

ORIGINAL

Decision No. 56738

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
and sell 7,248 shares of its
common stock at \$18 a share.

Application No. 40058

O P I N I O N

Gilroy Telephone Company has filed this application for authorization to issue 7,248 shares of its \$10 par value common stock and to sell said shares at \$18 each for the purposes of paying indebtedness and of financing the cost of additions to its properties.

Under authorization heretofore granted by the Commission, Gilroy Telephone Company issued \$100,000 of 5% demand notes to Bank of America National Trust and Savings Association to refund earlier indebtedness and to finance construction costs, this being temporary financing pending arrangements to issue shares of stock. The company reported its 1958 capital budget at approximately \$139,000.

Applicant now desires to pay the short-term notes, and thereby finance permanently the \$100,000 of expenditures, and to increase its total capitalization in order to meet construction costs reported as follows:

1. A two-position addition to its toll switchboard together with additional trunk and switching equipment scheduled for completion in June of this year costing	\$16,235
2. Keysender equipment for six toll switchboard positions scheduled for completion in June of this year and costing	8,245
3. An automatic line routiner scheduled for completion in June of this year and costing	3,005
4. Micro-film machine, micro-film reader and adding machine already purchased . . .	1,830
5. New automobile for Engineering Department already purchased	<u>1,945</u>
Total	<u>\$31,260</u>

The sale of the 7,248 shares at the price suggested will produce \$130,464. It has been applicant's practice to distribute its shares of stock locally in its service area. Since 1949 it has sold 18,667 shares at \$15 a share and, in addition, has distributed 1,808-8/15 shares as a dividend. Its reported earnings per share and annual dividends paid during the last five years are shown in the following tabulation:

	<u>Earnings Per Share</u>	<u>Annual Dividend</u>
1953	\$1.30	\$0.90
1954	1.23	.90
1955	1.34	.90
1956	1.80	.90
1957	1.69	.90

According to Exhibit A, applicant's reported investment in its telephone plant, as of March 31, 1958, amounted to \$827,285, after deducting the depreciation reserve. Its

outstanding capitalization, exclusive of the short-term bank loans, consisted of \$251,000 of long-term borrowings from Pacific Mutual Life Insurance Company and common stock equity capital of approximately \$479,000.

A review of the information before the Commission indicates clearly that applicant will have need for funds from external sources to liquidate its current obligations and to enable it to proceed with its construction program and that an order is warranted granting this application. It is our opinion that the money, property or labor to be procured or paid for by the issue and sale of said 7,248 shares of common stock herein authorized is reasonably required for the purposes specified herein, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

The authorization herein granted is for the issue and sale of stock only 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.

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, therefore,

IT IS HEREBY ORDERED as follows:

1. Gilroy Telephone Company, on and after the effective date hereof and on or before October 31, 1958, may issue and sell not to exceed 7,248 shares of its common stock, at not less than \$18 a share, for the purposes set forth in this application.

2. 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.

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

Dated at San Francisco, California, this 27th day of May, 1958.

Paul E. Mitchell
President
Paul L. ...
...
Theodore ...
Commissioners