

Decision No. 42328

ORIGINAL

BEFORE THE PUBLIC UTILITIES 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	:	No. 29858
14,000 shares of common stock.)	
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O P I N I O N

In this application, Sunland-Tujunga Telephone Company asks permission to issue and sell, at par, 14,000 shares of its common stock of the par value of \$25 each, and of the aggregate par value of \$350,000, for the purpose of financing the cost of additions and improvements to its telephone properties.

Sunland-Tujunga Telephone Company is a corporation organized and existing under and by virtue of the laws of the State of California. It has an authorized capital stock of 48,000 shares, of the aggregate par value of \$1,200,000, divided into 8,000 shares of preferred stock bearing cumulative dividends at the rate of 5-1/4% per annum, and 40,000 shares of common stock. All of the preferred and 13,000 of the common shares are outstanding.

The company is engaged in giving telephone service in and about the communities of Sunland, Tujunga, Hansen Heights and the eastern portion of La Tuna Canyon, in the County of Los Angeles. In 1946 it reported operating revenues of \$143,779.14 and net income of \$20,651.53; in 1947, operating revenues of \$214,053.16 and net income of \$36,214.20; and for the first nine

months of 1948, operating revenues of \$199,916.77 and net income of \$34,900.74. As of September 30, 1948, it reports assets and liabilities as follows:

Assets

Telephone plant and equipment	\$1,041,811.15
Materials and supplies	57,075.81
Cash	889.13
Accounts receivable	30,301.57
Prepaid taxes, insurance and rent	2,943.69
Discount on long-term debt	<u>10,000.60</u>
Total Assets	<u>\$1,143,021.95</u>

Liabilities

Common stock	\$ 325,000.00
Preferred stock	200,000.00
Long-term debt	400,000.00
Accounts payable	16,633.06
Accrued taxes	24,617.21
Deferred credits	5,723.76
Depreciation reserve	84,534.45
Earned surplus	<u>86,513.47</u>
Total Liabilities	<u>\$1,143,021.95</u>

The long-term debt referred to in the balance sheet consists of \$80,000 of 3% notes in favor of Bank of America National Trust and Savings Association due during the years 1950 through 1957, and \$320,000 of 3.375% notes in favor of Occidental Life Insurance Company due during the years 1958 through 1972. Since the date of the balance sheet the company has issued \$125,000 of 4% twenty-year notes.

The company now reports that it will have need for additional funds from outside sources to carry on its present construction program and that it proposes to meet such need in part through the issue of 14,000 additional shares of common stock. It reports that at September 30, 1948, it served 4,103 telephones, a gain of 682 since January 1, and that it still held

275 firm applications from persons waiting for service, with 31 additional applications for premises not yet completed. New applications are being received at the rate of 60 a month with a growing request for extension telephones and supplemental equipment, as well as requests for up-grading service. The company's construction budget for the period from September 30, 1948, to March 31, 1950, is summarized in its application as follows:

Central office equipment -	
2500 lines, 5000 terminals, step office	\$292,616
Automatic toll ticketing equipment	107,124
Additional positions	<u>25,910</u>
Total due by July 1, 1949	425,650
400 line, 1000 terminal addition,	
January 1950	<u>61,000</u>
	486,650
Less: Payment November 1947 and charge	
back for installation labor by Sunland	
personnel	<u>67,500</u>
Total central office	419,150
Station equipment, 1200 stations	48,000
Pole lines	16,000
Aerial and underground cable	55,700
Miscellaneous line extensions	15,000
Furniture, fixtures, work equipment	<u>7,750</u>
Total	<u>\$561,600</u>

To meet these proposed expenditures, the company reports that it has cash and materials on hand in the amount of \$185,000 and it estimates \$30,000 will become available from earnings and depreciation accruals, leaving a balance of approximately \$346,600 of new money required.

It is the company's intention to sell the 14,000 additional shares of common stock directly to purchasers with no deduction for commissions, brokerage or discounts. It intends to confine all sales to bona fide residents of the State of California, for investment only and not for distribution or resale.

All sales will be for cash with no installment payments accepted, except from company employees for whom a payroll deduction plan will be set up for shares subscribed on or before July 1, 1949. As to such subscriptions, no certificates will be issued until payment has been made in full. The company hopes to obtain \$200,000 from the sale of its stock by February 1, 1949, \$100,000 additional by July 1, 1949, and the remaining \$50,000 by December 1, 1949.

A review of the application and of the company's financial statements and estimates clearly indicates that it will have need for the additional funds to meet its capital requirements. An order authorizing the issue of the 14,000 shares accordingly will be entered.

O R D E R

The Commission having considered the application of Sunland-Tujunga Telephone Company for permission to issue 14,000 shares of common stock and it being of the opinion that this is not a matter on which a public hearing is necessary, that the application should be granted, as herein provided, that the money, property or labor to be procured or paid for through such issue is reasonably required by the company for the purpose specified herein, and that such purpose is 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, after the effective date hereof and on or before December 31, 1949, may issue and

sell, at par, 14,000 shares of its common stock of the aggregate par value of \$350,000, and use the proceeds to finance in part its construction expenditures referred to in the preceding opinion.

2. Sunland-Tujunga 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 will become effective twenty (20) days from the date hereof.

Dated at San Francisco, California, this 21st day of December, 1948.

R. J. [unclear]
Justin R. [unclear]
W. H. [unclear]
Harold [unclear]
[unclear]
Commissioners