

Decision No. 28399

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 ASSOCIATED TELEPHONE COMPANY, LTD., SAN )  
 JOAQUIN ASSOCIATED TELEPHONE COMPANY, )  
 FOWLER INDEPENDENT TELEPHONE COMPANY, )  
 LINDSAY HOME TELEPHONE AND TELEGRAPH )  
 COMPANY and REEDLEY TELEPHONE COMPANY, )  
 for an order of the Commission(a) author- )  
 izing Associated Telephone Company, Ltd. )  
 to transfer and San Joaquin Associated )  
 Telephone Company to acquire all the out- )  
 standing capital stock of Fowler Independ- )  
 ent Telephone Company, Lindsay Home Tel- )  
 ephone and Telegraph Company and Reedley )  
 Telephone Company; (b) authorizing Fowler )  
 Independent Telephone Company, Lindsay )  
 Home Telephone and Telegraph Company and )  
 Reedley Telephone Company to transfer )  
 and convey all of their respective pro- )  
 perties and assets to San Joaquin Asso- )  
 ciated Telephone Company and to cease )  
 public utility operations; (c) authoriz- )  
 ing San Joaquin Associated Telephone Com- )  
 pany to enter and engage in the telephone )  
 business in the territories affected;(d) )  
 authorizing San Joaquin Associated Tele- )  
 phone Company to issue common stock for )  
 the purpose of acquiring the stock and )  
 properties of said other applicants and )  
 to assume the liabilities of said other )  
 corporations existing at the date of their )  
 acquisition, and authorizing Associated )  
 Telephone Company, Ltd. to acquire and )  
 hold the stock thus issued. )

ORIGINAL

Application No. 20839

Ernest Irwin and E.H.Cheadle, for applicants.  
C. D. Simonian, a subscriber, for himself.

BY THE COMMISSION:

O P I N I O N

In this proceeding the Railroad Commission is asked to enter its order authorizing:(1) Associated Telephone Company, Ltd. to transfer and San Joaquin Associated Telephone Company to acquire all the outstanding stocks of Fowler Independent Telephone Company, Lindsay Home Telephone and Telegraph Company and Reedley Telephone Company; and (2) Fowler Independent Telephone Company, Lindsay Home Telephone and Telegraph Company and Reedley Telephone Company to convey, transfer and assign all their properties to San Joaquin Associated Telephone

Company and to cease public utility operations; and (3) San Joaquin Associated Telephone Company to issue in payment for the stock and properties of Fowler Independent Telephone Company, Lindsay Home Telephone and Telegraph Company and Reedley Telephone Company, 8,000 shares of no par value common capital stock and assume all liabilities of said companies and furnish telephone service in the territories now served by said companies; and (4) Associated Telephone Company, Ltd. to acquire and hold the stock of San Joaquin Associated Telephone Company.

Fowler Independent Telephone Company is a corporation organized and existing under and by virtue of the laws of the State of California. It owns and operates a telephone system furnishing service to 324 company owned telephone stations in the City of Fowler, Fresno County, and territory contiguous to said city. For the 12 months ending September 30, 1936 it reports operating revenues of \$10,615.96.

Lindsay Home Telephone and Telegraph Company is a corporation organized and existing under and by virtue of the laws of the State of California. It owns and operates a telephone system furnishing telephone service to 1024 company owned stations and 12 switched stations in the City of Lindsay, Tulare County, and territory contiguous to said city. For the year ending September 30, 1936 this company reports operating revenues of \$38,248.31.

Reedley Telephone Company is a corporation duly organized and existing under and by virtue of the laws of the State of California. It owns and operates a telephone system furnishing telephone service to 488 company owned telephone stations and 248 switched telephone stations, or a total of 736 telephone stations in the City of Reedley, Fresno County, and territory contiguous to said city, in Fresno and Tulare Counties. For the year ending September 30, 1936 this company reports operating revenues of \$22,740.52.

The three companies for the year ending September 30, 1936 had operating revenues of \$71,604.79. The operating expenses are reported at \$53,060.71, leaving a net operating revenue of \$18,544.08. In addition, the companies had nonoperating revenues of \$366.35. It is of record that all the outstanding stocks of the three companies, with the exception of one share of stock of the Fowler Independent Telephone Company, is now owned and held by the Associated Telephone Company, Ltd. Negotiations are pending looking toward the purchase of the one share of stock of the Fowler Independent Telephone Company by Associated Telephone Company, Ltd. or its successor. The Associated Telephone Company, Ltd. owns and operates telephone systems in numerous cities and towns and in territories contiguous thereto, in the Counties of Los Angeles, Orange and San Bernardino.

The San Joaquin Associated Telephone Company, a new corporation, has been organized under the laws of California for the purpose of acquiring the stock and properties of Fowler Independent Telephone Company, Lindsay Home Telephone and Telegraph Company and Reedley Telephone Company, together with such other properties as it may from time to time acquire. It asks permission to issue in payment for the stock and properties of the three companies 8,000 shares of no par value common capital stock and to assume all of the liabilities, either actual or contingent, of said companies. Under applicants' program the Associated Telephone Company, Ltd. will transfer to San Joaquin Associated Telephone Company the outstanding stock of Fowler Independent Telephone Company, Lindsay Home Telephone and Telegraph Company and Reedley Telephone Company.

San Joaquin Associated Telephone Company will issue in payment for such stock 8,000 shares of its stock. Thereafter the three corporations will transfer, convey and assign all of their properties to

San Joaquin Associated Telephone Company subject to their liabilities which will be assumed by the San Joaquin Associated Telephone Company.

The assets and liabilities of the selling companies are as of September 30, 1936 reported as follows:-

ASSETS:

Telephone plant and other properties . . . . .	\$ 269,822.89
Cash . . . . .	66,428.80
Accounts receivable . . . . .	6,751.35
Materials and supplies . . . . .	3,534.62
Other current assets . . . . .	2,603.03
Deferred debits . . . . .	670.08
Total.....	<u>\$ 349,810.77</u>

LIABILITIES:

Capital stock . . . . .	\$ 71,020.00
Funded debt . . . . .	15,200.00
Accounts payable . . . . .	4,980.59
Service in advance . . . . .	2,339.60
Accruals . . . . .	4,003.09
Other current liabilities . . . . .	56.60
Reserve for depreciation . . . . .	124,393.95
Deferred credits . . . . .	3,592.37
Donations . . . . .	1,488.23
Surplus . . . . .	122,736.34
Total .....	<u>\$349,810.77</u>

It is of record that since September 30th the \$15,200. of funded debt has been paid and \$12,542. of dividends declared.

In Exhibits C, D and E the historical cost of the properties as of May 1, 1936 of the vendor companies is reported as follows:-

Fowler Independent Telephone Company .....	\$ 44,209.97
Lindsay Home Telephone and Telegraph Company .....	133,009.55
Reedley Telephone Company .....	94,755.11
Total.....	<u>\$ 271,974.63</u>

In Exhibit No. 1 the depreciation reserve applicable to the properties, calculated on a 5% sinking fund basis, is reported at \$99,310., while the depreciation reserve, calculated on a straight line basis, is reported at \$129,396. Witness for applicant takes the position that the depreciation reserve calculated on a sinking fund basis reflects the remaining value of the properties more nearly than does the reserve calculated on a straight line basis.

For the purpose of this proceeding we will accept the depreciation reserve calculated on a sinking fund basis. The depreciated cost of the properties plus the net current assets warrants the issue of 8,000 shares of stock.

C. D. Simonian, a subscriber with the Fowler Independent Telephone Company, appeared at the hearing and called the Commission's attention to the fact that some years ago he expended about \$200. for poles and wire in order to obtain telephone service at his residence a mile and a half from Fowler. He was interested to know whether the transfer of the properties of Fowler Independent Telephone Company to the San Joaquin Associated Telephone Company would in any way affect his interest in the line. It is not clear from the record whether the line is owned by the Fowler Independent Telephone Company or whether it is the property of C. D. Simonian. This issue cannot be determined in this proceeding. The authority herein granted to the Fowler Independent Telephone Company to transfer its properties to the San Joaquin Associated Telephone Company does not in any way adversely affect any rights that C. D. Simonian may have in the telephone line. Any liability that Fowler Independent Telephone Company may have incurred will be assumed by San Joaquin Associated Telephone Company.

It is of record that the San Joaquin Associated Telephone Company will continue in effect the rates, rules and regulations filed with the Commission by Fowler Independent Telephone Company, Lindsay Home Telephone and Telegraph Company and Reedley Telephone Company.

#### C R D E R

The Commission having been asked to enter its order, as indicated in the foregoing opinion, a public hearing having been held before Examiner Fankhauser and the Commission being of the opinion that the money, property or labor to be procured or paid for by the issue

of 8,000 shares of no par value common capital stock by the San Joaquin Associated Telephone Company is reasonably required by that company for the purposes herein stated, and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income, and that this application should be granted, as herein provided, therefore,

IT IS HEREBY ORDERED as follows:-

1. Associated Telephone Company, Ltd. may, on or before March 1, 1937, transfer to San Joaquin Associated Telephone Company, all of the outstanding stocks of Fowler Independent Telephone Company, Lindsay Home Telephone and Telegraph Company and Reedley Telephone Company, which stocks San Joaquin Associated Telephone Company is hereby authorized to acquire and hold.

2. Fowler Independent Telephone Company, Lindsay Home Telephone and Telegraph Company and Reedley Telephone Company may, on or before March 1, 1937, transfer, convey and assign all of their respective properties to the San Joaquin Associated Telephone Company and may upon the transfer, conveyance and assignment of said properties, cease public utility operations.

3. San Joaquin Associated Telephone Company may, on or before March 1, 1937, purchase all of the respective properties of the Fowler Independent Telephone Company, Lindsay Home Telephone and Telegraph Company and Reedley Telephone Company and enter and furnish telephone service in the territories involved. If it purchases said properties it shall assume the liabilities, both actual and contingent, of said companies, and may in addition to assuming said liabilities, issue in payment for the stocks of the respective companies or for their properties, 8,000 shares of no par value common capital stock.

4. Associated Telephone Company, Ltd. may, on or before March 1, 1937, acquire or hold the said 8,000 shares of stock of the San Joa-

quin Associated Telephone Company.

5. Within thirty(30) days after the acquisition of the aforesaid properties by the San Joaquin Associated Telephone Company, said San Joaquin Associated Telephone Company shall file with the Railroad Commission a certified copy of each deed, bill of sale or other instrument of conveyance under which it acquires and holds title to the properties of the several companies.

6. San Joaquin Associated Telephone Company shall keep such record of the issue, sale and delivery of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the 25th day of each month a verified report, as required by the Railroad Commission's General Order No. 24-A, which order insofar as applicable, is made a part of this order.

DATED at San Francisco, California, this 21st day of December, 1936.

M. B. Davis  
Leon Anderson  
William H. ...

Commissioners.