

ORIGINAL

Decision No. 45466

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 reim-  
bursement to its treasury for funds  
therefrom invested in plant, and for  
permission to issue and sell its  
capital stock for additions, exten-  
sions and betterments to plant and  
service.

Application  
No. 32181

O P I N I O N

This is an application by Gilroy Telephone Company for an order authorizing it to issue 10,000 shares of its common stock, of the par value of \$10 each, and to sell said shares at a price of \$15 a share for the purpose of reimbursing its treasury, of paying indebtedness, and of financing the cost of additions to its facilities. Applicant proposes to offer its shares for sale to its stockholders in proportion to their present holdings and thereafter to offer any shares not subscribed by stockholders to the general public.

Applicant reports that it was incorporated under the laws of California on March 25, 1911, and that at all times since that date it has been engaged as a public utility in furnishing telephone and telegraph service in the City of Gilroy, Santa Clara County, and in rural districts adjacent thereto. In Exhibit A filed in this proceeding, it sets forth in some detail its asset, liability and net worth accounts as of December 31, 1950. A summary statement of the same is as follows:

<u>Assets</u>		
Telephone plant	\$257,488.47	
Construction program	101.79	
Less- Depreciation and amortization reserves	<u>(72,558.51)</u>	
Net investment		\$185,031.75
Current assets-		
Cash and government bonds	42,192.18	
Accounts receivable	3,512.72	
Materials and supplies	27,603.28	
Prepayments	<u>1,614.33</u>	
Total current assets		74,922.51
Deferred charges (central office installations)		38,387.12
Other deferred charges		<u>1,134.20</u>
Total		<u>\$299,475.58</u>

<u>Liabilities and Net Worth</u>		
Current liabilities-		
Accounts payable	\$ 32,949.89	
Notes payable	60,000.00	
Accrued liabilities	<u>7,650.72</u>	
Total current liabilities		\$100,600.61
Deferred credits		24,723.58
Contributions of telephone plant		2,304.40
Net worth-		
Common stock - 12,128 shares	121,280.00	
Premium on stock	18,335.00	
Surplus	<u>32,231.99</u>	
Total net worth		<u>171,846.99</u>
Total		<u>\$299,475.58</u>

The application shows that prior to December 31, 1950, applicant made arrangements to purchase properties used in a number of so-called "farmer" lines serving 247 rural subscribers with magneto type, 10 party code ringing service, and to attach said subscribers to its own lines and thereafter to provide them with common battery, selective ringing, 8 party type service. In this connection, applicant reports that its program to improve service on said lines required it to purchase a large quantity of telephone instruments, equipment and materials in advance of their use and that prior to the close of the year it expended \$24,309.45 for this purpose and for the purchase of lines, which amount has not yet been transferred to its plant accounts. In addition, it

reports it expended the sum of \$38,387.12 for the purchase of new central office equipment which at the close of 1950 was carried in its accounts as a deferred charge pending the withdrawal of old equipment from service.

The application also shows that applicant, from June 1, 1949 to December 31, 1950, had expended sums aggregating \$100,176.18 for other additions, extensions and improvements to its facilities.

It appears that applicant has met its capital requirements in part through the use of earnings from operations and in part with money obtained through the issue of short term notes. Applicant now proposes to use the \$150,000 which it expects to receive through the issue and sale of the shares of stock to reimburse its treasury for expenditures of \$99,000 made prior to December 31, 1950, for additions to its facilities and for equipment, materials and supplies as herein set forth, and to apply the remaining \$51,000 to meet in part estimated expenditures during 1951 which are described in Exhibit D attached to the application as follows:

Telephones and extension bells	\$ 8,261.00
Interior booths	1,200.00
48,600 feet of cable	19,500.00
Farmer lines purchases	670.00
Building for vehicles and materials	7,500.00
Paving	300.00
Improvements on building	1,200.00
Furniture and equipment	2,500.00
Work truck and equipment	2,500.00
Reconditioning 455 used telephones	300.00
495 stations and drop wire installations	6,800.00
Labor and materials of outside plant	<u>29,600.00</u>
Total	<u>\$60,331.00</u>

Upon replenishing its treasury, applicant intends to use a portion of its funds to pay its outstanding notes which now are in the aggregate amount of \$80,000.00.

A review of the application clearly shows that applicant will have need for the proceeds from the sale of its stock to enable it to proceed with its construction program and to improve its financial position. Accordingly, an order will be entered granting its request.

ORDER

The Commission having considered the above entitled matter and being of the opinion that a public hearing is not necessary; that the application should be granted, as herein provided; that the money, property or labor to be procured or paid for through the issue of the shares of stock herein authorized is reasonably required by applicant 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, after the effective date hereof and on or before March 31, 1952, may issue and sell 10,000 shares of its common capital stock at not less than \$15 a share for the purposes specified in this application.

2. Gilroy Telephone Company shall file with the Commission monthly 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 days after the date hereof.

Dated at San Francisco, California, this 20<sup>th</sup> day of March 1951.

R. T. Anderson  
Justice J. C. Green  
Samuel P. Patten  
John L. McMillen

Commissioners