

Decision No. 51104

ORIGINAL

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. 36623
10,000 shares of Common Stock.)	
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Allan R. Stacey, for applicant.

O P I N I O N

Sunland-Tujunga Telephone Company, applicant herein, is a California corporation engaged in providing telephone service in and about Sunland, Tujunga, Shadow Hills and La Tuna Canyon, in the County of Los Angeles. In this application it seeks authorization to issue and sell 10,000 shares of its \$25 par value stock, at par for cash.

The application was filed on January 8, 1955. A public hearing thereafter was held before Examiner Coleman in Los Angeles on January 27, 1955, at which time the matter was taken under submission.

The purpose of the proposed financing is to provide applicant with funds to liquidate bank loans and to finance the cost of plant additions and extensions. According to the record applicant will have need for \$278,300 during 1955 to meet the requirements of new subscribers for service, to take care of requests for upgrading of present service, and to provide interexchange toll facilities. The estimated expenditures include the following:

Central office equipment	\$ 72,000
Station apparatus--500 instruments and dials	20,000
Station installations	12,000
Drop and block wires	6,000
Private branch exchanges	6,800
Booths and special fixtures	2,500
Pole line additions	35,000
Aerial cable	107,000
Aerial wire	8,000
Furniture and fixtures	3,000
Vehicles and other work equipment	6,000
Gross 1955 construction budget	<u>278,300</u>
Less-depreciation accruals	<u>28,300</u>
Balance - cash requirements for future financing	<u>\$250,000</u>

The record shows that applicant for some years has been experiencing a substantial growth in its business. During the last four years it has had net station gain during 1951 of 547 stations, during 1952 of 504 stations, during 1953 of 678 stations and during 1954 of 741 stations. It reports it has no held orders at present and it estimates that for 1955 it will have a net station gain of from 500 to 600.

It has been applicant's practice to finance itself temporarily with short-term bank loans. During 1954 it borrowed up to \$200,000 from Bank of America National Trust and Savings Association on a $4\frac{1}{2}\%$ basis, and it reports that it has arranged a line of credit for 1955 up to \$200,000 on a $3\frac{3}{4}\%$ basis with no standby or commitment fee for the unused portion. It proposes to draw down amounts under the credit arrangement as it has need for them and to refinance the amounts thus borrowed as proceeds become available from the issue of the shares of stock covered by this application.

It is applicant's intention to dispose of its shares of stock in its service area and through its own organization. It intends to offer the new shares pro rata to its existing shareholders and to allow its employees the right to subscribe, on a payroll deduction plan, for shares not to exceed \$1,000 total par value by any one employee. The shares will be offered to both shareholders and employees at their par value.

Since the close of World War II applicant has been successful in disposing of \$950,000 par value of common stock and \$325,000 par value of its 5½% preferred stock through its own sales efforts in its territory. There have been but relatively few resales and the testimony shows that applicant has many inquiries from its shareholders, employees and from others for additional participation. Applicant has paid annual dividends at the rate of \$1.75 a share in 1952, of \$2.25 a share in 1953, and of \$2.00 a share in 1954.

In addition, applicant has issued long-term notes to Bank of America National Trust and Savings Association and to Occidental Life Insurance Company of California at interest rates ranging from 3 to 4½%. Its capital structure, as estimated for the close of this year and giving effect to the presently proposed issue of shares of stock, is as follows:

Debt -		
3	%	10 year, B. of A. \$ 20,000.00
4	%	10 year, B. of A. 13,887.50
3-3/8	%	25 year, Occidental 320,000.00
4	%	25 year, Occidental 225,000.00
4	%	20 year, Occidental 69,450.00
4-1/2	%	20 year, Occidental 200,000.00
		\$ 848,337.50 31.0%
Preferred stock, 5½% (13,000 shares)		325,000.00 11.9
Common stock (52,000 shares)		1,300,000.00 47.5
Surplus		265,000.00 9.6
Totals		<u>\$2,738,337.50 100.0%</u>

The record shows that there exists a supply of common stock money available to applicant at this time. From a review of the record we are of the opinion that applicant will have need for additional funds from external sources to meet its construction program and that it should undertake the issue of the shares of stock proposed in this proceeding.

O R D E R

A public hearing having been held in the above entitled matter and the Commission having considered the evidence and being of the opinion that the application should be granted, as herein provided,

that the money, property or labor to be procured or paid for by the issue and sale 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,

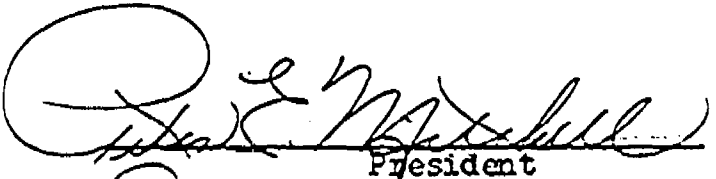
IT IS HEREBY ORDERED as follows:

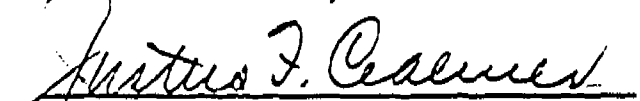
1. Sunland-Tujunga Telephone Company, a corporation, may issue and sell not exceeding 10,000 shares of its common stock on or before December 31, 1955, at not less than \$25 a share, and use the proceeds for the purposes set forth in this application.

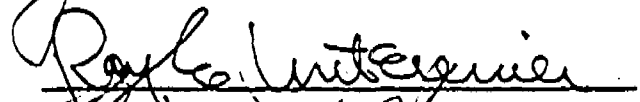
2. Applicant shall file with the Commission monthly reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

3. The authority herein granted will become effective on the date hereof.

Dated at San Francisco, California, this 15th day of February, 1955.


President







Commissioners