

ORIGINAL

Decision No. 8958.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
LOS GATOS TELEPHONE COMPANY) Application No. 6642.
for authority to issue stock.)

F. F. Watkins for applicant.

BRUNDIGE, Commissioner.

O P I N I O N.

LOS GATOS TELEPHONE COMPANY asks permission to issue \$15,950.00 par value (1,595 shares) of common stock. Of this stock, applicant intends to issue \$9,620.00 to reimburse its treasury and to sell \$6,330.00 at not less than par and use the proceeds to pay a \$3,000.00 note and the cost of additions and betterments.

Los Gatos Telephone Company has an authorized stock issue of \$50,000.00 divided into 5,000 shares of \$10.00 each. Stock in the amount of \$24,050.00 is now outstanding. Applicant has no bonded indebtedness. It reports \$3,000.00 of notes and approximately a like amount of current liabilities. The testimony shows that the \$3,000.00 note was issued for the purpose of securing money to acquire aerial cables and to pay the cost of additions and betterments.

In Decision No. 7419, dated April 9, 1920, it appears that the Commission's engineers estimated the historical cost undepreciated of applicant's properties as of December 1, 1919, at \$44,530.00, and the depreciated reproduction cost at \$30,652.00. Applicant in Schedule "D" filed in this proceeding, reports that during 1920 it expended for additions and betterments the sum of \$7,380.48.

Applicant as of December 31, 1920, reports a reserve for accrued depreciation of \$12,159.99 and accumulated surplus of \$16,618.78. Moneys represented by both the reserve and the surplus have been invested in applicant's properties. On account of having invested its surplus in properties, it may properly be permitted to issue the \$9,620.00 of stock for the purpose indicated.

Applicant reports that it is necessary for it to expend during the current year approximately \$4,000.00 for additions and betterments. The money will be expended for the following purposes:

2450 ft. 100 pr. cable at \$276.00 per M. ft.,.....	\$676.20
4000 ft. 50 pr. cable at \$175.20 per M. ft.,.....	700.80
900 ft. 25 pr. cable at \$116.60 per M. ft.,	105.00
Total cable,.....	<u>\$1,482.00</u>
4000 cable rings,.....	64.00
30 wood cable arms,.....	28.00
Terminals,.....	125.00
Sundries,.....	425.00
Labor,.....	376.00
Additional telephones and lines necessary to connect telephones,.....	<u>1,500.00</u>
Total,.....	<u>\$4,000.00</u>

It appears from the testimony of F.F. Watkins, applicant's secretary and manager, that the proposed expenditures of applicant are necessary. It is for the purpose of paying the cost of additions and betterments, to which reference has been made, and paying the \$3,000.00 note, that applicant asks permission to issue and sell \$6,530.00 of stock.

I herewith submit the following form of Order.

C R D E R

LOS GATOS TELEPHONE COMPANY having applied to the Railroad Commission for permission to issue \$15,950.00 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 by applicant

and that the expenditures for the purposes herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income:

IT IS HEREBY ORDERED, that LOS GATOS TELEPHONE COMPANY be, and it is hereby, authorized to issue \$15,950.00 of its common stock.

The authority herein granted is subject to the following conditions:

- 1.--Of the stock herein authorized to be issued, \$9,620.00 shall be issued for the purpose of reimbursing applicant's treasury on account of surplus earnings invested in applicant's properties. After the reimbursements of applicant's treasury, the \$9,620.00 of stock may be distributed according to law as a stock dividend.
- 2.--The remaining \$5,330.00 of stock herein authorized to be issued shall be sold by applicant for not less than par and the proceeds used to pay the cost of the additions and betterments referred to in the foregoing opinion and to pay the \$3,000.00 note held by the bank of Los Gatos and referred to in this application.
- 3.--Los Gatos Telephone Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month a verified report as required by the Railroad 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, sold and deli-
vered on or before November 1, 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 10th day
of May, 1921.

H. A. Roundig
H. D. Loveland
Dwight Martin
Charles H. ...
W. B. ...

Commissioners.