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Decision No. ✓

ORIGINAL

Decision No. 3174

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of VALLEY TELEPHONE COMPANY, a)
corporation, for authority to)
issue stock and to refund certain)
obligations.)

Application No. 1849

Haines & Haines, by A. Haines, for applicant.

BY THE COMMISSION.

O P I N I O N

This is an application of Valley Telephone Company, operating in Imperial Valley, Imperial County, for authority to issue forty shares of stock and to renew two promissory notes in the total principal sum of \$2,500.00.

Applicant was incorporated under the laws of the State of California on March 2, 1912. Its authorized capital stock is fixed at \$25,000.00, being 250 shares of the par value of \$100. per share. Of this amount 196 shares are now reported as outstanding.

About the time of its incorporation, applicant acquired the telephone properties of East Side Telephone Company for 94

shares of stock and of Water Company No. 7, for 72 shares of stock. It is alleged that the 166 shares of stock so issued were subscribed for prior to March 23, 1912, the effective date of the Public Utilities Act. It is of record, however, that the certificates for said stock were not written out and delivered until April 10, 1912.

In addition to the above stock applicant has issued a total of 30 shares at various dates from September 5, 1912, to December 15, 1914, without authority from the Commission. In its application the Company asks for authority to issue new certificates in lieu of these 30 shares which were illegally issued. As regards the 166 shares of stock, subscribed for prior to March 23, 1912, but actually issued on April 10, 1912, applicant takes the position that the Commission's authorization is not necessary, as the rights and liabilities of these stockholders became vested prior to the effective date of the Public Utilities Act. In support of its contention, applicant has submitted a brief citing a number of points and authorities. These authorities do not, however, in our opinion, preclude the application of Section 52 of the Public Utilities Act, which requires that no stock or stock certificate shall be issued by a public utility without the authorization of the Commission. The mere fact that a person has subscribed for stock prior to the effective date of the Public Utilities Act, does not, by this fact alone, entitle him to a stock certificate without the authorization of the Commission. As the issue of 166 shares by Valley Telephone Company was made subsequent to the effective date of the Public Utilities Act, we are of the opinion that such issue of stock certificates was void. We shall recommend, however, that applicant be allowed to issue 166 shares of stock in lieu of the stock issued without the Commission's consent.

Applicant has also asked for authority to issue 10 shares of stock to be sold from time to time to parties living off the present lines who desire service. It has been the Company's

custom to construct lines for such parties provided they become stockholders.

In addition to requesting authority to issue stock applicant desires to renew two notes for a period or periods not exceeding 18 months in the aggregate.

These notes are as follows:-

One note in the principal sum of \$1,500.00 dated February 19, 1915, due August 19, 1915, payable to Farmers & Merchants Bank of Imperial and bearing interest at the rate of 10% per annum.

One note in the principal sum of \$1,000.00 dated January 8, 1915, due July 8, 1915, payable to Farmers & Merchants Bank of Imperial, bearing interest at the rate of 10% per annum. Applicant states that the proceeds from these notes were used in extensions and improvements to its system.

In connection with this application the Engineering Department of the Commission has made a valuation of applicant's property in which it finds a reproduction cost, less depreciation, of \$25,028.64.

After a consideration of the evidence submitted by applicant, we are of the opinion that its application should be granted to the extent hereinafter set forth.

O R D E R

VALLEY TELEPHONE COMPANY having applied to this Commission for authority to issue 40 shares of stock of the par value of \$100. per share, and to issue two promissory notes in the total principal sum of \$2500.00 as hereinbefore set forth, and a hearing having been held, and it appearing to this Commission that applicant's request is reasonable and should be granted, and that the purposes for which it is proposed to issue said stock and

notes are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED that Valley Telephone Company be and it is hereby authorized to issue 206 shares of stock of the par value of \$100.00 per share.

IT IS HEREBY FURTHER ORDERED that Valley Telephone Company be and it is hereby authorized to issue a promissory note in the principal sum of \$1500.00, bearing interest at not to exceed ten per cent per annum, to renew a similar note dated February 19, 1915, due August 19, 1915, and payable to Farmers and Merchants Bank of Imperial.

IT IS HEREBY FURTHER ORDERED that Valley Telephone Company be and it is hereby authorized to issue a promissory note in the principal sum of \$1,000.00, bearing interest at not to exceed ten per cent per annum to renew a similar note dated January 8, 1915, due July 8, 1915, and payable to Farmers and Merchants Bank of Imperial.

The authority herein granted Valley Telephone Company to issue stock and to issue notes, is granted upon the following conditions and not otherwise:

- 1.-The stock herein authorized to be issued shall be issued for the following purposes only:-
 - (a)-196 shares to be issued in lieu of a like number of shares issued without authority from this Commission.
 - (b)-Ten shares to be sold to subscribers and the proceeds used in construction of extensions to applicant's system.
- 2.-The stock herein authorized to be sold for cash shall be issued so as to net applicant not less than its par value of \$100.00 per share.
- 3.-When the 196 shares of stock heretofore issued

without the consent of this Commission have been retired, they shall be returned to applicant's treasury and cancelled.

4.-The notes herein authorized to be issued may be issued for a term not exceeding eighteen months. If applicant so desires it may issue either or both of said notes for a term less than eighteen months and renew said notes from time to time provided that the combined periods of any note so issued and its renewals are not in excess of eighteen months.

5.-Valley Telephone Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the stock and notes herein authorized to be issued; and on or before the twenty-fifth day of each month the Company shall make verified reports to the Commission stating the sale or sales of said stock and notes during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable is made a part of this order.

6.-The authority herein granted applicant to issue notes shall not become effective until applicant shall have paid the fee prescribed by the Public Utilities Act as amended.

7.-The authority herein granted shall apply only to such stock or notes issued on or before December 31, 1916.

Dated at San Francisco, California, this 22nd day of March, 1916.

Max Shelen

H. H. ...

Frank R. ...

Commissioners.

Railroad Commission State of California

Joe ...

MAR 23 1916

A. G. ...
Assistant Secretary.