01
	<u>\$19,177.76</u>
TOTAL LIABILITIES...	<u>\$19,177.76</u>

The growth of applicant's business is evidenced by the fact that on December 31, 1920 it had 68 telephone subscribers, whereas at present it has 210 telephone subscribers. Its operating revenues have

increased from \$3,966.91 in 1920 to \$7,295.12 in 1923. After paying operating expenses and taxes, the company for 1920 reports an operating income of \$911.66 and for 1923 an operating income of \$1,349.99. For the past several years all of applicant's surplus earnings have been invested in its properties. The amount so invested is reported at \$6,292.01. Because of this investment applicant asks permission to issue at par \$5,000.00 of its stock to reimburse its treasury because of earnings expended for additions and betterments to its plants and properties. In addition to investing its surplus earnings, applicant has found it necessary to borrow money from its subscribers and others in order to pay for improvements, additions and betterments to its properties. For the purpose of paying such indebtedness, applicant asks permission to issue \$3,400.00 par value of stock at 95 percent. par value, Applicant further asks permission to issue and sell \$10,000.00 of stock at 95 percent. of par value in order to raise additional moneys to rebuild a toll line, the cost of which is estimated at \$1,500.00, and to pay the cost of further improvements to its telephone properties. The Commission has not been furnished with a list of the improvements other than the rebuilding of the toll line, which applicant intends to finance through the issue of the \$10,000.00 of stock. The order herein will therefore provide for the issue and sale of the \$10,000.00 of stock subject to the condition that not more than \$1,500.00 of the proceeds be expended in rebuilding the toll line to which reference has been made. Any additional moneys obtained from the sale of the stock may be expended only for such purposes as the Railroad Commission may authorize by supplemental order or orders.

ORDER

Sunland Rural Telephone Company, having applied to the Railroad Commission for permission to issue \$18,400.00 par value of

its common capital stock, a public hearing having been held before Examiner Fankhauser and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for through the issue of the stock herein authorized is reasonably required by applicant and that this application should be granted as herein provided, therefore,

IT IS HEREBY ORDERED that Sunland Rural Telephone Company be, and it is hereby, authorized to issue \$18,400.00 par value of its common capital stock.

The authority herein granted is subject to the following conditions:-

1. Of the stock herein authorized to be issued \$5,000.00 shall be issued at not less than par for the purpose of reimbursing applicant's treasury because of earnings expended for improvements, additions and betterments to its properties. Such stock, after reimbursement of applicant's treasury may, according to law, be distributed to applicant's stockholders as a stock dividend.
2. Of the stock herein authorized to be issued, \$13,400.00 shall be sold for not less than 95 percent. of its par value. The proceeds realized from the sale of \$3,400.00 of stock may be used to pay indebtedness referred to in this application. Of the proceeds realized from the sale of \$10,000.00 of stock, an amount not exceeding \$1,500.00 may be used to rebuild the toll line referred to in the testimony herein. The remaining proceeds obtained from the sale of the stock shall be deposited with a bank and may be expended only for such purposes as the Railroad Commission may hereafter authorize.
3. Applicant shall keep such record of the issue, sale and delivery of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the 25th day of each month a verified report,

as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The authority herein granted will become effective upon the date hereof. None of the \$18,400.00 of stock, the issue of which is herein authorized, may be issued, sold or delivered after February 1, 1925.

DATED at San Francisco, California, this 11th day of April, 1924.

W. H. Sawyer

H. B. J. Indigo

Jarvis Martin

Egerton Shore

J. L. Whittey

Commissioners.