

ORIGINAL

Decision No. 45299

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. 32787
6,000 shares of Common Stock.)	
-----	:	

O P I N I O N

Sunland-Tujunga Telephone Company, applicant herein, is a California corporation engaged in providing telephone service in the communities of Sunland, Tujunga, Shadow Hills and La Tuna Canyon, in Los Angeles County. In this application, it seeks authority to issue 6,000 shares of its common stock, of the par value of \$25 each and of the aggregate par value of \$150,000, and to sell said shares, at par for cash, for the purpose of financing the cost of additions to its telephone properties.

Applicant's construction budget for 1952 has been filed in this proceeding as Exhibit B. It provides for total expenditures of \$210,400, including \$55,000 for an addition to its central office equipment, \$31,800 for 500 station instruments and dials and ten coin box instruments, together with drop and block wires and installation costs, \$25,000 for pole line additions, \$87,000 for aerial cable and wire, and \$11,600 for other purposes. Applicant estimates that \$60,000 of the required expenditures will be met with earnings from operations, including depreciation accruals, leaving \$150,400 to be obtained primarily from the issue and sale of the shares of stock covered by this application.

The application shows that it is applicant's intention to sell its shares of common stock directly to purchasers, with no

payments for commissions or brokerage, the offering to be limited to bona fide residents of the State of California for investment purposes. All sales will be for cash at par, except that shares will be offered to applicant's employees at the same price on a payroll deduction plan, with no certificates to be delivered, however, until full payment has been made.

The completion of applicant's program, of course, is subject to the ability of manufacturers to supply construction materials, and portions of such program may be postponed or delayed. Applicant intends to dispose of its shares of stock as material becomes available, and it asks the Commission, if it concludes to grant its application, to extend the time for the issue of such shares to April 1, 1953.

From time to time, applicant has come before the Commission for authority to borrow money and to issue shares of preferred and common stock to finance its post-war program of expansion. Reports filed with the Commission show that its investment in plant has increased from \$203,130 on December 31, 1945, to \$1,906,862 at the close of 1950, and its telephones in service during the same period from 1,805 to 5,230. The following data from its reports show its net increase in plant accounts and its operating revenue, net income, and dividends paid during each of the years 1946 to 1950, inclusive:

	<u>Net Increase in Plant Accounts</u>	<u>Operating Revenues</u>	<u>Net Income</u>	<u>Dividends Paid</u>
1946	\$131,739	\$143,779	\$20,651	\$10,000
1947	479,581	214,053	36,214	15,000
1948	294,299	269,709	49,313	32,776
1949	517,694	328,754	76,823	48,981
1950	280,515	400,659	83,795	64,500

Shares of preferred stock were issued for the first time in 1948. Dividends have been paid on them at the rate of 5½% per annum. Dividends have been paid on the shares of common stock at the rate of

8.5% in 1946, 6% in 1947, 8% in 1948, 6% in 1949, and 8% in 1950.

Exhibit A attached to the application shows applicant's financial condition as of June 30, 1951, as follows:

<u>Assets</u>		
Plant and equipment		\$1,954,747.02
Less-depreciation reserve		<u>137,253.90</u>
Net		1,817,493.12
Current assets		159,835.17
Deferred debits		<u>17,462.67</u>
	Total	<u>\$1,994,790.96</u>
<u>Liabilities and Net Worth</u>		
Long-term debt		\$ 723,056.25
Current liabilities		133,340.15
Deferred credits		5,306.97
Preferred stock-5½% cumulative		314,950.00
Common stock and surplus -		
Common stock	\$675,000.00	
Surplus	<u>143,137.59</u>	
Total common stock and surplus		<u>818,137.59</u>
	Total	<u>\$1,994,790.96</u>

Upon the conclusion of the construction and financing program outlined in this proceeding, applicant estimates it will have approximately 6,300 stations in service producing operating revenues, on the basis of its present experience, of approximately \$544,200, with net income of \$129,300. It estimates the financial requirements to service its debt and stock will be \$123,100, including debt retirement and dividends on the shares of common stock at the rate of 8% per annum.

A review of this proceeding clearly indicates that applicant will have need for the proceeds from the sale of the additional shares of stock to carry forward its construction program. Accordingly, an order will be entered granting its request.

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 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. Sunland-Tujunga Telephone Company, after the effective date hereof and on or before April 1, 1953, may issue and sell, at par for cash, not exceeding 6,000 shares of its common stock of the aggregate par value of \$150,000, for the purpose of financing the cost of additions and improvements to its telephone plant and properties.
2. Sunland-Tujunga 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 (20) days after the date hereof.

Dated at San Francisco, California, this 15th day of October, 1951.

 President
Justin F. Cooney

Hughes P. Hule

Francis H. Potter

 Commissioners