

**ORIGINAL**

Decision No. 45630

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of the	)	
Suisun and Green Valley Telephone Company	:	Application
for authority to issue additional shares	)	No. 32318
of its corporate stock.	:	
-----	)	

O P I N I O N

This is an application filed by Suisun and Green Valley Telephone Company for an order authorizing it to issue 200 shares of stock of the par value of \$50 each, and to sell said shares at par for the purpose of paying indebtedness and of financing the cost of additions to its telephone properties.

Applicant is a California corporation organized on July 11, 1903. It is, and for many years has been, engaged in operating telephone properties furnishing service in rural areas of Solano County contiguous to the cities of Fairfield and Suisun. Its annual reports for the last five years show, among other things, the following data indicating the extent of its operations and the growth in volume during this period:

	<u>Increase in Plant</u>	<u>Operating Revenues</u>	<u>Net Income</u>	<u>No. of Stations</u>
1946	\$1,065	\$ 7,126	\$1,246	237
1947	3,786	8,142	2,089	264
1948	7,656	10,269	2,464	292
1949	3,331	11,365	1,879	320
1950	4,339	13,111	2,248	407

It appears that applicant owns no switchboard, its properties consisting of rural telephone lines terminating in a central exchange located in Suisun and operated by The Pacific Telephone and Telegraph Company. Its investment in its telephone properties has

increased from \$30,247 at the beginning of 1946 to \$50,424 at the close of 1950, the increase amounting to \$20,177. An analysis of applicant's financial statements indicates that it has met its capital requirements through the use of borrowed money and equity capital.

As of December 31, 1950, applicant reports its investment in its properties and other assets, and its liabilities and net worth as follows:

<u>Assets</u>		
Telephone properties	\$50,424.67	
Depreciation reserve	<u>15,236.06</u>	
Net telephone plant		\$35,188.61
U. S. Government bonds		3,500.00
Cash		1,402.10
Accounts receivable		188.19
Materials and supplies		<u>5,658.46</u>
	Total	<u>\$45,937.36</u>
<u>Liabilities and Net Worth</u>		
Note payable		\$10,000.00
Accounts payable		193.21
Dividends payable		226.00
Total liabilities		<u>10,419.21</u>
Net worth -		
Capital stock	\$10,000.00	
Premium on stock	1,000.00	
Surplus	<u>24,518.15</u>	
Total net worth		<u>35,518.15</u>
	Total	<u>\$45,937.36</u>

The application shows that the outstanding note in the principal amount of \$10,000 appearing on the preceding balance sheet has been reduced to \$6,000 since the close of the year, and that applicant now desires to liquidate the remaining balance, as well as to provide funds for future additions, and for other purposes, through the issue and sale at this time of \$10,000 par value of stock. Applicant's proposed expenditures are set forth in Exhibit C attached to the application, as follows:

Liquidate Bank of America indebtedness	\$ 6,000
Interest on Bank of America indebtedness	120
Move cable, poles	500
New station equipment	1,690
Rebuild magneto telephones	250
Line extensions	<u>1,440</u>
Total	<u>\$10,000</u>

The payments for interest, moving cable and poles, and rebuilding equipment are items not chargeable to plant accounts and hence do not represent expenditures upon which the Commission can base an order authorizing the issue of stock. However, it appears from a review of applicant's reports that it has expended from income for additions to properties, sums in excess of the proposed stock issue and that it can be authorized to issue stock to reimburse its treasury for such expenditures. Upon thus replenishing its treasury, it may use the funds for proper corporate purposes, including those referred to in its application.

#### O R D E R

The Commission having considered the above entitled matter, 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 through the issue and sale of the 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. Suisun and Green Valley Telephone Company, after the effective date hereof and on or before December 31, 1951, may issue and sell 200 shares of its capital stock at \$50 a share, and use not

exceeding \$6,000 of the proceeds to pay indebtedness to Bank of America, approximately \$3,130 of the proceeds to pay for new station equipment and line extensions, and the remaining proceeds to reimburse its treasury for moneys expended from income for additions to its telephone properties.

2. Applicant 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 (20) days after the date hereof.

Dated at San Francisco, California, this 1<sup>st</sup> day of May, 1951.

R. B. Johnson  
Justice F. Casner  
Harold J. Kula  
Francis J. Potts  
John E. Mitchell  
Commissioners