

Decision No. 44763

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of)
W. Gilman Snyder, an individual,)
and The Western Telephone Company,)
a corporation, for an order of the)
Commission: (a) authorizing W.)
Gilman Snyder, an individual, to)
sell to The Western Telephone Company,)
a corporation, the properties owned by)
him and consisting of the Volcano Tele-)
phone Exchange and the Weaverville)
Telephone Exchange and contiguous systems;)
(b) authorizing said W. Gilman Snyder,)
an individual, to withdraw from the)
public utility telephone business in the)
Volcano and Weaverville Telephone Ex-)
changes; (c) authorizing The Western)
Telephone Company, a corporation, to)
purchase the Volcano and Weaverville)
Telephone Exchanges and to engage in the)
public utility telephone business in the)
Volcano and Weaverville Telephone Ex-)
changes; (d) authorizing The Western)
Telephone Company, a corporation, to)
issue shares of its \$25 Par Value Common)
Stock in an amount equal to the net book)
value of said properties, and to issue)
2000 shares of its Cumulative Preferred)
Stock, \$25 Par Value, 5% Series.)
-----)

Application
No. 30803
(First Supplemental)

FIRST SUPPLEMENTAL OPINION

In the above entitled application, originally filed with the Commission on November 23, 1949, W. Gilman Snyder reported that he proposed to transfer the properties comprising the Weaverville Telephone Exchange to The Western Telephone Company, a corporation, in exchange for capital stock of the corporation in an amount equivalent to the net book value of the properties, such transfer to be made as of January 1, 1950.

By Decision No. 43623, dated December 13, 1949, the Commission, among other things, authorized W. Gilman Snyder to transfer

the properties, and authorized the corporation to issue not exceeding \$25,000 par value of stock in part payment. In its decision the Commission indicated that Snyder, following the transfer of the properties, should file a copy of his balance sheet as of the date of transfer, together with a statement showing the book value of the properties. The Commission stated that upon such filing it would authorize the corporation to issue an additional amount of stock, if warranted, and would determine the amounts which it should charge to its plant accounts and credit to the depreciation reserve.

Applicant Snyder has now filed with the Commission a balance sheet, prepared as of January 1, 1950, showing assets and liabilities as follows:

Assets

Current assets -		
Cash	\$13,426.68	
Due from customers and agents	7,089.64	
Note receivable	15,000.00	
Material and supplies	994.03	
Total		\$36,510.35
Fixed assets -		
Central office equipment	7,605.16	
Station equipment	7,659.96	
Station installations	2,130.88	
Poles, conduit, wire and cable	15,357.94	
Furniture and office equipment	1,276.56	
Vehicles and work equipment	7,476.14	
Total fixed assets	41,506.64	
Less depreciation reserve	7,013.81	
Net fixed assets		34,492.83
Total		<u>\$71,003.18</u>

Liabilities

Current liabilities -		
Notes payable	\$ 5,419.46	
Accounts payable	13,030.31	
Customers' deposits	334.40	
Advance billing	4,352.38	
Accrued liabilities	3,145.33	
Total		\$26,281.88
Proprietary interest		44,721.30
Total		<u>\$71,003.18</u>

The \$15,000 note receivable shown on the balance sheet represents an amount due to the corporation from the sale of telephone properties located at Volcano. The proprietary interest, reported at \$44,721.30, represents the amount of W. Gilman Snyder's investment in the properties and business. Of the total amount, \$25,000 subsequently has been financed through the issue of the stock authorized by said Decision No. 43623, leaving a balance of \$19,721.50 payable to Snyder. The Commission is asked to authorize the issue of additional common stock in the aggregate amount of \$19,700 to liquidate in part the unpaid balance.

Should the request of applicants be granted, The Western Telephone Company would have outstanding common stock in the aggregate amount of \$44,700 as compared with the reported net investment in utility plant of \$34,492.83. A portion of the proprietary interest is represented by the note receivable, and to the extent that any collections on the note would be applied to purposes other than the permanent investment in assets, there would be a dilution in the book value of the stock, should stock be issued up to the full amount of the indebtedness due Snyder.

The order herein will authorize the corporation at this time to issue additional common stock in an amount sufficient to bring the total outstanding stock up to the reported net book value of the investment in utility plant. The remainder of the amount due Snyder may be continued on the corporation's books as an open account or as a note payable on or before twelve months after its date, without an order from the Commission. In the event the permanent investment in assets is increased through the use of proceeds received from the outstanding note, the Commission, upon the corporation's request, will give further consideration to the issue of

additional stock to pay the indebtedness due Snyder.

An examination has been made of applicant Snyder's records by a member of the Commission's staff, and it appears that the corporation should be authorized to record in its utility plant and depreciation reserve accounts the figures set forth in the preceding balance sheet.

By said Decision No. 43623 the Commission also authorized The Western Telephone Company to issue and sell \$37,000 par value of preferred stock on or before June 30, 1950, for the purpose of financing the cost of additions to the Weaverville plant, of which amount, \$5,100 par value had been issued up to May 31, 1950. The corporation desires an extension of time so as to permit it to proceed with the issue of such shares of preferred stock.

FIRST SUPPLEMENTAL ORDER

The Commission having given further consideration to this application,

IT IS HEREBY ORDERED as follows:

1. The Western Telephone Company, after the effective date hereof and on or before December 31, 1950, may issue \$9,500 par value of common stock, in addition to that authorized by Decision No. 43623, dated December 13, 1949, to finance in part the cost of acquiring the properties of W. Gilman Snyder, it being the opinion of the Commission that the money, property or labor to be procured or paid for through such issue 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.

2. The Western Telephone Company, in recording on its books the properties comprising the Weaverville Telephone Exchange, shall charge to its utility plant accounts, as of January 1, 1950, not exceeding \$41,506.64, segregated as set forth in the first supplemental opinion preceding this first supplemental order, and credit \$7,013.81 to its depreciation reserve.

3. The action taken herein shall not be construed to be a finding of the value of said properties. The approval given the corporation to record said sums on its books is for accounting purposes only, the Commission reserving the right to review such figures de novo should they become issues in any future proceedings and to direct such adjustments to be made as it may deem appropriate.

4. The time within which The Western Telephone Company may issue the preferred stock authorized by Decision No. 43623, dated December 13, 1949, is hereby extended to and including June 30, 1951.

5. The Western 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, which order, insofar as applicable, is made a part of this order.

6. The authority herein granted is effective upon the date hereof.

Dated at San Francisco, California, this 11th day of September, 1950.

J. J. [Signature]
James J. [Signature]
Robert [Signature]

Commissioners