

Decision No. 20270

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
LOS GATOS TELEPHONE COMPANY, )  
a corporation, for authority to issue ) Application No. 21594  
stock. )

BY THE COMMISSION:

OPINION

ORIGINAL

This is an application by Los Gatos Telephone Company for an order authorizing it to issue and sell at par for cash 1050 shares of its common capital stock of the aggregate par value of \$10,500. and to use the proceeds to pay indebtedness, to reimburse its treasury and to finance the cost of expenditures for plant and equipment.

Los Gatos Telephone Company has an authorized capital stock of \$250,000. divided into 25,000 shares of the par value of \$10. each, all common, of which 10,500 shares, of the total par value of \$105,000., now are outstanding. Reports filed with the Commission since 1912 show that it has paid regular annual dividends at the rate of eight per cent.

In making the present request for permission to issue additional stock the company has filed a financial statement showing its assets and liabilities as of October 31, 1937, as follows:-

<u>A S S E T S</u>	
Plant and equipment . . . . .	\$ 206,427.57
Other investments . . . . .	5,397.47
Cash and working funds . . . . .	2,146.63
Accounts receivable . . . . .	2,168.33
Materials and supplies . . . . .	8,276.02
Prepaid expenses . . . . .	805.46
Total assets ,.....	<u>\$ 225,221.48</u>
<u>L I A B I L I T I E S</u>	
Capital stock . . . . .	\$ 105,000.00
Notes payable . . . . .	5,000.00
Tax liability . . . . .	1,988.63
Deferred credits . . . . .	35.00
Reserve for depreciation . . . . .	56,668.20
Surplus . . . . .	56,529.65
Total liabilities.....	<u>\$ 225,221.48</u>

The company reports its operating revenues at \$49,050.74 for the year 1935; at \$53,091.54 for the year 1936; and at \$46,829.52 for the first ten months of 1937. The number of stations is reported at 1613 at the close of 1935; at 1764 at the close of 1936; and at approximately 1900 at present.

It is of record that during the period from January 1 to October 31, 1937 the company made expenditures for plant and equipment in the total amount of \$13,103.01 and retirements of \$2,661.76, leaving net additions for the period of \$10,441.25. These expenditures which are said to have been caused by increased demands for service, are shown in some detail in statements filed by the company on November 30, 1937. Summarized, they are as follows:-

Central office equipment	\$3,238.75
Station apparatus	1,844.86
Station installations	1,256.92
Drop and block wires	639.24
Pole lines	451.29
Aerial cable	2,166.51
Aerial wire	570.99
Underground conduit	13.93
Furniture and office equipment	210.16
Vehicles and other work equipment	48.60
Total	<u>\$10,441.25</u>

It appears that the expenditures have been financed temporarily through the issue of a 6% demand note for \$5,000. and through the investment of surplus earnings. The company now proposes through this application to finance the expenditures permanently by using \$5,000. of the proceeds to be received from the sale of its stock to pay the outstanding note and by using the remaining \$5,500. of proceeds to reimburse its treasury. After the reimbursement of the treasury such proceeds, it appears, will be used for additional construction purposes. In this connection it is estimated by the company that in excess of \$6,000. will be necessary to meet its capital requirements during the ensuing year.

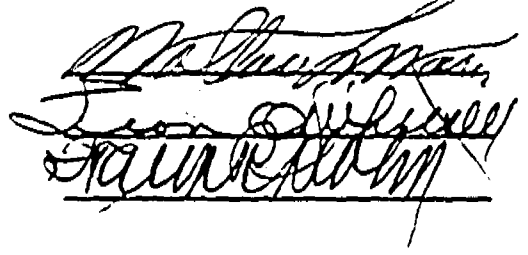
ORDER

Los Gatos Telephone Company having applied to the Railroad Commission for permission to issue and sell \$10,500. of its common capital stock, and the Commission having considered the matter and being of the opinion that it is not one in which a public hearing is necessary, that the request of the company should be granted, as herein provided, that the money, property or labor to be procured or paid for through the issue of the stock is reasonably required for the purposes specified herein and that the expenditures for such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED that Los Gatos Telephone Company be and it hereby is authorized to issue and sell at par for cash on or before June 30, 1938, 1050 shares of its common capital stock of the aggregate par value of \$10,500. and to use the proceeds to pay the \$5,000. note now outstanding, to reimburse its treasury because of surplus earnings used for additions to its plant and equipment during the period from January 1, 1937 to October 31, 1937, and to finance in part its estimated construction expenditures during the remainder of 1937 and during 1938, provided that applicant 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 25th day of each month, a verified report, as required by the Railroad Commission's General Order No. 24-A, which order insofar as applicable, is made a part of this order.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall become effective upon the date hereof.

DATED at San Francisco, California, this 6<sup>th</sup> day of December 1937.

  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_