

AEF

Decision No. \_\_\_\_\_

ORIGINAL

BEFORE THE RAILROAD COMMISSION  
OF THE STATE OF CALIFORNIA.

---oOo---

In the Matter of the Application of )  
SAN MIGUEL INTERURBAN TELEPHONE COM- ) Application No. 2776.  
PANY, a corporation, for authority )  
to issue stock. )

Decision No. 4401

W. A. Wilmar for applicant.

BY THE COMMISSION.

O P I N I O N .

This is an application by San Miguel Interurban Telephone Company, a corporation, for an order of the Railroad Commission authorizing the issue of ninety-six (96) shares of capital stock of the par value of Fifty (\$50.) Dollars per share in lieu of a like number of shares heretofore issued without authority from this Commission. Applicant also asks for authority to issue four (4) shares of its capital stock for additions and betterments to its system.

A hearing in this matter was held before Examiner Encell at San Miguel on May 10, 1917 and testimony taken in support of the application.

San Miguel Interurban Telephone Company was incorporated under the laws of California during the year 1912, with an authorized capital stock issue of Five Thousand (5,000.) Dollars, divided into one hundred (100) shares of common stock of the par value of Fifty (50.) Dollars per

share. Since the date of its incorporation applicant has issued ninety-six (96) shares of stock without authority from this Commission. From the testimony at the hearing it appears that applicant's failure to apply for the necessary authority was due to ignorance of the law and not from any desire to evade the terms of the Public Utilities Act.

Applicant states that all of the stock was sold at par for cash and the full amount of the proceeds used in the construction of its telephone system. Applicant further states that it has no outstanding indebtedness.

San Miguel Interurban Telephone Company operates telephone exchanges in the towns of San Miguel and Parkfield in San Luis Obispo County, with subscribers' lines extending in various directions from these exchanges, and a combination toll and subscribers' line connecting the two exchanges. At the present time, it has 117 subscribers' stations connected, 96 of which are used by stockholders and 21 by renters.

The plant was originally constructed about 12 or 13 years ago. During the year 1914, a portion of the system was reconstructed at a cost of \$2,700.00, and during the year 1915, \$500.00 was expended in metallicizing grounded circuits. The company's books having been destroyed by fire during the year 1915, a record of the actual original cost of the plant is not available. Applicant represents that the present value is \$4,800.00, the amount which it secured from the sale of its outstanding stock. It has not presented an inventory and appraisal of the property. An inventory and appraisal prepared by the Commission's telephone and telegraph division

after a field inspection of the principal portions of the system shows a reproduction cost new of approximately \$8,141.00. This figure does not include 96 telephone sets which were purchased by the company with moneys secured from the sale of stock, and which are now claimed to be the property of the stockholders. The reproduction cost, less depreciation, after making allowance for the expenditure of \$2,700.00 and \$500.00 during the years 1914 and 1915, respectively, is approximately, \$4,612.00.

Although applicant is now operating as a public utility, the purpose of its original organizers was primarily to provide telephone service for themselves and it is not now, according to the testimony of Mr. Wilmar, its Secretary, operating for profit. It appears also that the proceeds which were derived from the sale of its stock were all expended in establishing its system. Under the circumstances, there appears to be no reasonable objection to permitting the issuance of 96 shares of stock in lieu of the 96 shares heretofore illegally issued.

It further appears that the issuance of four additional shares of stock for additions and betterments may be permitted under the conditions contained in the following order:

O R D E R .

SAN MIGUEL INTERURBAN TELEPHONE COMPANY, a corporation, having applied to this Commission for authority to issue ninety-six (96) shares of its capital stock of the par value of Fifty (50.) Dollars per share, in lieu of ninety-six (96) shares heretofore issued without authority from this

Commission, and for authority to issue four (4) additional shares of stock for the purpose of constructing additions and betterments to its plant and system; and a public hearing having been held, and it appearing to this Commission that the money, property or labor to be procured or paid for by such issue is reasonably required for purposes set forth in the order, which purposes are not reasonably chargeable in whole or in part to operating expenses or to income.

IT IS HEREBY ORDERED that San Miguel Interurban Telephone Company be and it is hereby granted authority to issue one hundred (100) shares of its capital stock of the par value of Fifty (50.) dollars per share for the following purposes:

1. Ninety-six (96) shares of stock in exchange for and upon cancellation of an equal number of shares of stock heretofore issued without authority from this Commission.

2. Four (4) shares of stock for additions and betterments to applicant's telephone system.

The authority herein granted is granted upon the following conditions and not otherwise:

1. Before four (4) shares of stock herein authorized for additions and betterments may be issued applicant shall submit a statement satisfactory to the Railroad Commission setting forth the purposes for which the proceeds derived from the sale thereof are to be used.

2. San Miguel Interurban 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 and 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 this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

3. The authority herein granted applicant to issue and sell stock shall apply only to stock issued on or before May 30, 1918.

Dated at San Francisco, California, this 14<sup>th</sup> day of June, 1917.

Max Thelen

Edwin O. Edgerton

Frank R. Wilson

Commissioners.