

Decision No. 43214

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application

of

GILROY TELEPHONE COMPANY,

a corporation, for permission to issue its capital stock in reimbursement to its treasury for unappropriated surplus invested in plant, and for permission to issue and sell its capital stock for additions, extensions and betterments to plant.

Application
No. 30535

O P I N I O N

Gilroy Telephone Company has applied to the Public Utilities Commission for permission to issue and sell, at \$15 per share, 3,667 shares of its common stock for the purpose of obtaining funds for the partial reimbursement of its treasury, and payment of indebtedness, and to finance in part the cost of additions and betterments to its telephone properties .

Gilroy Telephone Company is a corporation organized on or about March 25, 1911 under the laws of the State of California. It is engaged in conducting a telephone business in and adjacent to the City of Gilroy, California. It has an authorized capital stock of \$600,000, divided into 40,000 shares of common stock of the par value of \$10 per share, and 8,000 shares of cumulative preferred stock of the par value of \$25 per share. The number of shares of stock issued and outstanding is reported at 8,461 shares, all common, of the total par value of \$84,610. Its

assets and liabilities, as of May 31, 1949, may be summarized from the application as follows:

<u>Assets</u>		
Telephone plant		\$188,173.81
Current assets-		
Cash and working fund	\$17,644.10	
Temporary investments	6,000.00	
Receivables	3,671.32	
Materials and supplies	<u>10,716.29</u>	38,031.71
Prepayments and other deferred charges		<u>1,394.76</u>
Total assets		<u>\$227,600.28</u>

<u>Liabilities</u>		
Capital stock		\$ 84,610.00
Current liabilities-		
Accounts payable	\$ 7,687.25	
Advance billing and payments	833.03	
Note payable	15,000.00	
Other	<u>1,431.09</u>	24,951.37
Accrued liabilities not due		8,186.54
Deferred credits		6,432.58
Reserves for depreciation and amortization		69,475.36
Surplus earnings undistributed		<u>32,944.43</u>
Total liabilities		<u>\$227,600.28</u>

The company reports its operating revenues at \$77,773.53 for 1947, at \$89,004.33 for 1948, and at \$38,999.71 for the first five months of 1949. Its net income is reported at \$18,382.88 for 1947, at \$16,423.79 for 1948, and at \$2,138.33 for the first five months of 1949. In 1947 and in 1948, applicant paid dividends on its stock at the rate of \$1.30 per share.

The application shows that Gilroy Telephone Company has expended more than \$30,000 for additions to its plant since April 30, 1946, to and including May 31, 1949, for which its treasury has not been reimbursed. Applicant proposes to apply \$30,000 of the stock proceeds to reimburse in part its treasury because of such expenditures. Of such sum it will use \$15,000 to pay a \$15,000 four per cent note, payable to Bank of America

National Trust and Savings Association. The remainder of the \$30,000 will be used for the maintenance and improvement of its service.

Applicant proposes to apply \$25,005 of the proceeds from the sale of said shares of common stock to the construction and installation of plant facilities required to meet expanding and present service applications and to improve its service generally as set forth in Exhibit "C" attached to the application. The data in the Exhibit may be summarized as follows:

Additions to cable and wire plant	\$19,103.84
Additions to telephone plant in central office	2,369.44
Additional telephone instruments	1,932.00
Additions to inner building facilities for offices	<u>1,600.00</u>
Grand total estimated cost	<u>\$25,005.28</u>

Applicant will offer said 3,667 shares of common stock at \$15 per share first to its stockholders. Any shares not acquired by them will be offered to the general public at that price. It is of the opinion that it can sell all the shares to its stockholders or to persons residing in its service area.

ORDER

Gilroy Telephone Company having applied to the Public Utilities Commission for authority to issue and sell 3,667 shares of its common stock, and the Commission having considered the application and being of the opinion that a public hearing thereon is not necessary, that the application should be granted, as herein provided, that the money, property or labor to be procured or paid for by such issue is reasonably required for the purposes

specified herein, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. Gilroy Telephone Company may issue and sell, after the effective date hereof and prior to December 31, 1949, for cash at not less than \$15 per share, not exceeding 3,667 shares of its common stock, and use the proceeds for the purposes referred to in the opinion preceding this order.

2. Gilroy 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 is effective twenty (20) days after the date hereof.

Dated at San Francisco, California, this 16th day of August, 1949.

R. F. [Signature]
[Signature]
[Signature]
Commissioners