

Decision No. 18580.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of
MAGNOLIA FARMERS TELEPHONE COMPANY
for an order authorizing an adjust-
ment in its rates for service.

Application No. 18580.

ORIGINAL

In the Matter of the Application of
ASSOCIATED TELEPHONE COMPANY, LTD.,
LINDSAY HOME TELEPHONE AND TELEGRAPH
COMPANY and MAGNOLIA FARMERS TELE-
PHONE COMPANY for an order of the
Commission (a) authorizing Associated
Telephone Company, Ltd. to sell and
Lindsay Home Telephone and Telegraph
Company to acquire all the outstanding
capital stock of Magnolia Farmers
Telephone Company; (b) authorizing
Magnolia Farmers Telephone Company
to transfer and convey all its prop-
erty to Lindsay Home Telephone and
Telegraph Company and to cease public
utility operations; (c) authorizing
Lindsay Home Telephone and Telegraph
Company to enter and engage in the
telephone business in the territory
affected; (d) authorizing Lindsay
Home Telephone and Telegraph Company
to issue common stock and authorizing
Associated Telephone Company, Ltd. to
acquire and hold the same.

Application No. 18769.

C. F. Mason and Ernest Irwin,
for applicants.

BY THE COMMISSION:

O P I N I O N

In Application No. 18580 the Railroad Commission is asked
to authorize Magnolia Farmers Telephone Company to file and
make effective certain adjustments in rates for suburban tele-
phone service.

In Application No. 18769 the Commission is asked to authorize the transfer of the stock and properties of Magnolia Farmers Telephone Company to Lindsay Home Telephone and Telegraph Company, the issue by Lindsay Home Telephone and Telegraph Company of \$23,500. of common stock and the acquisition of such stock by Associated Telephone Company, Ltd.

A public hearing on the two applications was held before Examiner Fry at Lindsay on April 19, 1933, at which time the matters were consolidated for the purpose of receiving evidence and for decision.

The applications show that Magnolia Farmers Telephone Company, hereinafter sometimes referred to as Magnolia Company, is a corporation duly organized and existing under the laws of the State of California and engaged in owning and operating a telephone system in and about the unincorporated town of Strathmore, Tulare County, and that Lindsay Home Telephone and Telegraph Company, hereinafter sometimes referred to as Lindsay Company, is also a corporation duly organized and existing under the laws of the State of California engaged in owning and operating a telephone system in and about the City of Lindsay, Tulare County. It appears that both corporations are controlled through stock ownership by Associated Telephone Company, Ltd. which acquired all of the outstanding shares of their stock under authority granted by the Commission by Decision No. 25229 dated October 3, 1932.

The evidence received, which particularly applies in Application No. 18580, shows that the Magnolia Company operates no central office, as the switching of its lines is performed

in the Lindsay central office of the Lindsay Home Telephone and Telegraph Company. Ten-party suburban service only is furnished in the Magnolia Company's service territory. The present and proposed rate schedules for this service are shown in Exhibits "A" and "B," respectively, attached to the order herein. The present rates are made up of the station rate of the Magnolia Company and the switching charge of the Lindsay Company. The present Lindsay switching charge is 75¢ per month for business service and 50¢ per month for residence service. A discount of ten per cent of the station rate is allowed by the Magnolia Company if the total bill for exchange service is paid annually in advance during the first month of the year. The Lindsay Company, in its suburban territory, furnishes practically the same service but at the rates set forth in Exhibit "B" herein, and allows a discount of twenty-five cents if payment of the monthly bill for service is made on or before the tenth day of the current month. The Commission has received for filing a modified schedule extending the Lindsay discount period to fourteen days. The Magnolia Company proposes the same discount and discount period.

Mr. Irwin, for applicant, estimates that the amount of additional revenue which will be received on account of the proposed rate adjustment will be less than \$10.00 per month. The witness stated that the principal reason for the request for rate revision was to remove discrimination and not for the purpose of the revenue increase. No one appeared at the hearing to make objection to the adjustment of the Magnolia rates, and it would appear that this request should be granted.

In considering Application No. 18769 it seems that in order to simplify accounting and operating methods it has been decided by those in control of the affairs of applicants to merge

the properties of Magnolia Company and those of Lindsay Company under one ownership.

To effect this result, so the application shows, Associated Telephone Company, Ltd. will transfer to Lindsay Company all of the outstanding stock of Magnolia Company, consisting of 96 shares of the total par value of \$4,800., and thereafter Magnolia Company will transfer all of its properties, including plant, equipment, cash and other current assets, to Lindsay Company.

In consideration for the transfer of the stock and properties of Magnolia Company, the Lindsay Company plans to issue \$23,500.00 of its common capital stock and to assume the outstanding liabilities of the selling company. To support the proposed purchase price applicants have filed as Exhibit No. 2 an inventory and appraisal of the properties of Magnolia Company. This inventory and appraisal was prepared under the supervision of Ernest Irwin, General Commercial Supervisor of the Associated Telephone Company, Ltd. The exhibit shows the estimated historical reproduction cost of the physical properties of the Magnolia Company as of August 1, 1932 at \$27,870.62 segregated as follows:

Station apparatus	\$3,028.42
Station installations	888.97
Exchange pole lines	14,416.36
Exchange aerial wire.	9,164.81
Exchange underground conduits	<u>372.06</u>
TOTAL	\$27,870.62

He explained that in appraising the properties of the Magnolia Company they used the prices which had been approved by the Railroad Commission in connection with the property of the Lindsay Home Telephone and Telegraph Company in 1929.

Mr. Irwin also testified that the Chief Engineer of the Associated Telephone Company, Ltd. had examined the properties of

the Magnolia Company and had advised him that such properties were in approximately an 85 per cent condition. In addition to acquiring the physical properties of the Magnolia Company, the Lindsay Home Telephone and Telegraph Company will acquire the current assets of such company and assume that company's liabilities. The current assets as of January 1, 1933 are reported at \$2,350.62 and the current liabilities at \$1,595.55.

We have considered the testimony submitted in this proceeding and are of the opinion that the record warrants an issue of \$23,500 of common stock by the Lindsay Home Telephone and Telegraph Company in payment for the properties of the Magnolia Company. The order herein will so provide. We believe that the Lindsay Company in recording the purchase of the properties on its books of account should charge to its plant and equipment account not more than \$27,870.62, plus the cost of additions and betterments since August 1, 1932 to the date of the transfer of said properties and that it should credit to its depreciation reserve the difference between such charge to plant and equipment accounts plus the amount of current assets acquired and the par value of stock issued and the amount of liabilities assumed.

O R D E R

The Railroad Commission having been asked to make its orders authorizing Magnolia Farmers Telephone Company to adjust rates and to transfer properties, authorizing Lindsay Home Telephone and Telegraph Company to acquire the stock and properties of Magnolia Farmers Telephone Company and to issue

\$23,500. of stock, and authorizing Associated Telephone Company, Ltd., to acquire the \$23,500. of stock, a public hearing having been held, and the Commission being of the opinion that the applications should be granted, as herein provided, that the rates shown in Exhibit "B" are just and reasonable rates, and that the money, property or labor to be procured or paid for by the issue of the stock is reasonably required 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. Magnolia Farmers Telephone Company may make effective the rates for telephone service as set forth in Exhibit "B" attached hereto.
2. Lindsay Home Telephone and Telegraph Company on acquiring the property of Magnolia Farmers Telephone Company may make effective in the present service area of Magnolia Farmers Telephone Company the rates set forth in Exhibit "B" attached hereto.
3. Lindsay Home Telephone and Telegraph Company may acquire and hold the outstanding stock of the total par value of \$4,800. of Magnolia Farmers Telephone Company.
4. Magnolia Farmers Telephone Company may transfer and convey all of its property to Lindsay Home Telephone and Telegraph Company, and upon the acquisition and operation by Lindsay Home Telephone and Telegraph Company, may cease its public utility operations.
5. Lindsay Home Telephone and Telegraph Company may issue not exceeding \$23,500. of its common capital stock in part payment for the stock and/or properties of Magnolia Farmers Telephone Company, and upon acquiring such properties may enter into

and furnish telephone service in the territory now served by Magnolia Farmers Telephone Company.

6. Associated Telephone Company, Ltd. may acquire and hold the \$23,500. of stock to be issued by Lindsay Home Telephone and Telegraph Company.

7. The authority herein granted is subject to the following conditions:

- (a) The consideration which Lindsay Home Telephone and Telegraph Company may pay for the properties of Magnolia Farmers Telephone Company, shall not hereafter be urged before this Commission, or other court or public body having jurisdiction, as determining the value of said properties for the purpose of fixing rates.
- (b) Within sixty (60) days after the transfer of the properties, as herein authorized, Lindsay Home Telephone and Telegraph Company shall file with the Commission a copy of the journal entries used to record the purchase of the properties of Magnolia Farmers Telephone Company on its books of account and the distribution to primary accounts, and a report of the issue of the stock such as is required by the Railroad Commission's General Order No. 24, which order, insofar as applicable, is made a part of this order.
- (c) Magnolia Farmers Telephone Company shall file with the Commission a report covering its operations from January 1, 1933 down to the date of transfer of its properties as authorized herein, such report to be prepared on the regular annual report forms prescribed and furnished by the Commission.
- (d) The authority herein granted shall become effective from and after twenty (20) days from the date hereof. Under such authority no transfer of property nor issue of stock may be made after July 31, 1933.

Dated at San Francisco, California, this 8th day of May, 1933.

Clarence
Leon O'Brien
W. H. Carr
W. B. Hanna
W. B. Hanna
Commissioners.

EXHIBITS "A" AND "B."

EXHIBIT "A"

MAGNOLIA FARMERS TELEPHONE COMPANY

EXCHANGE SERVICE - SCHEDULE NO. A-1

SUBURBAN SERVICE:

Applicable to ten-party business and residence service furnished throughout the entire territory served.

RATE:

	<u>Rate per Month per Station</u>	
	<u>Wall Set</u>	<u>Desk Set</u>
(a) Station Rate:		
Business service	\$ 2.00	\$ 2.25
Residence service	1.50	1.75
(b) Switching Rate:		

This rate is the Lindsay Home Telephone and Telegraph Company's switching rate in effect in its Lindsay Exchange.

CONDITIONS:

- (1) The total charge will be the sum of charges resulting from the application of the above rates (a) and (b).
- (2) The subscriber will be allowed a discount of 10 per cent on the station rate under (a) if the total bill for exchange service is paid in the first month of the year in advance for one year.

EXHIBIT "B"

MAGNOLIA FARMERS TELEPHONE COMPANY

EXCHANGE SERVICE - SCHEDULE NO.

SUBURBAN SERVICE

SERVICE:

Applicable to suburban Ten-Party Line flat rate service furnished in the entire territory served.

RATE:

	<u>Rate per Month per Station</u>	
	<u>Business Service</u>	<u>Residence Service</u>
Each Ten-Party Line Desk Set Station	\$3.00	\$2.50
Each Wall Set Station - Desk Set Station rate less \$0.25 per month		
Each Hand Set Station - Desk Set Station rate plus \$0.25 per month		

CONDITIONS:

A discount of twenty-five cents will be allowed on each of the above rates if payment of the entire bill for service is made within fourteen days from date of presentation.