

ORIGINAL

Decision No. 44709

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application  
of  
Rae Downie and Eileen O'Kane, co-owners  
of J. P. Thomas Telephone Co., Willits  
Telephone and Telegraph Company, a cor-  
poration, and The Western Telephone Company,  
a corporation, for an order of the Com-  
mission authorizing J. P. Thomas Telephone  
Company and Willits Telephone Company to  
sell their telephone properties in Humboldt  
and Mendocino Counties to the Western  
Telephone Company.

Application  
No. 31571

W. G. Snyder, for The Western Telephone Company;  
Rae Thomas Downie, for herself, Eileen O'Kane and  
Willits Telephone and Telegraph Company.

O P I N I O N

This is an application for an order authorizing Rae Downie and Eileen O'Kane and Willits Telephone and Telegraph Company to sell their telephone systems to The Western Telephone Company, a corporation, referred to herein as Western, and authorizing Western to issue shares of its preferred and common stock.

The record shows that Rae Downie and Eileen O'Kane, doing business as J. P. Thomas Telephone Company, own and operate the telephone system serving approximately 540 customers in and about the town of Garberville, Humboldt County, and that they own 178 shares of the outstanding 180 shares (\$4,500 par value) of Willits Telephone and Telegraph Company, a corporation owning and operating the telephone systems supplying approximately 390 customers in and about the towns of Laytonville and Covelo,  
(1)  
Mendocino County. They report the investment in utility plant and

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(1) The other two shares are owned by the two children of Rae Downie.

material and supplies, and the amounts of the depreciation reserves, as of May 31, 1950, as follows:

	<u>J.P. Thomas</u>	<u>Willits</u>	<u>Total</u>
Utility plant	<u>\$85,546.83</u>	<u>\$80,857.60</u>	<u>\$166,404.43</u>
Depreciation reserve	<u>(15,681.86)</u>	<u>(25,978.89)</u>	<u>(41,660.75)</u>
Materials and supplies	<u>2,027.28</u>	<u>3,148.39</u>	<u>5,175.67</u>
Total	<u>\$71,892.25</u>	<u>\$58,027.10</u>	<u>\$129,919.35</u>

Since May 31, 1950, it is reported that net additions of approximately \$10,000 have been made to the systems.

Rae Downie and Eileen O'Kane report that they acquired the properties and shares of stock upon the death of their father in 1948, that thereafter they entered upon the management of the telephone systems and commenced a program designed to provide additional plant necessary to improve service and to extend the operations, and that they expended in 1949 approximately \$40,000 for these purposes. They report that they desire to be relieved of the responsibility of managing the systems and of providing additional financing needed to continue the operations, and that accordingly they have entered into an agreement, along with Willits Telephone and Telegraph Company, to sell the properties, free and clear of indebtedness, to Western.

The agreement for sale provides for a total price equivalent to the book value of the plant accounts and materials and supplies, less the depreciation reserves. Payment will be made in cash to the extent of \$10,000 and in shares of 4½% preferred stock and common stock for the balance, at the ratio of two preferred shares to one common share, in approximate amounts as follows: (2)

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(2) The application shows that sellers have entered into a voting trust agreement to assign their voting rights to Western for a period of seven years.

	<u>Shares</u>	<u>Par Value</u>
Preferred stock	3,466	\$ 86,650
Common stock	1,733	43,325
Total	<u>5,199</u>	<u>\$129,975</u>

Western is a California corporation organized on or about August 10, 1949. As of January 1, 1950, it acquired the telephone system located in and about the town of Weaverville, Trinity County, from W. G. Snyder who for many years had been operating the same as an individual. <sup>(3)</sup> Its Articles of Incorporation originally provided for an authorized stock issue of \$200,000 but it reports that it is taking steps to amend its articles so as to provide for an authorized issue of \$400,000 divided into 8,000 shares of preferred stock, issuable in series, and 8,000 shares of common, all of the par value of \$25 each. The stock authorized, or to be authorized, and the amounts outstanding as of May 31, 1950, are reported as follows:

	<u>Authorized</u>	<u>Outstanding</u>
Cumulative preferred, 5% Series	\$ 50,000	\$ 5,100
Cumulative preferred, 4½% Series	100,000	-
Cumulative preferred, not classified	50,000	-
Common	<u>200,000</u>	<u>25,000</u>
Total	<u>\$400,000</u>	<u>\$30,100</u>

The record shows that W. G. Snyder owns all the outstanding common stock. He reports that he intends to exercise supervision over not only the Weaverville system but also over those systems Western now proposes to acquire, and to undertake a

(3) The operating revenues and expenses of the Weaverville system, and the number of stations, during the last three years have been reported as follows:

	<u>Operating Revenues</u>	<u>Operating Expenses</u>	<u>Net Revenues</u>	<u>Stations</u>
1947	\$20,905	\$21,241	\$ (336)	240
1948	29,327	28,548	779	284
1949	36,227	29,320	6,907	334

program to enlarge and improve the facilities. Exhibit 2 filed at the hearing held on this application shows estimated capital additions during the twelve months beginning July, 1950, as follows:

Garberville central office additions Stromberg Carlson, common battery, multiple, 2-position, full select- ive ringing, switchboard	\$12,000	
Install switchboard and provide miscellaneous central office equipment	<u>3,000</u>	\$15,000
Addition of facilities to connect Garberville and Laytonville		
Construct pole line from Red Mt. Creek to Cummings	5,000	
Provide two-channel carrier system and bridging filters for two addi- tional Garberville-Laytonville toll circuits	4,000	
Install bridging filters and terminal equipment	<u>1,000</u>	10,000
Addition of facilities to connect Weaverville and Garberville		
Construct pole line from Mad River to Alder Point. (About 30 miles)	30,000	
Rebuild existing lead from Garber- ville via Harris Junction to Alder Point, and place wire	5,000	
Provide two-channel carrier system for two additional Weaverville- Garberville toll circuits	7,000	
Install bridging filters and terminal equipment	<u>1,000</u>	43,000
Reconstruction of toll facilities from Laytonville to Ukiah		
Realign portions of lead, replace approximately 400 poles, resag wire, total distance - approximately 25 miles .		<u>10,000</u>
Total		<u>\$78,000</u>

At a later date, Western intends to file an application for authority to issue securities to finance the cost of the proposed improvements.

In Exhibit 1, applicants estimate for 1950 for the combined exchanges, operating revenues of \$103,467.51, expenses exclusive of interest, of \$97,246.27, leaving a balance of \$6,221.24. W. G. Snyder testified that in his opinion additional revenues of \$8,000 can be developed by constructing the connecting toll lines between Garberville and Laytonville and improving the facilities to Ukiah.

A review of the record indicates that the transfers as proposed should result in the improvement and enlargement of the service. Accordingly, an order will be entered.

#### O R D E R

A public hearing having been held in the above entitled application and the Commission having considered the matter and being of the opinion that the sale of the telephone systems as proposed will not be adverse to the public interest; 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 the stock herein authorized is reasonably required 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. Rae Downie and Eileen O'Kane and Willits Telephone and Telegraph Company, after the effective date hereof and on or

before December 31, 1950, may sell their telephone systems to The Western Telephone Company and upon such sale being completed may withdraw from the public utility telephone business in and about Garberville, Laytonville and Covelo.

2. The western Telephone Company in part payment for said telephone systems, after the effective date hereof and on or before December 31, 1950, may issue not exceeding \$86,650 par value of its 4½% preferred stock and not exceeding \$43,325 par value of its common stock.

3. The authority herein granted shall not be construed to be a finding of value of the telephone systems herein authorized to be sold.

4. The rates, rules and regulations of the J.P. Thomas Telephone Company and Willits Telephone and Telegraph Company now on file with this Commission shall be re-filed within thirty (30) days from the date of transfer under the name of The Western Telephone Company in accordance with the procedure prescribed by General Order No. 96, or, in lieu of such re-filing, The Western Telephone Company may file a notice of adoption of said presently filed rates, rules and regulations. No increases in the presently lawfully filed rates shall be made unless authorized by the Commission.

5. If the authority herein granted is exercised, The Western Telephone Company, within thirty (30) days after acquiring said telephone systems, shall notify this Commission in writing of the date of completion of the sales herein authorized, and shall file with the Commission a copy of each instrument of conveyance as actually executed.

6. The Western Telephone Company shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

7. The authority herein granted will become effective when The Western Telephone Company has filed with the Commission a certified copy of its Articles of Incorporation amended as indicated in this decision.

Dated at San Francisco, California, this 29<sup>th</sup> day of August, 1950.

R. E. Johnson  
Justice F. Callahan

Harold A. Hiles

Herbert H. Potter

Commissioners