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Decision No. 14152.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
DELTA TELEPHONE AND TELEGRAPH COM-)
PANY, a corporation, for permission) Application Number 10431
to issue and sell its corporate stock.)

Devlin and Devlin, for applicant.

BY THE COMMISSION:

OPINION

Delta Telephone and Telegraph Company asks permission to issue \$21,241.50 of common stock and \$40,000.00 of six percent preferred stock for the purpose of financing the cost of additions, betterments and improvements to its telephone properties.

The Delta Telephone and Telegraph Company is engaged in the operation and management of telephone and telegraph lines and equipment and furnish telephone service to districts along the Sacramento River from a point about eight miles south of Sacramento, continuing in a general southerly direction for a distance of about twenty-eight miles. The communities and towns served by the applicant's lines are Clarksburg, Courtland, Freeport, Hood, Isleton, Paintersville, Ryde, Vorden and Walnut Grove.

The Commission in Decision Number 9456 dated September 3, 1921 in Application Number 5534 (Volume 20, Opinions and Orders of the Railroad Commission of California, page 511) revised applicant's rates and directed applicant to make certain improvements to its telephone properties. In that decision the Commission concluded that \$120,500.00 is a fair valuation of the company's properties

for rate making purposes, such valuation being as of May 31, 1921.

The company has outstanding \$81,650.00 of stock divided into \$41,650.00 of common and \$40,000.00 of six percent. preferred. The dividends on the preferred stock have been paid, but no dividends have ever been paid on the common stock. Instead of paying dividends on the common stock the company has invested its surplus earnings in property. The company has no bonded debt. Its notes payable on April 30, 1924 amounted to \$8,591.25. To reimburse its treasury because of surplus earnings invested in property, the company asks permission to issue \$21,241.50 of common stock. If such request is granted, the company will distribute the stock as a dividend to its common stockholders. The record clearly shows that the amount of earnings invested in applicant's properties has been in excess of \$21,241.50.

In its Exhibit "C" the company reports estimated construction and reconstruction expenditures necessary to supply new facilities for 1923 and 1924 at \$32,842.99. A substantial part of such expenditures have already been incurred and have been in part financed through the issue of a note for \$8,591.25 to Peter E. Huth. The company asks permission to issue and sell \$40,000.00 of its six percent. preferred stock to pay such note, and to pay the cost of constructing and installing the improvements, extensions and betterments referred to in Exhibit "C". It is of record that stock will be sold only in such amounts and at such times as the company has need for construction funds. The order herein will permit the issue of the stock at not less than \$90.00 per share and will permit the company to expend, if necessary, in connection with the sale of such stock, an amount not in excess of \$5.00 per share of stock sold. The remainder of the proceeds must be used to pay the note to which reference has been made and to pay the cost of the improvements, extensions and betterments described in Exhibit "C". Any proceeds not

needed to pay expenses incurred in connection with the sale of the stock in the amount herein permitted, and to pay the cost of the improvements, extensions and betterments described in Exhibit "C" may be expended only for such purposes as the Commission may hereafter authorize by supplemental order or orders.

O R D E R

Delta Telephone and Telegraph Company having applied to the Railroad Commission for permission to issue \$61,241.50 of 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 by the issue of such stock is reasonably required by applicant and that this application should be granted as herein provided.

IT IS HEREBY ORDERED as follows:-

1. Delta Telephone and Telegraph Company may issue at not less than par \$21,241.50 of its common stock for the purpose of reimbursing its treasury because of surplus earnings invested in its properties; such stock after the reimbursement of applicant's treasury may, according to law, be distributed as a dividend to applicant's stockholders.
2. Delta Telephone and Telegraph Company may issue and sell on or before May 1, 1925 at not less than \$90.00 per share, 400 shares (\$40,000.00) of its six percent. cumulative preferred stock. Of the proceeds realized from the sale of such stock, an amount not exceeding \$5.00 per share of stock sold may be expended by the company to pay expenses incurred in connection with the sale of stock. The remainder of the proceeds, together with such portion of the amount auth-

orized to be used to pay expenses incurred in connection with the sale of stock, but not necessary for such purpose, may be expended by the company to finance the cost of the improvements, extensions and betterments described in applicant's Exhibit "C" or pay indebtedness incurred on account of the construction of the improvements, extensions and betterments described in such exhibit. Any proceeds realized from the sale of the stock but not needed for any of the aforesaid purposes may be expended only for such purposes as the Commission may authorize in a supplemental order or orders.

3. Delta Telephone and Telegraph Company shall keep such record of the issue and sale 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.

DATED at San Francisco, California, this 9th day of October, 1924.

C. Seavey

H. B. ...

Irving Martin

J. F. Whitney

Commissioners.