

Decision No. 24324.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
WILLIAM B. DECARTERET,
doing business under the fictitious
name and style of Exeter Telephone
and Telegraph Company, for authority
to sell his telephone property and to
retire from the telephone business,
and Exeter Telephone Company, Ltd., a
corporation, for authority to pur-
chase said property and to enter and
engage in the telephone business in
the territory involved, also to issue
and sell and/or issue and exchange
common stock for the purpose of acquir-
ing said properties.

ORIGINAL

Application No. 17777

Ernest Irwin, for applicants.

BY THE COMMISSION:

O P I N I O N

William B. DeCarteret, doing business under the firm name and style of Exeter Telephone and Telegraph Company, asks permission to transfer his telephone properties to Exeter Telephone Company, Ltd., and upon the transfer of the properties, to retire from the telephone business in Exeter and vicinity.

Exeter Telephone Company, Ltd. asks for a certificate of public convenience and necessity to enter the territory now supplied with telephone service by William B. DeCarteret, and for permission to acquire the properties and to issue in payment \$70,000.00 of stock or such other amount as the Commission may deem reasonable.

William B. DeCarteret owns and operates the telephone exchange at Exeter. In general, his telephone properties consist of a piece of real property, 125 by 150 feet, located in Exeter, the telephone building located thereon, and one central office two section common battery Kellogg switchboard equipped with three hundred lines and some six hundred and twenty working stations. The overhead system, according to the 1930 annual report to the Commission, includes seventy-one miles of pole lines, one and one-fourth miles of cable and more than three hundred miles of wire. Toll connections are made with The Pacific Telephone and Telegraph Company at Visalia.

The records of the Commission show that Mr. DeCarteret acquired the telephone properties from J. G. Kirkman in 1922 for the sum of \$28,000.00. Since then he has reported an expenditure of \$42,149.93 for additions and betterments. In Exhibit "B" he shows his telephone assets and liabilities as of October 31, 1931, as follows:

ASSETS:

Plant and equipment	\$70,149.93
Cash	1,170.34
Due from subscribers and agents	464.19
Materials and supplies	225.00
TOTAL.....	<u>\$72,009.46</u>

LIABILITIES:

Owner's investment account	\$72,009.46
----------------------------------	-------------

No deductions were made by him on account of accrued depreciation.

The revenues and expenses from the operation of the plant have been reported for the calendar years 1929 and 1930 and the

first ten months of 1931 as follows:

I T E M	1929	1930	1931 Ten Mos.
Operating revenues.....	\$19,824.00	\$ 19,774.00	\$ 16,809.00
Operating expenses:			
(Excluding depreciation)	13,602.00	16,729.00	11,868.00
Net operating revenues.	6,222.00	3,045.00	4,941.00
Taxes	398.00	1,000.00	1,106.00
Operating income	5,824.00	2,045.00	3,835.00
Miscellaneous income.....	390.00	360.00	300.00
Gross income	5,714.00	2,405.00	4,135.00
Interest, etc.	59.00	49.00	-
Balance	\$5,855.00	\$2,356.00	\$4,135.00

It appears that Mr. DeCarteret has concluded that his telephone business can be conducted better by a corporate organization than by himself. He therefore has caused the formation of Exeter Telephone Company, Ltd. for the purpose of acquiring his telephone plant and thereafter operating it. It is of record that Mr. DeCarteret will own all the stock the corporation is authorized to issue. No change in the actual management of the properties will result from the transfer.

The contract and agreement for the transfer of the properties, dated October 16, 1931, is filed as Exhibit "C". The instrument shows that Mr. DeCarteret has agreed to accept \$70,000.00 of stock of the corporation or such other amount as may be authorized by the Commission in payment for his telephone properties and business. The properties and business will be transferred free and clear of all indebtedness.

The testimony shows that from \$10,000.00 to \$20,000.00 will have to be expended during 1932 in relocating some of applicant's telephone lines and enlarging the telephone facilities. It is felt that this reconstruction should be undertaken by the corporation. The money necessary to pay for the same will be provided by Mr. DeCarteret. Upon the completion of the reconstruction it is proposed to make an inventory and appraisal of the telephone properties and submit the same to the Commission as part of the record in this

proceeding. In the meantime, to effect the transfer of the properties the corporation asks permission to issue some stock. In the absence of definite information as to the value of the properties and of the amount of the reconstruction work, we do not believe that we should at this time permit the issue of more than \$30,000.00 of stock. Consideration will be given to the issue of additional stock when we have been furnished with a copy of the inventory and appraisal of the properties.

O R D E R

Application having been made to the Railroad Commission for an order authorizing the transfer of properties and the issue of stock, a public hearing having been held before Examiner Fankhauser and the Commission being of the opinion that the issue of \$30,000.00 of stock by Exeter Telephone Company, Ltd. is reasonably required at this time for the purpose specified herein, which purpose is not in whole or in part reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED as follows:

1. William B. DeCarteret may sell and transfer on or before January 31, 1932 his telephone properties and telephone business located in Exeter and surrounding territory, to Exeter Telephone Company, Ltd., which properties are more particularly described in Exhibits "D" and "E" filed in this proceeding.
2. William B. DeCarteret, upon the sale and transfer of his telephone properties and telephone business and the assumption of his public utility obligations by Exeter Telephone Com-

pany, Ltd., may retire from the telephone business in and around Exeter.

3. Exeter Telephone Company, Ltd. may purchase the aforesaid telephone properties and telephone business of William B. DeCarteret and enter into the territory now served by said William B. DeCarteret and render telephone service therein.
4. Exeter Telephone Company, Ltd. may issue at not less than par, on or before January 31, 1932, not exceeding \$30,000.00 par value of stock in part payment for the aforesaid telephone properties and telephone business of William B. DeCarteret, provided it acquire the same free and clear of all indebtedness, except current liabilities arising from the operation of the telephone properties, which current liabilities it may assume.
5. The authority herein granted is subject to the following conditions:
 - (a) The Commission reserves the right to make such other and further order as it may deem necessary with respect to the amounts to be charged by the purchaser to its plant and equipment accounts upon acquiring the properties herein authorized to be transferred.
 - (b) Exeter Telephone Company, Ltd. shall keep such record of the issue of the stock herein authorized as will enable it to file within thirty (30) days thereafter a verified report, as required by the Railroad Commission's General Order No. 24, which order insofar as applicable, is made a part of this order.
 - (c) Exeter Telephone Company, Ltd. shall, within thirty (30) days after acquiring the aforesaid properties and business file with the Commission a certified copy of each and every instrument under

which it acquires and holds title to said properties and business.

- (d) The authority herein granted shall become effective upon the date hereof.

DATED at San Francisco, California, this 21st day of

December, 1931.

W. L. Jewett
Leon Whitely
M. A. Kim
M. B. Harris
Frederic G. Stewart
Commissioners.