

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of
The Hughson Telephone Company for an
order authorizing the issue of 5000
shares of common stock of the par
value of \$5000.00.

ORIGINAL

Application No. 1316.

Decision No. 1879

Appearances

F. C. Nickle for the Applicant.

O P I N I O N

GORDON, Commissioner.

This is an application by The Hughson Telephone Company for authority to issue 5000 shares of its common stock at the par value of \$1.00 per share in lieu of an equivalent number of shares heretofore unlawfully issued amounting to \$3675.00, for extensions and betterments to plant already made to the extent of \$550.00 and to provide funds for further extensions to the extent of \$775.00.

The applicant owns and operates a telephone system as a public utility in the unincorporated town of Hughson and in adjacent territory in Stanislaus County. It is incorporated under the laws of this State with a capitalization of \$5000.00 divided into 5000 shares of the par value of \$1.00 per share. Since its incorporation on July 17, 1912, it has issued and sold stock above referred to amounting to \$3675.00 as follows:

<u>Certificate Number</u>	<u>Date Issued</u>	<u>Issued To</u>	<u>Number of Shares</u>	<u>Amount</u>
1	Aug. 9, 1912	Ella S. Nickle	500	\$500.00
2	" " "	Ferril C. Nickle	499	499.00
3	" " "	Della C. Lutz	1	1.00
4	Sept. 2	Rosa Shaw	5	5.00
5	Oct. 1	James E. Brown	300	300.00
6	" " "	Charles D. Fowler	50	50.00
7	" " "	" " "	50	50.00
8	" " "	" " "	50	50.00
9	" " "	" " "	50	50.00
10	" " "	Ferril C. Nickle	100	100.00
11	Nov. 26	Ella S. Nickle	500	500.00
12	" " "	Ferril C. Nickle	500	500.00
13	Apr. 1, 1913	Charles D. Fowler	100	100.00
14	June 23	" " "	200	200.00
15	Jan. 1, 1914	Ella S. Nickle	100	100.00
16	" " "	Ferril C. Nickle	100	100.00
17	" " "	Beatrice F. Donaldson	10	10.00

<u>Certificate Number</u>	<u>Date Issued</u>	<u>Issued To</u>	<u>Number of Shares</u>	<u>Amount</u>
18	Jan. 1, 1914	Lilly P. Shelly	10	\$ 10.00
19	Feb. 11, "	Charles D. Fowler	100	100.00
20	" 28 "	Ella F. Nickle	200	200.00
21	" " "	Ferril C. Nickle	200	200.00
22	Mar. 31 "	Harry G. Nickle	50	50.00
			3675	\$3675.00

The applicant testified that the entire proceeds from the sales of this stock have been expended in plant extensions and betterments, and that in addition other expenditures for extensions amounting to \$550.00 have been made, for which permission is now desired to issue stock in this amount, \$550.00, to its manager, F. C. Nickle. Permission is also desired to issue and sell 775 shares for the full par value of \$1.00 per share for purposes of making further extensions and for installing additional telephones as necessity demands from time to time.

The applicant claims an investment of \$4225.00, and although the property has not been inspected by the Commission, evidence was presented sufficient to justify the acceptance of this investment figure for the purposes of this proceeding. The applicant's system serves a prosperous section of country and it is apparent that additional funds will be required to meet further demands for service. The 3675 shares heretofore issued have been issued subsequent to March 23, 1912 without the prior authorization of this Commission for which the Public Utilities Act provides; but it appears in the testimony that the applicant was in ignorance of this requirement of the Act and that there was no intention of violating the law. I am of the opinion that the applicant should be directed to call in and cancel the 3675 shares which are absolutely void, and authorized to issue new shares in the same amount in lieu thereof; that it should also be authorized to issue 550 additional shares to cover the amount of additional investment in plant which has already been made, and that the public necessity and convenience will be subserved by granting permission to issue and sell 775 additional shares for purposes of making further extensions

and for installing additional telephones.

The following order is recommended.

O R D E R

Application having been made by The Hughson Telephone Company for an order authorizing the issue of 5000 shares of its common stock of the par value of \$5000.00, 3675 shares of which are sought to be issued in lieu of a like number of shares heretofore unlawfully issued in ignorance of the provisions of the Public Utilities Act, and 550 shares of which are sought to be issued for the full par value thereof to cover expenditures heretofore made for additions and betterments to the applicant's telephone system and the full amount of the proceeds received from the sales of the said 3675 shares heretofore issued, and the full amount of the proceeds from the sale of the said 550 shares which are sought to be issued having already been used for purposes of making additions and betterments to the applicant's telephone plant; and the remainder of 775 shares which are sought to be issued and sold are for purposes of making further extensions to the applicant's telephone system and for installing additional telephones; and a public hearing having been held, and it appearing that the purposes for which the money received from the sales of the said 3675 shares heretofore issued and from the sale of the said 550 shares which are sought to be issued to cover expenditures hereinabove referred to were not in whole or in part reasonably chargeable to operating expenses or to income;

And it further appearing that the purposes for which The Hughson Telephone Company desires to issue the said additional 775 shares of its stock are not in whole or in part reasonably chargeable to operating expenses or to income;

And it further appearing that the applicant received not less than 100% of the par value thereof for the said 3675 shares heretofore issued and not less than 100% of the par value thereof for the said 550 shares sought to be issued;

IT IS HEREBY ORDERED that The Hughson Telephone company be and it hereby is granted authority to issue 3675 shares of its capital stock upon the following conditions and not otherwise, to-wit:

(1) Said stock herein authorized shall be issued to the following persons in substitution for an equal number of shares illegally shown to have been/issued, as follows:

<u>Date Issued</u>	<u>Issued To</u>	<u>Number of Shares</u>	<u>Amount</u>
Aug. 9, 1912	Ella S. Nickle	500	\$500.00
" " "	Ferril C. Nickle	499	499.00
" " "	Della C. Lutz	1	1.00
Sept. 2, "	Rosa Shaw	5	5.00
Oct. 1, "	James E. Brown	300	300.00
" " "	Charles D. Fowler	50	50.00
" " "	" " "	50	50.00
" " "	" " "	50	50.00
" " "	" " "	50	50.00
" " "	Ferril C. Nickle	100	100.00
Nov. 26 "	Ella S. Nickle	500	500.00
" " "	Ferril C. Nickle	500	500.00
Apr. 1, 1913	Charles D. Fowler	100	100.00
June 23 "	" " "	200	200.00
Jan. 1, 1914	Ella F. Nickle	100	100.00
" " "	Ferril C. Nickle	100	100.00
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" 28 "	Ella F. Nickle	200	200.00
" 28 "	Ferril C. Nickle	200	200.00
Mar. 31 "	Harry G. Nickle	50	50.00
		3675	\$3675.00

(2) Before said stock shall be issued the certificates of stock in lieu of which said stock is hereby authorized to be issued shall be called in by the applicant and cancelled.

AND IT IS FURTHER ORDERED that The Hughson Telephone Company be and it hereby is granted authority to issue 550 additional shares of its capital stock at the par value of \$1.00 per share to F. C. Nickle to cover expenditures heretofore made for additions and betterments to the applicant's telephone system, as hereinabove specifically referred to.

AND IT IS HEREBY FURTHER ORDERED that The Hughson Telephone Company be and it hereby is granted authority to issue 775 additional shares of its capital stock at the par value of \$1.00

per share upon the following conditions and not otherwise, to-wit:

(1) The stock herein authorized to be issued shall be issued so as to net The Hughson Telephone Company not less than the par value thereof.

(2) The proceeds of the stock herein authorized to be issued shall be used for purposes of making extensions to the applicant's telephone system and for installing additional telephones as set out in the opinion accompanying this order.

The Hughson Telephone Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds derived from the sale of the stock herein authorized to be issued and on or before the twenty-fifth day of each month shall make a verified report to the Commission showing the sale or disposition of the stock herein authorized to be issued, the terms and conditions of such sale and the disposition of the proceeds derived therefrom, all in accordance with the Commission's General Order No. 24 which, so far as applicable, is made a part of this order.

This order shall apply only to stock issued and sold on or before December 31, 1915.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 15th day of October, 1914.

H. L. Loveland

Alfred Gordon

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Commissioners.