

LEM

ORIGINAL

Decision No. 18998.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
LOS GATOS TELEPHONE COMPANY,)
a corporation, for authority to issue) Application No. 14144
stock.)

F. F. Watkins, for applicant.

BY THE COMMISSION:

O P I N I O N

In this proceeding Los Gatos Telephone Company asks permission to issue 4,000 shares of its common capital stock of the aggregate par value of \$40,000.00. It intends to issue \$20,000.00 of such stock to reimburse its treasury and thereafter distribute the stock as a stock dividend, and sell \$20,000.00 at par for the purpose of paying outstanding notes and of financing the cost of additions and betterments to its plants and properties.

The company has outstanding \$50,000.00 of common stock. It has no bonds and only \$10,000.00 of notes. From a financial statement, attached to the application as Exhibit "B", it appears

that its assets and liabilities, as of September 30, 1927, were as follows:-

ASSETS:

Fixed capital	\$130,496.85
Cash	3,105.45
Accounts receivable	2,179.34
Materials and supplies	1,480.39
Prepayments	<u>506.47</u>

Total Assets.\$137,768.50

LIABILITIES:

Capital Stock	\$ 50,000.00
Premium on stock	1,566.00
Notes payable	10,000.00
Accounts payable	270.00
Accruals	267.48
Other credits	662.17
Reserve for depreciation	26,354.13
Surplus	<u>48,648.72</u>

Total Liabilities.\$137,768.50

Applicant reports in its Exhibit 1, that during 1926 it expended \$10,540.05 in making capital additions, consisting of cable and other material for extensions, and labor, costing \$8,254.26, a new distributing frame, together with labor of installation, costing \$1,283.18 and a new P.B.X. switchboard installed at the Lyndon Hotel, costing \$1,002.61. The evidence shows that applicant issued the \$10,000.00 of notes, shown in the foregoing balance sheet, to pay in part the cost of the additions. The evidence further shows that within the next six months applicant will be called upon to expend, for extensions and other items, the sum of \$9,639.75, exclusive of the labor cost of installation.

This item consists of the following:-

700 feet of 400 pair lead covered cable	\$630.00
900 feet of 300 pair lead covered cable	585.00
4,500 feet of 100 pair lead covered cable	1,237.50
12,250 feet of 50 pair lead covered cable	1,898.75
6,400 feet of 25 pair lead covered cable	576.00
2,000 feet of 3/8 inch galvanized strand.	46.00
25,000 feet of 5/16 inch galvanized strand	450.00
1,300 - 3 inch Bonita style cable rings	32.50
15,000 - 2 inch Bonita style cable rings	300.00
75 cable arms, complete.	75.00
50 - 11 pair unprotected terminals	435.00
15 - 16 pair unprotected terminals	168.00
5 - 16 pair Cook protected terminals.	112.50
7 - 26 pair Cook protected terminals.	213.50
100 butt-treated cedar poles.	1,050.00
1 model 50 - B American cable splicer trailer . . .	125.00
1 Graham Bros. one ton truck.	1,305.00
Sundry.	<u>400.00</u>
<u>Total.</u>	<u>\$9,639.75</u>

Permission is asked to use the proceeds from the \$20,000.00 of stock it now proposes to issue and sell to pay the outstanding notes of \$10,000.00 and to finance its estimated expenditures, which appear to be necessary and desirable to increase and improve its service.

Because of surplus earnings invested in its properties, the company asks permission to issue \$20,000.00 of stock to reimburse its treasury and distribute the stock to its present stockholders as a stock dividend. It appears to us that both requests may be granted and the order herein will so provide.

ORDER

Los Gatos Telephone Company having applied to the Railroad Commission for permission to issue \$40,000.00 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 through such issue 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 expense or to income,

IT IS HEREBY ORDERED that Los Gatos Telephone Company be, and it hereby is, authorized to issue, on or before June 30, 1928, \$20,000.00 of its common capital stock for the purpose of reimbursing its treasury on account of surplus earnings invested in applicant's properties, and to issue and sell, on or before June 30, 1928, for cash at not less than par, \$20,000.00 of its common capital stock for the purpose of paying the outstanding notes of \$10,000.00 and of financing the cost of the additions and betterments referred to in the foregoing opinion.

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

1. After reimbursing its treasury with the \$20,000.00 of stock herein authorized to be issued for such purpose, applicant may distribute such stock, as provided by law, to its stockholders as a stock dividend.
2. Only such expenditures as are properly chargeable to fixed capital accounts as defined by the uniform system of accounts prescribed or adopted by this Commission may be financed through the issue of the stock herein authorized.
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,
insofar as applicable, is made a part of this order.

4. The authority herein granted shall become effective upon
the date hereof.

DATED at San Francisco, California, this 4¹⁵
~~November~~
day of ~~October~~, 1927.

Ernest West
C. Seamy
Leon Curdick
Thos. Rauter
M. J. Conroy
Commissioners.