

Decision No. 32487

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
CONSOLIDATED TELEPHONE COMPANY

and

DOWNEY HOME TELEPHONE & TELEGRAPH  
COMPANY,

for an order of the Railroad Commission of the State of California (a) authorizing Consolidated Telephone Company to acquire all the outstanding capital stock of Downey Home Telephone & Telegraph Company; (b) authorizing Consolidated Telephone Company to issue 2802 shares of its common stock for the purpose of acquiring all of the outstanding capital stock of Downey Home Telephone & Telegraph Company; (c) authorizing Downey Home Telephone & Telegraph Company to transfer and convey all of its properties and assets to Consolidated Telephone Company and to cease public utility operations; (d) authorizing Consolidated Telephone Company to acquire all of the properties and assets of Downey Home Telephone & Telegraph Company and to assume all liabilities of said Downey Home Telephone & Telegraph Company existing at the date of such acquisition; (e) authorizing Consolidated Telephone Company to enter and engage in the telephone business in the territory now served by Downey Home Telephone & Telegraph Company.

Application No.

23038

Miller & Kepple by Gerald C. Kepple  
for applicants.

BY THE COMMISSION:

O P I N I O N

This application, in brief, involves the consolidation and merging of the properties of Consolidated Telephone Company, formerly Whittier Home Telephone and Telegraph Company, and Downey Home Telephone & Telegraph Company. The manner in which this is to be effected

will appear hereafter.

The Consolidated Telephone Company, formerly Whittier 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 has its principal place of business in the City of Whittier, California. It now owns and operates a telephone system serving the City of Whittier and territory adjacent thereto, including the City of La Habra and portions of Los Angeles and Orange Counties.

The Downey Home Telephone & Telegraph Company is a corporation duly organized and existing under and by virtue of the laws of the State of California and has its principal place of business in the unincorporated village of Downey, California. The company owns and operates a telephone system serving said village of Downey and territory adjacent thereto, including the communities of Norwalk, Artesia and Bellflower, all in Los Angeles County, California.

The following statement shows the assets and liabilities of the two companies as of August 1, 1939.

<u>Item</u>	<u>Consolidated Telephone Company</u>	<u>Downey Home Tel. &amp; Tel. Company</u>
<u>INVESTMENTS:</u>		
Telephone plant in service	\$1,083,521.64	\$461,877.57
Telephone plant under construction	28,149.76	2,950.07
Miscellaneous physical property (non-operative real estate)	<u>3,000.00</u>	<u>2,500.00</u>
Total Investments	<u>\$1,114,671.40</u>	<u>\$467,327.64</u>

<u>Item</u>	Consolidated Telephone Company	Downey Home Tel. & Tel. Company
(Forward - Total Investments)	<u>\$1,114,671.40</u>	<u>\$467,327.64</u>
<u>CURRENT ASSETS:</u>		
Cash	\$ 1,978.99	\$ 1,413.03
Working funds	300.00	50.00
Tolls not billed	11,478.02	7,226.95
Due from customers and agents	4,185.07	11,333.57
Accounts receivable from affiliated companies	3,248.36	-
Other accounts receivable	1,833.15	214.96
Materials and supplies	<u>31,050.02</u>	<u>3,391.53</u>
Total Current Assets	<u>\$ 54,073.61</u>	<u>\$ 23,630.04</u>
<u>PREPAID ACCOUNTS AND DEFERRED CHARGES:</u>		
Prepaid rents	\$ 1,434.65	\$ 1,305.10
Prepaid insurance	516.80	225.29
Discount on capital stock	15,000.00	6,325.00
Other deferred charges	<u>6,807.76</u>	<u>-</u>
Total Prepaid Accounts and Deferred Charges	<u>\$ 23,759.21</u>	<u>\$ 7,855.39</u>
<u>TOTAL ASSETS</u>	<u>\$1,192,504.22</u>	<u>\$498,813.07</u>
<u>STOCK:</u>		
Capital stock	<u>\$ 550,700.00</u>	<u>\$216,500.00</u>
<u>LONG TERM DEBT:</u>		
Other Long-term debt, cash advances	<u>\$ 55,752.50</u>	<u>\$ 81,200.00</u>
<u>CURRENT LIABILITIES:</u>		
Accounts payable to affiliated co's.	\$ -	\$ 3,248.36
Other accounts payable	54,440.18	13,667.05
Customers Deposits	150.00	-
Advance billing and payments	301.90	114.85
Other current liabilities	<u>523.23</u>	<u>383.68</u>
Total Current Liabilities	<u>\$ 55,415.31</u>	<u>\$ 17,413.94</u>
<u>ACCRUED LIABILITIES NOT DUE:</u>		
Taxes accrued	\$ 16,848.58	\$ 9,367.01
Unmatured interest, accrued	<u>369.43</u>	<u>473.67</u>
Total Accrued Liab's. Not Due	<u>\$ 17,218.01</u>	<u>\$ 9,840.68</u>
<u>DEFERRED CREDITS &amp; RESERVES:</u>		
Depreciation Reserve	\$ 390,443.88	\$101,899.52
Other deferred credits	76.00	1,930.12
Total Deferred Credits & Reserves	<u>\$ 390,519.88</u>	<u>\$103,829.64</u>
Contributions of Telephone Plant	<u>\$ 14,305.08</u>	<u>\$ 4,043.08</u>
Unappropriated Surplus	<u>\$ 108,593.44</u>	<u>\$ 65,985.73</u>
<u>TOTAL LIABILITIES AND CAPITAL</u>	<u>\$1,192,504.22</u>	<u>\$498,813.07</u>

The preceding balance sheets show that the Consolidated Telephone Company has \$550,700. of common stock and the Downey Home Telephone & Telegraph Company \$216,500. of common stock outstanding. The shares of stock of each company have a par value of \$100.00 per share.

The outstanding stock of the Downey Home Telephone & Telegraph Company is owned by the following parties:

A. Wardman	999 Shares
Arthur L. Darby	58 $\frac{1}{2}$ "
Bonnie Wardman	20 $\frac{1}{2}$ "
Orin Gallup	2 $\frac{1}{2}$ "
Irving Wardman	1,082 $\frac{3}{4}$ Shares
Lizzie J. Gallup	2 $\frac{1}{2}$ "

The stockholders of the Downey Home Telephone & Telegraph Company are also stockholders of the Consolidated Telephone Company and, as a matter of fact, through stock ownership, control that company.

The Consolidated Telephone Company has an authorized stock issue of \$3,000,000. divided into 20,000 shares of common stock of the par value of \$100. each and 10,000 shares of preferred stock of the par value of \$100. each. None of the preferred stock is outstanding. As stated, \$550,700. of the common stock of the company is outstanding.

To effect the consolidation and merger of the properties of the two companies, Consolidated Telephone Company asks permission to issue 2,802 shares of its common capital stock to the present holders of the outstanding capital stock of the Downey Home Telephone & Telegraph Company, in the proportion which the stock of the Downey Home Telephone & Telegraph Company now held by each of them bears to the total outstanding capital stock of said Downey Home Telephone & Telegraph Company. After the issue and exchange of said stock, it is proposed that the Downey Home Telephone & Telegraph Company will convey,

transfer and assign all of its respective properties, franchises, permits and rights of every character to Consolidated Telephone Company and to cease public utility operations. The Consolidated Telephone Company asks permission to acquire all of the outstanding stock of the Downey Home Telephone & Telegraph Company and all of its properties, franchises, permits and rights of every character and to assume the liabilities of the Downey Home Telephone & Telegraph Company and to enter and furnish telephone service in the territory now served by Downey Home Telephone & Telegraph Company.

It appears from applicants' petition that the territories served by both companies require additional plant facilities. It is believed that the consolidation of the properties will simplify the matter of raising funds to pay the present indebtedness of the companies and the construction of additions and betterments to the plants of each company. The two companies serve contiguous territories and, are under the same management.

#### O R D E R

The Commission having been asked to enter its order authorizing Consolidated Telephone Company to acquire all of the outstanding capital stock of Downey Home Telephone & Telegraph Company through the issue of 2,802 shares of its common capital stock; to authorize Downey Home Telephone & Telegraph Company to transfer and convey all of its properties and assets to Consolidated Telephone Company and cease public utility operations; and to authorize Consolidated Telephone Company to acquire all of the properties and assets of Downey Home Telephone & Telegraph Company, to assume all of its liabilities existing at the date of such acquisition and to enter into and engage in the telephone business in the territory now served by the Downey

Home Telephone & Telegraph Company; and, the Commission having considered applicant's requests and it being of the opinion that this is not a matter in which a hearing is necessary; that the money, property or labor to be procured or paid for by the issue of 2,802 shares of stock by Consolidated Telephone Company is reasonably required for the purpose of acquiring the outstanding stock of Downey Home Telephone & Telegraph Company; that the issue of the stock for such purposes is not in whole or in part reasonably chargeable to operating expenses or to income, and that this application should be granted subject to the provisions of this order, therefore,

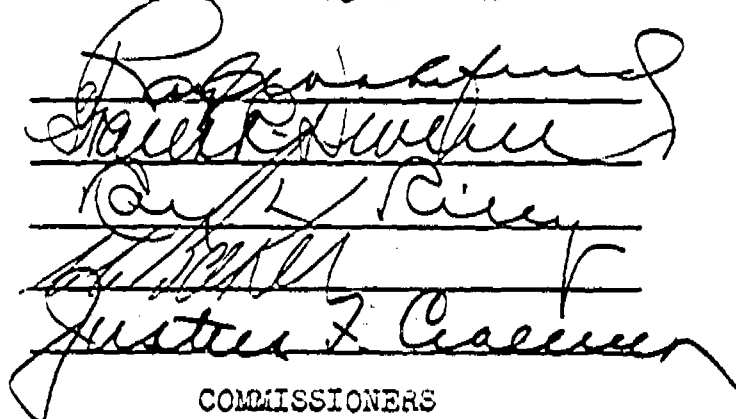
IT IS HEREBY ORDERED as follows:

- (1) Consolidated Telephone Company may acquire and hold all of the outstanding stock of Downey Home Telephone & Telegraph Company, and, for the purpose of acquiring the same, issue 2,802 shares of its common stock, said stock to be issued to the present holders of the outstanding capital stock of Downey Home Telephone & Telegraph Company in the same proportion as the stock of Downey Home Telephone & Telegraph Company now held by each of them bears to the total outstanding capital stock of Downey Home Telephone & Telegraph Company.
- (2) Downey Home Telephone & Telegraph Company may, on or before January 1, 1940, convey, transfer and assign all of its respective properties, franchises, permits and rights of every character to Consolidated Telephone Company, and upon the conveyance, transfer and assignment of said properties, franchises, permits and rights, cease public utility operations.
- (3) Consolidated Telephone Company, upon the acquisition of said properties, franchises, permits and rights of

every character of the Downey Home Telephone & Telegraph Company, shall assume the liabilities of Downey Home Telephone & Telegraph Company and shall enter and furnish telephone service in the territory now served by Downey Home Telephone & Telegraph Company.

- (4) Within thirty (30) days after the issue of the stock herein authorized Consolidated Telephone Company shall file with the Railroad Commission a statement showing the names of the persons to whom said stock was issued, the number of shares issued to each of said persons, and the number of shares of stock which each of said persons have delivered to Consolidated Telephone Company.
- (5) Within thirty (30) days after the conveyance, transfer, and assignment of the properties, franchises, permits and rights of every character of Downey Home Telephone & Telegraph Company, Consolidated Telephone Company shall file with the Railroad Commission a copy of the deed or other instrument of conveyance by means of which it receives and holds title to said properties, franchises, permits and rights.
- (6) The authority herein granted will become effective twenty (20) days after the date hereof.

DATED at San Francisco, California, this 24<sup>th</sup> day of October, 1939.

  
COMMISSIONERS