

Decision No. 1253888

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 notes.)

Application No. 22667

ORIGINAL

BY THE COMMISSION:

O P I N I O N

In this proceeding, Los Gatos Telephone Company asks permission to issue \$15,000. face value of 5% notes for the purpose of paying indebtedness and providing itself with funds to construct additions and betterments to its telephone properties.

Los Gatos Telephone Company owns and operates a telephone system in the City of Los Gatos, and surrounding territory. The company, in its 1938 annual report shows that there were 1,906 telephones on its system at the beginning of the year, and 2,023 at the close of the year. The net increase in telephones is reported at 117.

As of December 31, 1938, the company reports its assets and liabilities as follows:

ASSETS

Telephone plant in service	\$ 222,070.98
Investment in stocks	13,975.00
Cash	1,949.00
Working funds	35.00
Due from customers and agents	2,201.31
Materials and supplies	5,751.52
Prepaid insurance	327.71
Prepaid directory expenses	255.84
Total Assets	<u>\$ 246,566.36</u>

LIABILITIES

Common capital stock	\$ 115,500.00
Notes payable	10,000.00
Other accounts payable	4.15
Advance billing and payments	240.20
Depreciation reserve	57,629.57
Surplus	63,192.44
Total Liabilities	<u>\$ 246,566.36</u>

For the year 1938, the company reports operating revenues of \$57,053.89 and operating expenses of \$56,262.29 leaving a net operating income of \$791.62. The operating expenses includes an allowance of \$8,300.07 for depreciation and \$11,877.84 for taxes. The non-operating income of the company is reported at \$628.14 which sum, added to the net operating income, results in \$1,419.76 being available for fixed charges, dividends and surplus. The company, from 1934 to 1938, both inclusive, has paid dividends on its outstanding stock at the rate of 8% per annum. Dividends in 1938, were paid from proceeds realized from the sale of capital assets.

During 1938, applicant expended for additions and betterments the sum of \$13,043.52 and retired properties costing \$1,786.90, leaving a net increase in its plant investment of \$11,256.62. To pay the cost of these improvements and carry on its business, applicant borrowed from the Bank of America, National Trust and Savings Association, \$10,000.00 on two (2) notes; one note for \$5,000. being dated April 19, 1938 and the other note for \$5,000. being dated September 30, 1938. Both notes carry interest at the rate of 5% per annum. Applicant now proposes to refund such notes by issuing to the Bank of America, National Trust and Savings Association, a new 5% note for the face value of \$10,000. To provide itself with funds to pay in part the cost of additions and betterments to its properties during 1939, it asks permission to issue a 5% note for \$5,000. It desires authority to issue the notes for a term of 90 days and renew them from time to time for a period of three years after the date of this order.

O R D E R

The Commission having considered the request of Los Gatos Telephone Company, and it being of the opinion that this is not a matter on which a hearing is necessary and that the money, property or labor to be procured or paid for by the issue of notes in the sum of not exceeding \$15,000. is reasonably required by applicant for the purposes herein stated and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses

or to income and that this application should be granted subject to the provisions of this order, therefore,

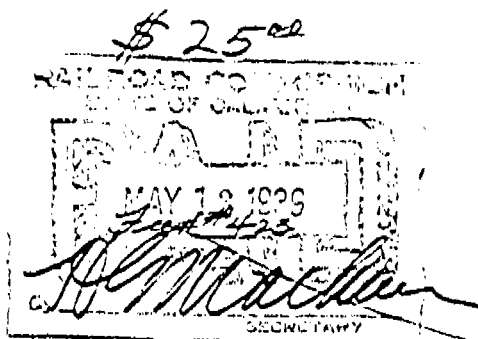
IT IS HEREBY ORDERED, that Los Gatos Telephone Company be, and it is hereby authorized, to issue after the effective date hereof, notes in the sum of not to exceed \$15,000. said notes to bear interest at the rate of not more than 5% per annum and be payable on or before three years after the date of this order, provided that Los Gatos Telephone Company may issue said notes for a period of less than three years, and if said notes are so issued, it may renew the same from time to time, provided that no renewal note may be due more than three years after the date of this order.

IT IS HEREBY FURTHER ORDERED, that Los Gatos Telephone Company shall use the proceeds realized from the issue of said \$15,000. of notes to pay the \$10,000. of notes now outstanding and to pay the cost of additions and betterments to its telephone system which are chargeable to telephone plant accounts under the system of accounts prescribed by the Railroad Commission.

IT IS HEREBY FURTHER ORDERED, that the authority herein granted will become effective when Los Gatos Telephone Company has paid the minimum fee prescribed by Section 57 of the Public Utilities Act, which minimum fee is twenty-five (\$25.00).

IT IS HEREBY FURTHER ORDERED, that Los Gatos Telephone Company shall file with the Railroad Commission, a report, or reports, such as are required by the Commission's General Order No. 24-A which order in so far as applicable is made a part of this order.

DATED at San Francisco, California, this 9th day of May, 1939.



Robert W. ...
Frank ...
Ray ...
...
Justus J. ...
COMMISSIONERS