

ORIGINAL

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Decision No. _____

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
43,750 shares of Common Stock.

Application No. 43515
Filed June 19, 1961
and Amendment
Filed July 7, 1961

O P I N I O N

This is an application for an order of the Commission authorizing Sunland-Tujunga Telephone Company to issue not to exceed 43,750 shares of its common stock of the par value of \$5 each, to sell said shares at not less than \$8 a share, 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 the last five years has been substantial, as 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>
1956	\$3,543,960	\$ 883,220	\$187,900	9,573
1957	4,223,317	1,027,644	224,303	10,725
1958	4,628,675	1,143,149	237,806	11,524
1959	5,013,057	1,334,601	262,115	12,809
1960	5,443,300	1,510,156	292,731	13,603

At this time, the company reports that it is in need of funds to meet requests for additional and improved service and to replenish its working capital which was depleted during 1960 to repair damages caused by a forest fire. Applicant has scheduled gross expenditures of \$499,300 to meet an expected gain of 800 stations during 1961 and to take care of orders for upgrading and it desires to augment its working cash position by the sum of \$77,600, its requirements thus amounting to \$576,900, of which \$226,900 will be provided internally, leaving a balance of \$350,000 of new money requirements.

In order to provide maximum flexibility in meeting its requirements, applicant has arranged to make short-term borrowings from Bank of America National Trust and Savings Association, which borrowings amounted to \$300,000 on April 30, 1961, and to repay the same from time to time with proceeds from the sale of common stock. 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 share at not less than \$8, 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 \$8 to \$10 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 500 shares.

With the issue of the additional common shares, as now proposed, applicant's estimated capital structure as of December 31, 1961, would be as follows:

Promissory note 4.20%, due 1952-82	\$ 814,450		
Promissory note 4.35%, due 1982	<u>985,550</u>		
		\$1,800,000	36.1%
Preferred stock 5-1/4%		314,900	6.3
Common stock		2,337,800	46.9
Surplus		<u>533,000</u>	<u>10.7</u>
Total		<u>\$4,985,700</u>	<u>100.0%</u>

Applicant estimates that the annual cost of carrying this financial structure would be \$212,800 including dividends on the common shares. In the past five years, applicant paid dividends at the rate of 7.5% in 1956, 8.3% in 1957 and 1958, 7.5% in 1959 and 7.9% in 1960. The book value of its outstanding common shares, on the basis of its balance sheet of April 30, 1961, was approximately \$7.20 a share.

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 and sale of stock, under the proposed terms, is for proper purposes 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 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 43,750 shares of its common stock, on or before December 31, 1962, under the terms set forth in the preceding opinion, at not less than \$8 a share and may 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 shall become effective on the date hereof.

Dated at San Francisco, California,
this 18th day of July, 1961.

Everett W. Page
President

W. E. Mitchell

E. J. Fox

George G. Hoover

Frederick B. Holcomb
Commissioners