

ORIGINAL

Decision No. 55742

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
Gilroy Telephone Company, a
California corporation, for an
order authorizing it to issue
1808 8/15 shares of its common
stock and to distribute the stock
issued to the common share holders
as a stock dividend

Application No. 39470

O P I N I O N

This is an application for an order of the Commission authorizing Gilroy Telephone Company to issue 1808-8/15 shares of its common stock, of the par value of \$10 a share, as a common stock dividend.

Applicant is a California corporation engaged in the business of rendering telephone service in the City of Gilroy and surrounding territory. For the year 1956, it reports operating revenues of \$337,156.46 and net income of \$49,023.11, and for the first seven months of 1957 the corresponding revenue and net income figures are \$214,672.48 and \$24,542.99, respectively. It has 27,128 shares of stock outstanding, of the par value of \$10 each, on which it has been paying dividends of \$.90 annually, being at the rate of nine per cent of the par value. Its assets and liabilities, as shown by its July 31, 1957 balance sheet, are summarized as follows:

Assets

Fixed assets -		
Telephone plant in service	\$845,803.34	
Telephone plant under construction	37,837.01	
Less - depreciation and amortization reserves	<u>(118,242.23)</u>	
Remainder		\$765,398.12
Current assets -		
Cash	13,189.72	
Accounts receivable	33,213.34	
Material and supplies	<u>32,888.52</u>	
Total current assets		79,291.58
Prepayments and deferred charges		<u>15,576.34</u>
Total assets		<u>\$860,266.04</u>

Liabilities

Capital -		
Common stock	\$271,280.00	
Premium on common stock	93,335.00	
Earned surplus	<u>85,921.04</u>	
Total capital		\$450,536.04
Long-term debt		259,000.00
Current and accrued liabilities -		
Notes payable	50,000.00	
Accounts payable	23,762.45	
Other current and accrued liabilities	<u>47,522.53</u>	
Total current and accrued liabilities		121,284.98
Deferred credits and provident reserve		24,171.99
Contributions of telephone plant		<u>5,273.03</u>
Total liabilities		<u>\$860,266.04</u>

The preceding statement shows a balance of \$85,921.04 in the earned surplus account which represents funds invested in additions to applicant's plant. Applicant now proposes to capitalize permanently a portion of these retained earnings through the issue to its shareholders of one new share for each 15 shares held by each shareholder of record on October 1, 1957, which will call for the issue of 1808-8/15 shares.

Applicant, however, will not issue fractional shares. Its secretary will act as agent for each individual shareholder for the purpose of executing his order either to sell his fractional interest or to purchase for his account the additional fractional share interest required to entitle him to one full share of common stock and will consolidate such fractional share interests and obtain the issue of a stock certificate for such full share. The transfer agent will combine and sell any remaining outstanding fractional share interests as soon as practicable and remit the proceeds to the shareholders entitled thereto.

A review of the application clearly shows that applicant has had earnings from operations in excess of the proposed stock dividend, that such earnings have been retained in the business and that shares of stock properly may be issued against such earnings. We are of the opinion, therefore, that the money, property or labor to be procured or paid for by the issue of the stock is reasonably required for the purpose specified herein and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.

Accordingly, we will enter an order granting applicant's request.

O R D E R

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, therefore,

IT IS HEREBY ORDERED as follows:

1. Gilroy Telephone Company may issue 1808-8/15 shares of common stock in reimbursement of its treasury for income invested in its properties and business and thereafter may distribute such stock, as a stock dividend, to its shareholders of record on October 1, 1957.

2. Gilroy Telephone Company may issue and sell additional shares of its common stock in order to consolidate fractional shares into full shares, as set forth in this application.

3. Gilroy Telephone Company shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

4. The authorization herein granted relates only to the issue of stock and is not to be construed as indicative of amounts to be included in a future rate base for the purpose of determining just and reasonable rates.

5. This order will become effective on the date hereof.

Dated at San Francisco, California, this 28th day of October, 1957.

[Signature]
President

[Signature]

[Signature]

Commissioners