

Decision No. 43881

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of E. A. Hosmer owner of The Kenwood and Knights Landing Telephone Exchanges for an order authorizing the transfer of his telephone properties to The Independent Telephone Company, Incorporated.

Application
No. 30937

O P I N I O N

In this application, the Commission is asked to make an order authorizing E. A. Hosmer to sell and transfer the properties comprising the Kenwood and Knights Landing telephone exchanges to The Independent Telephone Company, (1) a corporation, and authorizing said corporation to issue 3,000 shares of its no par capital stock in payment for such properties.

The application shows that E. A. Hosmer, doing business under the name of Kenwood Telephone Exchange, has been engaged in giving telephone service in Sonoma County, in and about Kenwood, since November 1, 1948, and, doing business as Knights Landing Telephone Exchange, has been engaged in giving telephone service in Yolo and Sutter Counties, in and about Knights Landing, since May 1, 1949. He reports, for 1949, operating revenues of \$9,083.79 from the Kenwood Exchange and \$8,765.78 from the Knights Landing Exchange, with a loss of \$3,202.04 at Kenwood and of \$1,264.88 at Knights Landing.

(1) The Articles of Incorporation attached to the application show the name of the corporation to be The Independent Telephone Company, instead of The Independent Telephone Company, Incorporated, as stated in the title of the application.

The assets and liabilities of the two exchanges as of December 31, 1949, are reported in the application as follows:

<u>Assets</u>	<u>Kenwood</u>	<u>Knights Landing</u>
Telephone plant	\$16,768.94	\$60,410.04
Cash	409.88	268.51
Accounts receivable	2,190.17	1,698.55
Materials and supplies	<u>3,129.45</u>	<u>3,230.63</u>
Total	<u>\$22,498.44</u>	<u>\$65,607.73</u>
<u>Liabilities</u>		
Accounts payable	\$ 492.81	\$ 633.55
Advance billing	378.01	515.52
Accrued liabilities	227.65	486.22
Proprietary capital	<u>21,399.97</u>	<u>63,972.44</u>
Total	<u>\$22,498.44</u>	<u>\$65,607.73</u>

The records of the Commission show that applicant Hosmer acquired the Kenwood properties under authority granted by Decision No. 42111, dated October 11, 1948, for the sum of \$15,000, and the Knights Landing properties under authority granted by Decision No. 42679, dated April 5, 1949, for the sum of \$10,000. The present application shows that the amount included in the foregoing statement for telephone plant at Kenwood represents the purchase price paid by applicant Hosmer plus subsequent additions, and the amount for Knights Landing represents the purchase price, plus subsequent additions, plus the purported value of certain farmer line facilities, as estimated by applicant Hosmer, acquired following the acquisition of the telephone exchange. The Commission is not asked to pass upon such reported value at this time and is not doing so in this decision.

Applicant Hosmer now desires to conduct his telephone operations under a corporate organization and proposes to transfer his telephone properties and business to The Independent Telephone Company which he has caused to be organized to receive the same and thereafter to continue the operations. The Articles of

Incorporation of The Independent Telephone Company show that it was organized on or about November 3, 1949, with an authorized capital stock of 5,000 shares without par value of which, as stated, 3,000 shares are proposed for issue at this time.

The application does not contain a statement of the original cost of all the properties nor of the depreciation reserve requirements. Applicant Hosmer heretofore has filed with the Commission an inventory and appraisal of the Kenwood properties and has stated he will undertake the preparation of an inventory and appraisal for the Knights Landing properties. If The Independent Telephone Company acquires the properties of the two exchanges, it should charge to Account 276, Telephone Plant Acquired, the amounts at which such properties are shown in the preceding balance sheets and thereafter, as required by the uniform system of accounts prescribed for Class C telephone companies, shall file with the Commission its proposed journal entries to record the distribution of said amounts to primary plant and other accounts.

The transfer of the properties as proposed is not contrary to the public interest and an order accordingly will be entered herein authorizing such transfer. The order will authorize the issue at this time of 1,500 shares of stock. After the filing of the proposed journal entries to which reference has been made, the Commission will indicate the amounts to be charged to the primary plant accounts and to be credited to the depreciation reserve and will give further consideration to the request to issue the remaining 1,500 shares of stock covered by this application.

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

O R D E R

The Commission having considered the above entitled matter and being of the opinion that a public hearing thereon is not necessary, that the application should be granted, as herein provided, that the money, property or labor to be procured or paid for through the issue of 1,500 shares of stock is reasonably required by The Independent Telephone Company for the purpose specified herein and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED as follows:

1. E. A. Hosmer, after the effective date hereof and on or before June 30, 1950, may sell and transfer his public utility telephone properties, known as the Kenwood Telephone Exchange and the Knights Landing Telephone Exchange, to The Independent Telephone Company, and The Independent Telephone Company, after the effective date hereof and on or before June 30, 1950, may issue not exceeding 1,500 shares of its capital stock in part payment for said properties.

2. The rates, rules and regulations of E. A. Hosmer, doing business as Knights Landing Telephone Exchange and the Kenwood Telephone Exchange, now legally on file with the Commission, shall be refiled within thirty days from the date of

the transfer of the properties as herein authorized, under the name of The Independent Telephone Company in accordance with the procedure prescribed by General Order No. 96, or, in lieu of such refiling, The Independent Telephone Company may file a notice of adoption of said presently filed rates, rules and regulations. No increase in the present lawfully filed rates, rules and regulations shall be made unless otherwise properly authorized by this Commission.

3. The Independent Telephone Company shall file with the Commission a report of the issue of the stock herein authorized as required by General Order No. 24-A, and a copy of each deed of conveyance by which it receives title to the Kenwood Telephone Exchange and the Knights Landing Telephone Exchange, such filing to be made within thirty (30) days after the dates of said deeds.

4. The authority herein granted will become effective twenty (20) days from the date hereof.

Dated at San Francisco, California this 7th day of March, 1950.

R. F. Johnson
Justice J. Wallace
Wesley L. Smith

Harold R. Eula
Commissioners

Commissioner Harold R. Eula, being necessarily absent, did not participate in the disposition of this proceeding.