

ORIGINALDecision No. 40349

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)

LOS GATOS TELEPHONE COMPANY,)

a corporation, for an order authoriz-)
ing it to issue and sell an additional)
amount of its preferred stock.)
-----Application
No. 28474O P I N I O N

This is an application by Los Gatos Telephone Company for authority to issue and sell, at par for cash, 7,700 shares of its 5% cumulative preferred stock of the par value of \$10 each, for the purpose of paying indebtedness.

Los Gatos Telephone Company is a corporation engaged in the business of furnishing telephone service in and about the Town of Los Gatos, Santa Clara County. It has an authorized capital stock of 50,000 shares, of the par value of \$10 each, divided equally into common and 5% cumulative preferred, of which there now are outstanding 11,550 shares of common and 5,776 shares of preferred. The preferred stock is redeemable at \$10.20 a share.

The company reports no bonds or mortgage indebtedness. Its balance sheet, as of May 1, 1947 is reported as follows:

<u>ASSETS</u>	
Plant	\$385,672.67
Cash and working funds	2,514.18
Accounts receivable	6,337.48
Materials and supplies	42,745.50
Prepayments	<u>3,831.66</u>
Total assets	<u>\$441,101.49</u>

<u>LIABILITIES</u>	
Common stock	\$115,500.00
Preferred stock	57,760.00
Notes payable	50,000.00
Accounts payable	34,990.90
Customer's deposits	10.00
Advance payments	95.66
Accrued taxes	3,514.52
Unmatured interest and preferred dividends accrued	676.66
Depreciation reserve	95,842.08
unappropriated surplus	<u>82,711.67</u>
Total liabilities	<u>\$441,101.49</u>

The company reports that between January 1, 1942 and April 30, 1947, its net expenditures, for additions and betterments, as shown in Exhibit "A" attached to the application, aggregated \$104,634.08 which have not been paid or provided for through the issue of securities. Its financial reports on file with the Commission indicate that such expenditures have been financed through the issue of short-term notes, the incurring of open account indebtedness and the investment of earnings. Its outstanding notes and accounts payable, shown on the balance sheet in the aggregate amount of \$84,990.90, consist of the following:

Short term 3½% notes in favor of Bank of America		\$50,000.00
Accounts payable		
To Kellogg Switchboard and Supply Company		
For central office switchboard	\$3,922.44	
For poles, telephone, wire, dials, protectors and cable	<u>15,864.58</u>	19,787.02
To Graybar Electric Company		
For cable and supplies		7,840.24
Miscellaneous		<u>7,362.64</u>
		<u>\$84,990.90</u>

A review of the company's reports indicates that its expenditures for additional plant have been caused, in part, by increasing demands for service. At the close of 1941 it reported 2,144 telephones in service as compared with 3,140 at the close

of 1946. For the last three years it has reported its operating revenues at \$114,492 in 1944, at \$128,803 in 1945 and at \$152,483 in 1946.

It is the company's intention to offer the 7,700 shares of preferred stock at par to its common stockholders of record at the close of business on May 15, 1947, for cash and to use the proceeds to pay in part, the outstanding notes and accounts payable to which reference has been made. Any stock not subscribed for by the stockholders will be sold to residents of California.

O R D E R

Los Gatos Telephone Company having applied to the Public Utilities Commission for permission to issue and sell 7,700 shares of preferred stock and the Commission having considered the matter and being of the opinion that a public hearing is not necessary, that the application should be granted, as herein provided, and that the money, property or labor to be procured or paid for through such issues is reasonably required for the purpose specified herein, which purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED as follows:

1. Los Gatos Telephone Company, after the effective date hereof and on or before September 30, 1947, may issue and sell at not less than their par value for cash, 7,700 shares of its 5% cumulative preferred stock of the aggregate par value of \$77,000 and use the proceeds to pay in part its presently

outstanding notes and accounts payable.

2. Los Gatos Telephone Company shall file with the Commission reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

3. The authority herein granted is effective upon the date hereof.

Dated at San Francisco, California, this 3rd day of June 1947.

Harold A. Kule
Justin F. Craven
John H. Powell
R. J. [unclear]
Kenneth Patten

Commissioners