

ORIGINAL

Decision No. 17953

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
WHITTIER HOME TELEPHONE AND TELE-)
GRAPH COMPANY, a corporation, for) Application No. 13458.
authority to issue stock.)

Ernest Irwin, for applicant.

BY THE COMMISSION:

O P I N I O N

In its amended petition filed in the above entitled matter, Whittier Home Telephone and Telegraph Company asks permission to issue \$445,000. of its common stock for the purposes hereinafter set forth.

Whittier Home Telephone and Telegraph Company owns and operates the telephone system serving the City of Whittier and the territory adjacent thereto including the City of La Habra and portions of Los Angeles County and Orange County. The company's Articles of Incorporation have recently been amended and, as amended, provide for an authorized stock issue of \$1,000,000.00 divided into 10,000 shares of the par value of \$100.00 each. Eight thousand shares of the company's stock represent common stock and two thousand shares six percent cumulative preferred stock. The company now has outstanding \$60,000.00 of common stock.

As of December 1, 1926, applicant reports assets and liabilities as follows:

Assets	
Fixed Capital Investment	\$588,159.63
Cash, General Fund	7,260.11
Accounts Receivable	26,529.22
Material and Supplies	16,086.13
Sinking Fund Assets	603.20
Insurance Reserve Fund, Cash	600.00
Other Deferred Debits	10,901.09
Total	<u>\$650,139.38</u>

Liabilities:	
Capital Stock	\$60,000.00
Funded Debt	40,600.00
Audited Vouchers & Wages Unpaid	3,598.98
Accts. Payable, Unsecured Loans	308,852.95
Miscellaneous Payables	9,853.99
Matured Interest Unpaid	5,717.79
Reserve for Accrued Depreciation	54,103.58
Insurance Reserve	600.00
Appropriated Surplus	\$112,155.42
Unappropriated Surplus	54,656.67
Total Surplus	167,412.09
Total	<u>\$650,139.38</u>

It will be noted that the company reports a surplus of \$167,412.09 as of December 1, 1926. Applicant's Exhibit No. 1 and the testimony herein shows that this surplus includes \$31,320.00 which the company intends to transfer to depreciation reserve or to other reserve accounts. The company does not consider the \$31,320.00 available for dividends, the items making up the \$31,320.00 being as follows:

Reserved to transfer to depreciation reserve in addition to regular annuity for a period of years	\$19,650.00
Reserve for additional loss on old equipment.	4,500.00
Reserve clearing accounts	2,500.00
Reserve for income tax 1926	1,670.00
Reserve for state tax	3,000.00
	<u>\$31,320.00</u>

Deducting the \$31,320.00 from the company's reported surplus of \$167,412.09 on December 1, 1926 leaves a balance of \$136,092.09. It is represented that the \$136,092.09 as well as the \$31,320.00 to which reference has been made, is invested in the company's properties. Because of the investment of the \$136,092.09, applicant asks permission to issue \$120,000.00 of common stock to reimburse its treasury and distribute the same as a dividend to its present stockholders.

Applicant reports current liabilities of \$328,023.71. Of this sum \$308,852.95 was borrowed, it is said, to reconstruct and enlarge applicant's telephone properties. It has constructed a new central office building, changed its central office equipment from manual to automatic and made other improvements. To pay its current liabilities, applicant asks permission to issue \$325,000.00 of common stock at par. Applicant reports current assets of \$49,875.46. Ordinarily the current assets are available for the payment of current liabilities. Applicant's current liabilities, however, are greatly in excess of its current assets and the greater part of such liabilities were incurred for construction purposes. The record does not conclusively show that it is necessary for applicant to issue an amount of stock approximately equal to its current liabilities. Some of such liabilities should be paid through the use of current assets. The order herein will permit the issue of \$300,000.00 of common stock for the purpose of paying indebtedness. A. Wardman, Secretary of Whittier Home Telephone and Telegraph Company, testified that such stock will be sold by the company without payment of any commissions and that only a nominal expense would have to be incurred by the company

to sell the same.

ORDER

Whittier Home Telephone and Telegraph Company having asked permission to issue \$445,000.00 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 by the issue of \$420,000.00 of stock is reasonably required by applicant and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income and that this application insofar as it involves the issue of \$25,000.00 of stock be dismissed without prejudice, therefore,

IT IS HEREBY ORDERED as follows:-

1. WHITTIER HOME TELEPHONE AND TELEGRAPH COMPANY may issue and sell at not less than par for the purpose of reimbursing its treasury \$120,000.00 of its common capital stock and distribute such stock as a dividend to its common stockholders.
2. WHITTIER HOME TELEPHONE AND TELEGRAPH COMPANY may issue and sell for cash at not less than par on or before June 30, 1927, \$300,000.00 par value of its common capital stock and use the proceeds to pay in part the indebtedness reported in the company's balance sheet as of December 1, 1926.
3. The authority herein granted will become effective upon the date hereof.

4. WHITTIER HOME TELEPHONE AND TELEGRAPH COMPANY 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 insofar as applicable, is made a part of this order.
5. This application insofar as it involves the issue of \$25,000.00 of stock is hereby dismissed without prejudice.

DATED at San Francisco, California, this 2^d
day of ~~January~~ ^{February}, 1927.

E. J. [Signature]
H. B. [Signature]
C. [Signature]
Leon [Signature]
Thos. [Signature]

Commissioners.