

60300

Decision No. _____

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

Application No. 42290
and
First Amendment

O P I N I O N

In the above-entitled application, filed on May 24, 1960, and in a first amendment thereto, filed on May 31, 1960, Sunland-Tujunga Telephone Company seeks authorization to issue and sell not to exceed 12,000 shares of its common stock, for cash, at not less than par (\$25 a share), for the purpose of paying outstanding indebtedness and of financing the cost of plant additions and extensions, and to extend the time for payment of short-term notes in the principal amount of \$100,000.

The company is engaged in operating a telephone system providing service for the communities of Sunland-Tujunga, Shadow Hills and La Tuna Canyon in the County of Los Angeles and, in financing itself, it has, among other things, issued notes and shares of preferred and common stock. At this time, it reports that it is faced with a substantial program of expansion to meet demands for service and that in order to provide the maximum flexibility in meeting its requirements it proposes to issue short-term notes to Bank of America

National Trust and Savings Association and to refinance them, at a later date, with the proceeds from the common stock offering.

Applicant's short-term borrowings amounted to \$290,000 at the end of May. It is reported that the stock proceeds to liquidate these borrowings will not become available until later in the year and that it will be necessary to extend the time for payment of \$100,000 of notes to a date which will be later than 12 months after the dates of issue.

It is applicant's intention to sell its stock through its own organization, from time to time, as the short-term borrowings become due, with the total sale to be completed by November of this year. Although applicant requests that the order of the Commission authorize the sale of its shares at not less than par, it reports that it expects to price such shares at an amount reflecting the market at the time of offer and it now estimates that the offering price will be in the range of \$40 to \$45 a share. Applicant further proposes to offer shares of stock at a discount, up to 10 per cent, to regular employees, that is, those who have been on the regular payroll for not less than six months, by means of a payroll deduction plan. The number of shares to be sold to any one employee would be limited to 100 shares.

In presenting this application to the Commission, applicant reports that its net station gain amounted to 1,152 in 1957; to 799 in 1958; and to 1,285 in 1959; and it estimates a further gain of 1,000 stations during 1960. Its budgeted

expenditures for the year are estimated at \$357,900, as set forth in some detail in Exhibit B filed in this proceeding. The application shows that there are 268 orders on file for upgrading and for installation of direct distant dialing central office equipment and that 72 per cent of the current year's budget will be required for establishing proper plant margins and for filling these upgrade request orders.

Applicant has filed its financial statements showing its assets and liabilities as of the end of 1959 and its income account for the year. Last year, the Commission reviewed the company's properties and results of operations and by Decision No. 58105, dated March 10, 1959, approved certain increases in rates. At the conclusion of the proposed financing, applicant's capital ratios will be as follows:

Promissory note 4.20%, due 1952-82	\$814,450		
Promissory note 4.35%, due 1982	<u>985,550</u>		
Preferred stock 5-1/4% (12,864 shares)		\$1,800,000	39.9%
Common stock (72,000 shares or less)		321,600	7.1
Surplus		1,900,000	42.1
		<u>490,000</u>	<u>10.9</u>
Total		<u>\$4,511,600</u>	<u>100.0%</u>

From a review of this matter, we find and conclude that applicant will have need for additional funds from external sources to enable it to proceed with its construction activities and that the issue of stock, under the proposed terms, is for a proper purpose and will not impair applicant's ability to render telephone service.

We will enter our order in accordance with the foregoing findings. The authorization herein granted is for the issue of

securities 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. In making this order, we place applicant upon notice that we will not regard the price at which it sells its shares of stock, or the dividends it pays, as measuring or determining the value of its shares, or properties, or the rate of return it should be allowed to earn on its investment in plant.

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; that the money, property or labor to be procured or paid for by the issue of the stock and notes 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; therefore,

IT IS HEREBY ORDERED as follows:

1. Sunland-Tujunga Telephone Company, a corporation, may issue and sell not to exceed 12,000 shares of its common stock, on or before December 31, 1960, under the terms set forth in the preceding opinion, at not less than \$25 per share and may use the proceeds for the purposes set forth in this application.

2. Sunland-Tujunga Telephone Company may issue new promissory notes in the total principal amount of not to exceed \$100,000 to refund presently outstanding notes of like amount or may extend the time for payment of said presently outstanding notes.

3. Sunland-Tujunga 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 authority herein granted shall become effective when Sunland-Tujunga Telephone Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$100.

Dated at San Francisco, California, this 28th day of June, 1960.

[Signature] President
[Signature]
[Signature]
Theodore Deiner Commissioners

