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Decision No. 8079.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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In the Matter of the Application of)
GILROY TELEPHONE COMPANY,)
a corporation, for permission to de-)
clare a stock dividend to cover un-)
appropriated surplus invested in)
plant, and for permission to sell)
stock for extensions, additions and)
betterments.)

Application No. 6018.

Albert E. Rosenshine, for applicant.

BRUNDIGE, Commissioner.

O P I N I O N.

GILROY TELEPHONE COMPANY asks permission to issue \$9,460.00 of its common capital stock. It intends to sell \$2,580.00 of the stock at par and issue the remainder to reimburse its treasury on account of earnings invested in plant, and thereafter distribute the stock as a stock dividend.

Applicant reports assets and liabilities as of June 30, 1920, as follows:

<u>Assets:</u>	
Fixed Capital,	\$27,704.84
Cash and Deposits,	3,205.53
Employes' Working Funds,	1,000.00
Due from Subscribers and Agents,	212.65
Materials and Supplies,	639.56
Prepaid Expenses,	87.19
Reserve Fund Assets - Cash and Bonds,	2,528.82
<u>Total Assets</u>	<u>\$35,378.59</u>

<u>Liabilities:</u>	
Capital Stock,	8,600.00
Corporate Surplus,	10,343.95
Appreciated Plant and Equipment,	6,987.81
Reserve for Amortization of Franchise,	27.30
Reserve for Accrued Depreciation,	7,706.37
Audited Vouchers and Wages Unpaid,	851.35
Taxes accrued and not due,	350.75
Subscribers advance payments,	511.06
<u>Total Liabilities</u> ,	<u>\$35,378.59</u>

Applicant estimates that prior to June 30, 1921, it will have to expend \$2,580.00 for additions and betterments. It has ordered equipment to enlarge its central office switchboard to provide additional capacity for 60 lines, -the total cost of which equipment including installation, is estimated at \$900.00. The cost of additions and extensions to June 30, 1921, is estimated at \$1,680.00. To pay for these improvements, applicant asks permission to issue \$2,580.00 of its stock at par.

In Exhibit No. 1, applicant reports that it has invested in plant since the beginning of its operations, earnings in the amount of \$12,117.03. From this amount, it deducts \$5,204.85, representing reserves invested in property, leaving \$6,912.18 of surplus earnings invested in plant, against which no stock or indebtedness is outstanding. Because of this investment, applicant believes that it should be permitted to issue \$6,880.00 of stock to reimburse its treasury and distribute such stock to its stockholders in the form of a stock dividend.

I herewith submit the following form of Order.

O R D E R.

GILROY TELEPHONE COMPANY having applied to the Railroad Commission for permission to issue \$9,460.00 of common stock, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purposes specified in this order and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED, that GILROY TELEPHONE COMPANY be, and it is hereby, authorized to issue \$9,460.00 of its common capital stock.

The authority herein granted is subject to the following conditions:

- 1.-- Of the stock herein authorized to be issued, \$2580.00 shall be sold for not less than par and the proceeds used to pay for the installation of additional central office equipment and the construction of extensions referred to in this application.
- 2.-- The remainder of the stock, -\$6,880.00- may be issued by applicant to reimburse its treasury because of surplus earnings invested in plant and after such reimbursements distributed by applicant, as required and permitted by law, to its stockholders as a stock dividend.
- 3.-- Gilroy Telephone Company shall keep such record of the issue and disposition of the stock herein authorized as will enable it to file on or before the 25th day of each month a verified report as required by this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.
- 4.-- The authority herein granted will apply only to such stock as may be issued on or before June 30, 1921.

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 13th day of September, 1920.

Eric C. Egan
A. J. Loveland

H. B. Brundage

Commissioners.