

ORIGINALDecision No. 528276

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 Commission authorizing it to issue 12,000 shares of Common Stock.

Application No. 40121

O P I N I O N

This is an application for an order of the Commission authorizing Sunland-Tujunga Telephone Company to issue 12,000 shares of its common stock of the par value of \$25 each, to sell said shares at not less than par, and to expend the proceeds for the purposes of liquidating bank loans and of financing the cost of plant additions and extensions.

Applicant is a California corporation which owns and operates a telephone system providing local and interexchange telephone service for the communities of Sunland, Tujunga, Shadow Hills, and La Tuna Canyon in the County of Los Angeles. Its growth during recent years is indicated by the following tabulation:

<u>Year</u>	<u>Gross Plant</u>	<u>Operating Revenues</u>	<u>Net Operating Income</u>	<u>Telephones in Service</u>
1953	\$2,476,242	\$ 591,613	\$142,556	6,959
1954	2,748,757	674,660	160,283	7,701
1955	3,073,880	790,117	180,885	8,661
1956	3,543,960	883,220	187,900	9,573
1957	4,223,317	1,027,644	224,303	10,725

The assets and liabilities, as reported in applicant's April 30, 1958 balance sheet, are as follows:

Assets

Plant and equipment	\$4,358,004.35	
Less: Depreciation reserve	<u>565,738.92</u>	\$3,792,265.43
Other investments		9,329.52
Material and supplies		57,895.13
Cash		191,688.83
Accounts receivable		131,288.19
Prepaid taxes, insurance and rent		23,290.73
Discount on long-term debt and capital stock		<u>20,097.88</u>
Total		<u>\$4,225,855.71</u>

Liabilities

Capital stock		\$1,624,925.00
Long-term debt		1,800,000.00
Current liabilities		239,306.49
Deferred credits		57,892.50
Accrued taxes		128,729.09
Earned surplus		<u>375,002.63</u>
Total		<u>\$4,225,855.71</u>

For 1958, applicant's construction budget of \$417,000 is estimated to provide for a gain of 600 stations and for upgrading the major portion of 582 orders. In meeting its construction requirements applicant has arranged to make short-term borrowings from Bank of America National Trust and Savings Association and to repay the same from time to time with proceeds from the sale of common stock. It proposes to sell 12,000 shares of its common stock directly to residents of the State of California from time to time as it has need for funds. Applicant will sell the shares of stock for cash and will not accept installment payments except from its employees for whom a payroll deduction plan may be set up.

The application shows that applicant's proposed issuance of 12,000 additional shares of common stock is estimated to result in a capital structure at December 31, 1958, as follows:

Insurance company notes	43.7%
Preferred stock	7.9
Common stock and surplus	<u>48.4</u>
Total	<u>100.0%</u>

From a review of this matter, we are of the opinion that a public hearing is not necessary, 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, we will enter an order approving the application.

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

O R D E R

The Commission having considered the above-entitled matter and being of the opinion that the application should be granted, therefore,

IT IS HEREBY ORDERED as follows:

1. Sunland-Tujunga Telephone Company, a corporation, may issue and sell not exceeding 12,000 shares of its common stock on or before June 30, 1959, at not less than \$25 a share, and use the proceeds for the purposes set forth in this application.

2. Sunland-Tujunga Telephone Company, a corporation, 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 17th day of June, 1958.

[Signature]
President

[Signature]

[Signature]

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Commissioners