

Decision No. 39239**ORIGINAL**

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of Sunland-Tujunga Telephone Company,)
a corporation, for an Order of the) Application
Commission authorizing it to issue and) No. 27675
sell shares of its capital stock.)
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O P I N I O N

In this application, the Railroad Commission is asked to make an order authorizing Sunland-Tujunga Telephone Company to issue and sell \$150,000 of its common capital stock.

Sunland-Tujunga is engaged in operating telephone systems in the communities of Sunland and Tujunga, Los Angeles County. It reports 1729 telephones in service at the close of 1944, 1805 at the close of 1945 and 1961 on May 31, 1946. Its revenues and expenses are reported as follows:

	<u>1944</u>	<u>1945</u>	<u>1946</u> <u>Jan.1-May 31</u>
Operating revenues			
Exchange revenues	\$49,208.59	\$49,902.23	\$22,444.83
Toll revenues	49,442.94	57,294.05	29,784.52
Miscellaneous	<u>448.31</u>	<u>670.95</u>	<u>438.01</u>
Total	99,099.84	107,866.23	52,667.36
Operating expenses	<u>\$1,999.09</u>	<u>92,923.85</u>	<u>43,517.31</u>
Net Operating Income	<u>\$17,100.75</u>	<u>\$14,942.38</u>	<u>\$ 9,150.05</u>

The company reports its investment in plant and equipment at \$263,982.39. It has financed its capital requirements primarily through the issue of common stock and the investment of

surplus earnings and moneys represented by its reserve for depreciation. As of June 1, 1946, it reports its assets and liabilities as follows:

<u>Assets</u>	
Plant and equipment	\$263,982.39
Cash	9,226.82
Accounts receivable	4,819.43
Materials and supplies	5,388.32
Prepaid expenses	<u>1,813.63</u>
Total	<u>\$285,230.59</u>

<u>Liabilities</u>	
Capital stock - common	\$100,000.00
Notes payable	20,000.00
Accounts payable	18,789.12
Accrued liabilities	8,948.00
Advances by subscribers	1,130.27
Reserve for depreciation	83,131.01
Surplus	<u>53,232.19</u>
Total	<u>\$285,230.59</u>

Since June 1 the company has issued additional short term notes in the total amount of \$10,000 to pay for additions and betterments.

The application shows that the company is confronted with the necessity of installing additional facilities and of making major improvements of its plants and services. On August 31, 1945, it had 535 unfilled applications for service. Between that date and May 31, 1946, it recorded a net gain of 227 telephones in service but received additional requests for service, bringing the total unfilled applications up to 986 on May 31, 1946. In addition, it reports that its toll cables between Tujunga and Glendale are used to capacity and are overloaded with traffic. On this point the application shows that there are 49 trunk lines at present and that 63 will be required during 1946

and 75 during 1947.

To meet the increasing demands for service the company reports that it has ordered 1000 telephone instruments for 1946 delivery and that it has started construction and installation of 100 additional circuits from its present office to the Glendale-Crescenta boundary to handle long distance and metropolitan area inter-exchange traffic, has increased its switchboard plant and has enlarged its present central office building. In excess of one thousand square feet of additional storage space were rented during February and March, 1946, for temporary relief. In addition, it leased on April 1, 1946, a site for a permanent new building for its telephone plant.

The company's estimates of its 1946 and 1947 capital requirements are set forth in some detail in the application. They include the following items:

1000 new telephone instruments installed	\$ 20,000
Additional switchboard	10,000
Additions and furnishings of present central office building	3,000
100 additional toll circuits	27,150
Exchange cable wire and pole lines	57,490
New office cable extensions to permit utilization of new site	15,280
Vehicles and work equipment	5,100
Billing and other office equipment	<u>3,500</u>
Total	<u>\$141,520</u>

The company will also be called upon to make expenditures in connection with its new building site for surveying, architects' fees, grading, paving and fencing costs and preliminary construction items. Its ultimate plans, according to the application, call for the expenditure of approximately \$150,000 for its telephone plant and of approximately \$236,000 for

automatic central office equipment, automatic toll ticketing equipment and toll switchboards.

At this time applicant proposes to issue and sell, at par for cash, to its present stockholders and officers, \$150,000 of its common capital stock to pay its outstanding short term notes and to finance in part its 1946-1947 estimated construction costs. On this point it appears that during the first five months of 1946 it has expended on its construction program the sum of \$60,852 which has been financed, temporarily, through the issue of the short term notes and the investment of earnings.

The company reports that it intends to borrow additional sums in 1947 to complete the construction of its building and the installation of the central office equipment. This matter, however, is not now before the Commission.

A review of the application clearly shows that the company has need for the funds to be obtained through the issue of the \$150,000 of stock. An order accordingly will be entered.

O R D E R

Sunland-Tujunga Telephone Company having applied to the Railroad Commission for permission to issue and sell \$150,000 of its common capital stock and the Commission having considered the matter and being of the opinion that a public hearing is not necessary, that the request of applicant should be granted, as herein provided, and that the money, property or labor to be procured or paid for through the issue of said stock is reasonably required for the purposes specified herein, which purposes

are not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED as follows:

1. Sunland-Tujunga Telephone Company may issue and sell, at par for cash, on or before June 30, 1947, not exceeding \$150,000 par value of its common capital stock and use the proceeds to pay outstanding indebtedness, to reimburse its treasury and to finance, in part, the cost of the extensions, additions and betterments to its plants and properties, during 1946 and 1947, referred to in the foregoing opinion and in this application.

2. Sunland-Tujunga Telephone Company shall keep such record of the issue 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 Commission's General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

3. The authority herein granted will become effective upon the date hereof.

Dated at San Francisco, California, this 30 day of July, 1946.

Richard C. ...
Arthur F. ...
Francis ...
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...
Commissioners