

48386

ORIGINAL

Decision No. _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
GILROY TELEPHONE COMPANY to issue)	Application
additional capital stock.)	No. 34151
-----)	

O P I N I O N

In this application Gilroy Telephone Company seeks an order of the Commission authorizing it to issue and sell, for cash at \$15 a share, 5,000 shares of its common stock, of the par value of \$10 a share, for the purpose of paying \$75,000 of bank loans.

Applicant operates a telephone system serving Gilroy and surrounding territory. In its verified application it reports that during 1951 and 1952 it spent \$145,332.53 in extending its facilities, as shown in some detail in Exhibit B filed in this proceeding, and that it financed its expenditures in part with \$51,000 obtained from a sale of shares of stock, in part with earnings from operations and in part with borrowings in the amount of \$75,000 from Bank of America National Trust and Savings Association. It reports that these borrowings are represented by 4-1/2% notes maturing on June 30, 1953, and that it now desires and seeks authorization to sell its shares of stock to liquidate its indebtedness.

In Exhibit A filed in this proceeding applicant has presented its balance sheet showing its investments as of December 31, 1952, and its sources of funds. A summary of the same is as follows:

Assets

Current assets -		
Cash	\$ 49,476.86	
Accounts receivable	5,105.16	
Materials and supplies	<u>35,063.93</u>	
Total current assets		\$ 89,645.95
Fixed assets -		
Telephone plant in service	386,870.92	
Telephone plant under construction	15,950.08	
Less-depreciation reserve	<u>(69,463.49)</u>	
Remainder		333,357.51
Deferred debits		<u>7,761.90</u>
	Total	<u>\$430,765.36</u>

Liabilities and Capital

Current liabilities -		
Notes payable	\$ 55,000.00	
Accrued taxes	15,182.92	
Other current liabilities	<u>19,602.23</u>	
Total current liabilities		\$ 89,785.15
Deferred credits		29,100.00
Contributions to telephone plant		2,328.40
Capital -		
Common stock	221,280.00	
Premium on stock	68,335.00	
Surplus	<u>19,936.81</u>	
Total capital		<u>309,551.81</u>
	Total	<u>\$430,765.36</u>

Since the close of 1952 applicant has issued an additional note for \$20,000, bringing the total presently outstanding amount up to \$75,000.

For the year 1952 applicant reports operating revenues of \$184,020.00 and net income of \$20,036.18. For the last three years it has paid dividends on its outstanding stock of \$.80 annually, being at the rate of 8% of the par value.

A review of this application and of the financial statements filed with the Commission indicates that applicant will have need for the proceeds from the sale of its shares to liquidate current liabilities and to improve its cash position. In our opinion the money, property or labor to be procured or paid for by the issue of the shares of stock herein authorized is reasonably required by applicant for the purpose specified herein, which purpose is not, in

whole or in part, reasonably chargeable to operating expenses or to income. Accordingly, an order will be entered granting applicant's request.

ORDER

The Commission having considered the above entitled matter and being of the opinion that a public hearing is not necessary and that the application should be granted, as herein provided; therefore,

IT IS HEREBY ORDERED as follows:

1. Gilroy Telephone Company, on and after the effective date hereof and on or before December 31, 1953, may issue and sell 5,000 shares of its common stock for \$15 a share for the purpose of paying outstanding bank loans.

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 20 days after the date hereof.

Dated at San Francisco, California, this 24th day of March, 1953.

A. J. [Signature]
President

Justin F. [Signature]
Harold [Signature]

[Signature]
[Signature]
Commissioners