

ORIGINAL

Decision No. 42237

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
ASSOCIATED TELEPHONE COMPANY, LTD.)
and)
OXNARD HOME TELEPHONE COMPANY)

for an order (a) authorizing Assoc-)
iated Telephone Company, Ltd., to ac-)
quire all of the outstanding stock of)
Oxnard Home Telephone Company and to)
issue shares of its Common Stock in)
exchange therefor; and, (b) in the)
event that all of the outstanding stock)
of Oxnard Home Telephone Company shall)
be acquired by Associated Telephone)
Company, Ltd. authorizing (1) Associated)
Telephone Company, Ltd. to acquire all)
of the properties and assets and to)
assume all of the obligations and)
liabilities of Oxnard Home Telephone)
Company, (2) Oxnard Home Telephone)
Company to convey and transfer all of)
its properties and assets to Associated)
Telephone Company, Ltd., and (3) Assoc-)
iated Telephone Company, Ltd. to render)
service in the territory now served by)
Oxnard Home Telephone Company and Oxnard)
Home Telephone Company to discontinue)
service in such territory.)

Application
No. 30540
(and First
Supplemental)

Marshall Taylor, and O'Melveny & Myers, by
Frederick N. Edwards, for Applicants;
Eldon N. Dye, for California Farm Bureau
Federation, interested party.

O P I N I O N

In this application, the Commission is asked to issue its order authorizing Associated Telephone Company, Ltd., hereinafter sometimes referred to as "Associated", to acquire all of the outstanding stock of Oxnard Home Telephone Company, hereinafter

sometimes referred to as "Oxnard", and to issue 22,139 shares of its common stock to General Telephone Corporation, hereinafter sometimes referred to as "General", in exchange for the outstanding stock of Oxnard and/or for cash; and authorizing Oxnard to convey and transfer all of its properties and assets to Associated; and authorizing Associated to acquire all of said properties and assets, to assume all of the obligations of Oxnard, and to render telephone service in the territory now served by Oxnard; and authorizing Oxnard to discontinue telephone service in such territory. Associated also asks permission to issue and sell, at 101% of their principal amount and accrued interest from May 1, 1949, \$250,000 principal amount of its first mortgage bonds, Series D, 3-1/8%, due November 1, 1977.

Associated is a corporation duly organized and existing under the laws of the State of California. It owns and operates telephone systems in the following cities and towns and territory contiguous thereto: Artesia, Azusa, Baldwin Park, Bellflower, Covina, Claremont, Downey, Glendora, Hermosa Beach, Lancaster, La Verne, Long Beach, Malibu, Manhattan Beach, Norwalk, Ocean Park, Pico, Pomona, Puente, Redondo Beach, San Dimas, Santa Monica, Signal Hill, Venice, West Los Angeles and Whittier, all being located in the County of Los Angeles; Huntington Beach, Laguna Beach, La Habra, Seal Beach and Westminster, all located in the County of Orange; Chino, Crestline, Etiwanda, Lake Arrowhead, Ontario, San Bernardino and Upland, all located in the County of San Bernardino; and Carpinteria, Goleta, Guadalupe, Lompoc, Los Alamos, Montecito, Santa Barbara, Santa Maria and Santa Ynez, all located in the County of Santa Barbara; all in the State of California.

Oxnard is a corporation duly organized and existing under the laws of the State of California. It owns and operates a telephone system in the City of Oxnard and territory in the vicinity thereof, including exchanges located at Thousand Oaks, Camarillo and Port Hueneme. The record shows that as of July 31, 1949, Oxnard served 6,602 telephones, of which 4,752 were company owned and 1,850 customer owned. As of the same date, there were approximately 1,800 applications for service being held for various reasons. No recent survey has been made of the applications to determine whether all applicants now desire service.

For the year 1948, Oxnard reports its operating revenues at \$286,347.44 and its net operating income at \$43,420.69. Its investment in telephone plant in service on December 31, 1948, is reported at \$797,208.91 and its investment in telephone plant under construction at \$111,368.38, making a total of \$908,577.29. As of the same date, its reserve for accrued depreciation is reported at \$268,423.07. We are at this time making no finding that the reported investment in telephone plant represents the original cost of Oxnard's telephone properties now in service, nor that the reserve for accrued depreciation is adequate.

On July 5, 1949, Francis H. Crosby, owner of all of Oxnard's outstanding stock (\$75,000), entered into an agreement to deliver said \$75,000 of stock to General in exchange for shares of stock of General. The agreement provided that on August 2, 1949, said Crosby would receive from General an aggregate value in stock of General equal to the net worth of Oxnard as of March 31, 1949, subject to adjustment because of the increase or decrease in Oxnard's surplus between March 31, 1949, and August 2, 1949. In the final settlement

the closing date was fixed as of July 31, 1949, because that was the end of a regular accounting period. The net worth of Oxnard as of July 31, 1949, is reported at \$442,817.92, determined as follows:

750 shares of \$100 par value capital stock	\$ 75,000.00
Unappropriated surplus, December 31, 1948	<u>365,230.02</u>
Sub-total	440,230.02
Less discount on capital stock	<u>8,850.00</u>
Sub-total	431,380.02
Increase in net worth, 1/1/49 to 3/31/49	<u>6,098.21</u>
Net worth, March 31, 1949	437,478.23
Increase in surplus, 4/1/49 to 7/31/49	<u>5,339.69</u>
Total net worth	<u>\$442,817.92</u>

For each \$64 unit of net worth, said Crosby received one share of General's 4.40% preferred stock valued at \$46.50, and 7/10 of a share of General's common stock valued at \$25 a share. On the basis of the net worth of Oxnard as of July 31, 1949, said Crosby received 6,918 preferred shares and 4,842 common shares of General's stock.

General has offered to transfer the \$75,000 of Oxnard's stock to Associated upon the condition that Associated issue to General one share of its common stock for each \$20 net worth of Oxnard. On the basis of Oxnard's net worth of \$442,817.92, Associated asks permission to issue 22,139 shares of its common stock to General in exchange for the Oxnard stock.

Pursuant to the authority granted by Decision No. 41797, dated June 29, 1948, Oxnard issued to Pacific Mutual Life Insurance Company its secured 4% note for the principal sum of \$250,000. It is proposed that said indebtedness of Oxnard will be paid and the mortgage securing the same discharged before Associated acquires Oxnard's properties and assets. To accomplish that, Associated will

loan Oxnard the sum of \$250,000, to be represented by an unsecured note payable on demand and bearing interest at the rate of 2% per annum. Associated will borrow the \$250,000 under its present bank loan agreement with Security-First National Bank of Los Angeles, Bank of America National Trust and Savings Association, Citizens National Trust and Savings Bank of Los Angeles and California Bank. To repay the \$250,000 so borrowed, Associated asks permission to issue and sell to Pacific Mutual Life Insurance Company, at 101% of their principal amount plus accrued interest from May 1, 1949, an aggregate principal amount of \$250,000 of its first mortgage bonds, Series D, 3-1/8%, due November 1, 1977. No finder's fee or commission will be paid in connection with the sale of said bonds.

Upon the acquisition of Oxnard's outstanding stock, Associated proposes to dissolve Oxnard and through such dissolution, acquire all of Oxnard's properties and to assume all of its obligations and liabilities, including the rendition of telephone service in the territory now served by Oxnard. Upon such service being taken over by Associated, Oxnard desires to discontinue telephone service.

Because of the absence of satisfactory property records, Associated intends to make an inventory and valuation of Oxnard's properties and apply to the Commission for authority to record the valuation on Associated's books and dispose of the balance charged to Account 276--Telephone Plant Acquired. The journal entries recording the acquisition of Oxnard's properties shall be prepared in conformity with the Commission's system of accounts for Class A and Class B telephone companies, and submitted to the Commission on or before April 1, 1950.

Upon the acquisition of the outstanding stock of Oxnard by General on August 2, 1949, the management of Oxnard was replaced by persons who are also officers of Associated. Since that date there has been a common management for both Oxnard and Associated. A survey of Oxnard's properties and business is currently being made to determine how to improve the telephone service and provide service to those who desire it. This survey has not yet been completed. However, since Associated has assumed the management of the Oxnard properties, 5,000 square feet of additional much-needed building space has been leased, eight additional motor vehicles have been ordered, two engineers have been assigned to Oxnard on a full-time basis, part-time help from Associated's Santa Barbara office and its general office engineering staff has been made available to Oxnard, and 2,960,000 conductor feet of lead-covered telephone cable and other supplies have been shipped from Associated storerooms to Oxnard. It will take time for Associated to become familiar with the requirements of Oxnard and to perform the engineering and necessary construction work. Associated will proceed with such work as rapidly as possible. The testimony shows that the transfer of the Oxnard properties and business to Associated is in the public interest.

It is of record that if Associated acquires the properties and assets of Oxnard, it will continue, until otherwise authorized by the Commission, to operate such properties under the rates, rules and regulations which Oxnard now has on file with the Commission.

ORDER

The Commission having considered the evidence submitted at the hearing had on this application and it being of the opinion that the money, property or labor to be procured or paid for by the issue of the stock and bonds by Associated Telephone Company, Ltd. herein authorized is reasonably required by said Associated Telephone Company, Ltd. for the purposes herein stated, which 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 acquire and hold all of the outstanding stock of Oxnard Home Telephone Company.
2. Associated Telephone Company, Ltd. may issue and deliver to General Telephone Corporation, on or before December 31, 1949, 22,139 shares of its common stock in exchange for the outstanding stock of Oxnard Home Telephone Company and/or for cash, as provided in the agreement on file in this application as Exhibit "A".
3. Associated Telephone Company, Ltd., on or before December 31, 1949, may issue and sell to Pacific Mutual Life Insurance Company, at 101% of their principal amount plus accrued interest from May 1, 1949, \$250,000 principal amount of its first mortgage bonds, Series D, 3-1/8%, due November 1, 1977, and use the proceeds to pay a note or notes issued to obtain part of the money loaned to Oxnard Home Telephone Company to enable it to pay the \$250,000 note issued pursuant to the authority granted by Decision No. 41797, dated June 29, 1948.

4. Oxnard Home Telephone Company, on or before December 31, 1949, may transfer and convey all of its properties and assets to Associated Telephone Company, Ltd., who may acquire said properties and assets and assume all of the obligations and liabilities of Oxnard Home Telephone Company.

5. Upon the acquisition of said properties and assets by Associated Telephone Company, Ltd., said Associated Telephone Company, Ltd. may render telephone service in the territory now served by Oxnard Home Telephone Company.

6. In the event Associated Telephone Company, Ltd. acquires the properties and assets of Oxnard Home Telephone Company, Associated Telephone Company, Ltd. shall refile the rates, rules and regulations of Oxnard Home Telephone Company now legally on file with the Commission within thirty (30) days from the date of the transfer of said properties, under the name of Associated Telephone Company, Ltd. in accordance with the procedure prescribed by General Order No. 96, or, in lieu of such refiling, Associated Telephone Company, Ltd. may file a notice of adoption of said Oxnard Home Telephone Company's rates, rules and regulations. No increase in the present lawfully filed rates, rules and regulations of Oxnard Home Telephone Company shall be made, unless properly authorized by the Commission.

7. Oxnard Home Telephone Company may discontinue telephone service upon the acquisition of its properties and assets by Associated Telephone Company, Ltd.

8. If Associated Telephone Company, Ltd. acquires the properties and assets of Oxnard Home Telephone Company, it shall

record the acquisition of said properties and assets in accordance with the Commission's uniform system of accounts for Class A and Class B telephone companies, and on or before April 1, 1950, file with the Commission a copy of its proposed journal entries to record the acquisition of said properties and assets.

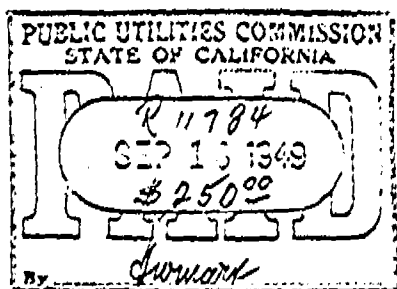
9. The action taken herein shall not be construed to be a finding of the value of the properties herein authorized to be transferred.

10. Associated Telephone Company, Ltd., if it issues the stock and bonds herein authorized, or either of them, shall file with the Commission a report or reports required by the Commission's General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

11. Within thirty (30) days after the acquisition of the Oxnard Home Telephone Company properties and assets by Associated Telephone Company, Ltd., the latter shall file with the Commission a copy of the deed and bill of sale conveying to it title to said properties and assets.

12. The authority herein granted will become effective when Associated Telephone Company, Ltd. has paid the fee prescribed by Section 57 of the Public Utilities Act.

Dated at San Francisco, California, this 13th day of September, 1949.



R. Z. Anderson
Justice F. C. Brewer
Justice J. L. ...
Harold P. Hills
Sumner T. ...
Commissioners