

Decision No. 25229.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
ASSOCIATED TELEPHONE COMPANY, LTD.,)
a corporation, for an order authoriz-)
ing the purchase of capital stock of)
Fowler Independent Telephone Company,)
Lindsay Home Telephone and Telegraph)
Company, Magnolia Farmers Telephone)
Company and Reedley Telephone Company.)

ORIGINAL

Application No. 18396

Ernest Irwin and C. F. Mason,
for applicants

BY THE COMMISSION:

O P I N I O N

In this application Associated Telephone Company, Ltd. asks permission to acquire all the outstanding capital stock of the Fowler Independent Telephone Company, Lindsay Home Telephone and Telegraph Company, Magnolia Farmers Telephone Company and Reedley Telephone Company.

It is of record that the Fowler Independent Telephone Company is a corporation duly organized and existing under and by virtue of the laws of the State of California, and that it owns and operates a telephone system in the City of Fowler, Fresno County and territory contiguous thereto; that the Lindsay Home Telephone and Telegraph Company is a corporation duly organized and existing under and by virtue of the laws of the State of California and that it owns and operates a telephone system in the City of Lindsay, Tulare County, and territory contiguous thereto; that Magnolia Farmers Telephone Company is a corporation duly organized

and existing under and by virtue of the laws of the State of California, and that it owns and operates a telephone system in the unincorporated town of Strathmore, Tulare County, and territory contiguous thereto; and that the Reedley Telephone Company is a corporation duly organized and existing under and by virtue of the laws of the State of California and that it owns and operates a telephone system in the City of Reedley, Fresno County, and in territory contiguous thereto in the Counties of Fresno and Tulare.

The testimony shows that the Lindsay/^{Home}Telephone and Telegraph Company has outstanding \$25,000.00 par value of common capital stock; the Fowler Independent Telephone Company \$8,310.00 par value; the Magnolia Farmers Telephone Company \$4,800.00; and the Reedley Telephone Company \$14,210.00. All of this outstanding stock, except eight shares of the Fowler Independent Telephone Company and twenty shares of the Reedley Telephone Company are owned by the Associated Telephone Utilities Company, which, through stock ownership, controls Associated Telephone Company, Ltd. The Associated Telephone Company, Ltd. asks permission to acquire not only the stock of the several companies owned by the Associated Telephone Utilities Company, but also the stock owned by others, if it can acquire the same at a reasonable price.

In Exhibit No. 3 the earnings of the Fowler Independent Telephone Company, Lindsay Home Telephone and Telegraph Company, Magnolia Farmers Telephone Company and Reedley Telephone Company are, for the years 1929, 1930, and 1931, reported as follows:-

	: 1929	: 1930	: 1931
<u>OPERATING REVENUES:</u>			
Exchange service	\$51,555.58:	\$57,895.01:	\$57,101.36
Toll service	17,134.60:	17,797.33:	18,417.63
Miscellaneous oper. revenue..:	2,294.80:	2,149.18:	968.75
Total operating revenues :	<u>\$70,984.98:</u>	<u>77,831.52:</u>	<u>\$76,487.74</u>
<u>OPERATING EXPENSES:</u>			
Maintenance(Except depre'n	:\$11,020.14:	\$12,729.58:	\$ 9,288.85
Traffic	16,062.84:	17,385.34:	15,841.28
General and miscellaneous...:	16,611.09:	17,506.18:	19,151.67
Total above items.....:	<u>\$43,694.07:</u>	<u>\$47,621.10:</u>	<u>\$44,281.80</u>
Taxes	3,420.01:	3,999.33:	4,340.28
Total operating expenses :	<u>\$47,114.08:</u>	<u>\$51,620.43:</u>	<u>\$48,622.08</u>
<u>NET OPERATING REVENUE(Before</u>			
depreciation)	23,870.90:	26,211.09:	27,865.66
Depreciation.....:	3,569.64:	7,768.85:	7,800.00
<u>NET OPERATING REVENUE(After de-</u>			
preciation)	<u>\$20,301.26:</u>	<u>\$18,442.24:</u>	<u>\$20,065.66</u>
Nonoperating revenue(Net)...	641.70:	395.00:	1,272.64
<u>GROSS INCOME</u>			
	<u>\$20,942.96:</u>	<u>\$18,837.24:</u>	<u>\$21,338.30</u>
<u>DEDUCTIONS FROM GROSS INCOME:</u>			
<u>Interest deductions for</u>			
funded debt.....	1,911.25:	1,529.06:	1,230.49
Other interest deductions...	1,959.90:	1,693.23:	1,522.33
Amortization of debt discount			
and expense.....:	-:	-:	47.59
TOTAL DEDUCTIONS.....:	<u>3,871.15:</u>	<u>3,222.29:</u>	<u>2,800.41</u>
<u>NET INCOME CARRIED TO SURPLUS :</u>			
	<u>\$17,071.81:</u>	<u>\$15,604.95:</u>	<u>\$18,537.89</u>

The Associated Telephone Company, Ltd. proposes to pay about \$285,000.00 for the stock of the four companies. The Associated Telephone Utilities Company is now indebted to applicant in the amount of approximately \$300,000. Through the transfer of the stock of the four companies, this indebtedness will be reduced by the amount which Associated Telephone Company, Ltd. will pay for the stock.

This application is the first step in transferring the properties of the four companies to Associated Telephone Company, Ltd. It appears that an application to transfer the properties will be filed as soon as an appraisal of the properties is completed.

The Associated Telephone Company, Ltd. agrees for itself, its successors and assigns that the price to be paid by it for the shares of stock referred to, will not be urged by it before the Railroad Commission of the State of California as determining the value of the properties of the four companies ~~and~~ for the purpose of fixing rates or for any other purpose.

This proceeding does not involve the transfer of any properties or the issue of any securities. If the several companies hereafter ask permission to sell their properties to the Associated Telephone Company, Ltd. the Commission may at that time determine how much the purchaser may charge to fixed capital accounts. If this amount, minus accrued depreciation, is less than the price which the company is paying for the stock, it may be required to charge the difference to surplus.

O R D E R

Associated Telephone Company, Ltd. having asked permission to acquire the outstanding stock of Fowler Independent Telephone Company, Lindsay Home Telephone and Telegraph Company, Magnolia Farmers Telephone Company and Reedley Telephone Company, a public hearing having been held before Examiner Fankhauser, the Commission having considered the evidence submitted and being of the opinion that this application should be granted, therefore,

IT IS HEREBY ORDERED, that the Associated Telephone Company, Ltd. may acquire all of the outstanding stock of Fowler Independent Telephone Company, Lindsay Home Telephone and Telegraph

Company, Magnolia Farmers Telephone Company and Reedley Telephone Company, provided that the price which it pays for such stock shall not be urged before this Commission as determining the value of the properties of said companies for the purpose of fixing rates, issuing securities or determining the amount that may be charged to fixed capital accounts in the event Associated Telephone Company, Ltd. acquires the properties of said companies.

DATED at San Francisco, California, this 3^d day of October, 1932.

C. L. Deane
Leon A. Whalley
M. A. Cox
M. B. Lewis
Fred G. Stewart
Commissioners.