

ORIGINAL

Decision No. 46825

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of	)	
LOS GATOS TELEPHONE COMPANY, a	:	
corporation, for an order authorizing	)	Application
it to issue and sell an additional	:	No. 33171
34,222 shares of its preferred stock.	)	
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O P I N I O N

This is an application for an order authorizing Los Gatos Telephone Company to issue and sell, at par for cash, 34,222 shares of its 5% cumulative preferred stock of the par value of \$10 each, and of the aggregate par value of \$342,220, for the purpose of paying indebtedness and of financing the cost of additions to its plants, properties and equipment.

Applicant is a public utility telephone corporation operating dial exchanges at Los Gatos and Morgan Hill and a manual exchange at Novato.<sup>(1)</sup> It reports that it is necessary for it to install additional central office equipment, telephones and outside plant in order to increase the capacity of its facilities and to extend its service in all three of its exchanges and to acquire land and facilities looking toward the conversion to dial operation in its Novato exchange, and that it will be called upon to spend \$342,220 for these purposes and for the repayment of current obligations incurred in meeting capital requirements, as follows:

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(1)

At the close of 1951 applicant reported 5,254 stations at Los Gatos, 761 at Morgan Hill and 1,501 at Novato, a total of 7,516.

Short-term note to Central Valley Bank	\$ 74,320.00
Account payable to Kellogg Switchboard and Supply Company	54,000.00
Installment due March 1, 1952, to Pacific Mutual Life Insurance Company	15,000.00
Hospital board	2,500.00
15 coin boxes and 4 booths	3,100.00
1,095 telephones	32,707.65
Station installations, drop and block wires	17,223.75
700 central office connectors	55,000.00
Extended service equipment	15,000.00
Additional trunks	1,100.00
Garage at Los Gatos	9,700.00
Pole lines	7,522.00
Land and building at Novato	15,000.00
Aerial cable and wire	29,358.02
Miscellaneous	<u>10,688.58</u>
Total	<u>\$342,220.00</u>

Exhibit B filed in this proceeding shows applicant's net investment in plant in service and under construction at \$1,531,608.59 and indicates that such investment has been financed, in part, through the issue of an installment note to Pacific Mutual Life Insurance Company in the amount of \$585,000 as of December 31, 1951, and the issue of shares of preferred stock, similar to those now proposed to be issued, of the aggregate par value of \$134,760, and shares of common stock of the aggregate par value of \$513,330, which, however, were sold at a premium of \$238,698. The exhibit shows current assets of \$208,108.26 and current liabilities of \$231,045.54, including those now proposed to be paid.

The issue of the shares of preferred stock now under consideration will improve applicant's financial position through the payment of current liabilities and will provide a broader base of stock capital in its structure in the event it finds it necessary or desirable to consider additional debt financing in the future. Accordingly, an order granting the application will be entered, to be effective at once so as to permit applicant forthwith to undertake the sale of such shares and to discharge its outstanding

indebtedness as soon as possible.

Applicant proposes to offer its shares of preferred stock for sale, at par for cash, to holders of its shares of common stock on the basis of two of said shares of preferred stock for each three shares of common stock, to be subscribed and paid for on or before April 21, 1952, and thereafter to offer any shares not so subscribed and paid for to bona fide residents of the State of California for sale at the same price on or before December 31, 1952.

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 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:

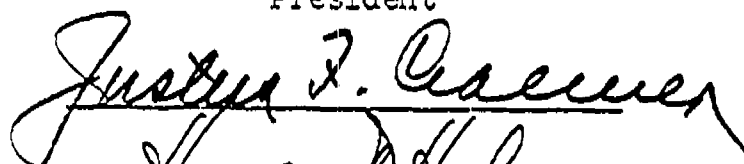
1. Los Gatos Telephone Company, after the date hereof and on or before December 31, 1952, may issue and sell, at par for cash, not exceeding 34,222 shares of its preferred stock and use the proceeds for the purposes set forth in this application.
2. Los Gatos Telephone Company shall file with the Commission 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 upon the date hereof.

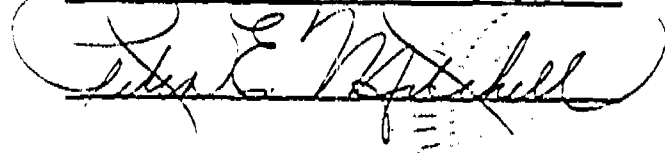
Dated at San Francisco, California, this 11<sup>th</sup> day of March, 1952.



President







Commissioners