

LRM

Decision No. 16682.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
MANTECA TELEPHONE COMPANY) Application No. 12529
for authority to issue stock.)

Ernest Irwin, for applicant.

BY THE COMMISSION:

ORIGINAL

OPINION

In this application, as amended, Manteca Telephone Company asks authority to issue, at par, \$7,300.00 of stock to refund outstanding notes of like amount, and to issue a three year seven per cent note for \$6,000. to finance in part the cost of central office equipment.

The record shows that applicant is engaged in giving telephone service in Manteca and Lathrop and adjacent territory, serving an area of about fifty-two square miles. It reports its assets and liabilities, as of December 31, 1925, as follows:-

ASSETS:

Fixed capital	\$60,372.35	
Cash and deposits	11.57	
Accounts receivable	337.34	
Materials and supplies	<u>373.72</u>	
Total assets		<u>\$61,094.98</u>

LIABILITIES:-

Common stock	\$36,800.00	
Funded debt	5,000.00	
Notes payable	7,300.00	
Accruals	441.90	
Reserve for accrued depreciation	7,402.65	
Surplus	<u>4,150.42</u>	
Total liabilities		<u>\$61,094.98</u>

The revenues and expenses of the company for the last three calendar years have been shown in annual reports filed with the Commission as follows:-

ITEM	1925	1924	1923
Telephone operating revenues	\$16,975.42	\$16,069.03	\$16,500.90
Telephone operating expenses	13,439.16	13,691.51	13,780.42
Net telephone operating revenues.....	3,536.26	2,377.52	2,720.48
Taxes	934.80	962.89	968.34
Telephone operating income	2,601.46	1,414.63	1,752.14
Deduct: Interest	667.05	542.50	-
Miscellaneous	120.95	147.15	140.16
Total deductions.....	788.00	689.65	140.16
Balance for year.....	\$1,813.46	\$724.98	\$1,611.98

It appears that during the last two years applicant's net expenditures for additions and betterments amounted to \$11,434.14, which sum, according to its Exhibit No. 1, consists of the following items:-

<u>1924</u>		
Central office equipment	\$60.59	
Subscribers' station equipment	720.68	
Exchange lines	<u>1,842.58</u>	
Sub-total.....		\$2,623.85
<u>1925</u>		
Central office equipment	192.91	
Subscribers' station equipment	1,684.93	
Exchange lines	6,586.00	
General equipment	<u>346.45</u>	
Sub-total.....		<u>8,810.29</u>
Total.....		<u>\$11,434.14</u>

During 1925 the company increased its operations by extending its lines to Lathrop, where it now gives suburban service to about forty subscribers. The Lathrop extension consists of about five miles of No. 14 iron wire, strung, for the most part, on 20 and 25 foot poles. This one addition accounts for the greater part of the reported expenditure of \$6,586.00 during 1925 for exchange lines. It appears that in 1925 applicant acquired or constructed in all about one mile of cable and about fifty miles of aerial wire, and in 1924, about fourteen miles of aerial

wire. The number of working stations increased twenty-six in 1924 and forty-three in 1925, the number of stations at the close of the year being reported at 620.

The application shows that these expenditures during 1924 and 1925 were financed in part through the issue of \$7,500.00 of short-term seven percent notes to C.W.Forbes, applicant's president. Applicant now asks permission to issue \$7,500.00 of its common stock at par, to pay or refund this indebtedness, the testimony herein indicating that Mr. Forbes is willing to accept stock in exchange for the notes.

It appears that applicant has in service, at present, one switchboard of the magneto type with three positions and 250 lines. It is reported that additional central office equipment is necessary and that the company proposes to purchase a Kellogg universal type switchboard with 300 lines. It is estimated that the cost of the switchboard, and other central office equipment, will amount to approximately \$6,000. Applicant has amended its application so as to request permission to issue a three year seven percent note to finance such cost.

ORDER

Manteca Telephone Company having applied to the Railroad Commission for permission to issue \$7,500.00 of stock and ^a/\$6,000.00 note, a public hearing having been held before Examiner Satterwhite, and the Railroad Commission being of the opinion that the issue of such stock and note is reasonably required for the purposes specified herein, and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income.

IT IS HEREBY ORDERED that Manteca Telephone Company be, and it is hereby, authorized to issue at par \$7,300.00 of its common stock in exchange for the \$7,500.00 of short term notes now outstanding, and to issue, at not less than face value, its promissory note for \$6,000.00, payable on or before three years after date with interest at not exceeding seven percent per annum, for the purpose of financing the cost of the additional central office equipment to which reference is made in the foregoing opinion.

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

1. Applicant shall keep such record of the issue and delivery of the stock and notes 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 insofar as applicable, is made a part of this order.
2. The authority herein granted to issue stock shall become effective upon the date hereof, while the authority granted to issue the note shall become effective when applicant has paid the minimum fee prescribed by Section 57 of the Public Utilities Act, which fee is \$25.00.
3. The authority herein granted shall apply only to such stock and notes as may be issued on or before April 30, 1927.

DATED at San Francisco, California, this 4th day of May, 1926.

Fee \$25⁰⁰/₁₀₀

H. M. Mackay

H. B. Brundage
C. J. Seamy
E. J. Wood