

ORIGINAL

Decision No. 46033

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

| | | |
|------------------------------------|---|-------------|
| In the Matter of the Application |) | |
| of A. J. CAIN and DELLA D. CAIN, | : | |
| his wife, doing business under the |) | |
| name of THE UTILITIES COMPANY OF | : | |
| NOVATO, to sell, and of LOS GATOS |) | Application |
| TELEPHONE COMPANY, a corporation, | : | No. 32627 |
| to purchase, the Telephone System |) | |
| commonly known as THE UTILITIES | : | |
| COMPANY OF NOVATO. |) | |
| ----- | : | |

O P I N I O N

This is an application for an order authorizing A. J. Cain and Della D. Cain, hereinafter referred to as Sellers, to sell and transfer public utility telephone properties to Los Gatos Telephone Company, hereinafter referred to as Buyer.

The properties to be sold and transferred include the telephone system owned and operated by Sellers under the name of The Utilities Company of Novato, being located in and around the unincorporated area known as Novato, in Marin County, together with materials, wire, supplies, telephones, test sets, tools and other equipment, and office supplies, cash, bank accounts, and accounts and bills receivable, subject to outstanding liabilities. Sellers' investment in their assets as of June 30, 1951, is set forth in Exhibit E attached to the application and is shown in summary form in the following tabulation:

| | |
|------------------------------------|---------------------|
| Telephone plant | \$185,307.91 |
| Telephone plant under construction | 5,099.27 |
| Sub-total | <u>190,407.18</u> |
| Reserve for depreciation | (23,308.10) |
| Balance | 167,099.08 |
| Current and deferred items - net | <u>(4,812.47)</u> |
| Total investment | <u>\$162,286.61</u> |

The reported investment in telephone plant reflects the original cost of the properties less the estimated reserve requirement. The inclusion of such figures on Sellers' books was authorized and permitted by the Commission by Decision No. 45734, dated May 22, 1951.

The proposed purchase price to be paid by Buyer is the sum of \$162,286.61, of which \$34,430.61 will be paid in cash, \$24,320 will be represented by notes in favor of Central Valley Bank to be assumed by Buyer, and \$103,536 will be paid through the issue by Buyer of 6471 shares of its capital stock at a price of \$16 a share.

The application shows that Sellers have experienced difficulty in attracting sufficient additional capital to finance the expansion and improvement of their telephone system made necessary by the rapid growth of the population in their service area, and that in addition A. J. Cain, the present manager, is in ill health and finds it necessary to be relieved from the operation of the plant. Buyer, on the other hand, is a corporation which for many years has been engaged in the telephone business in Los Gatos and Morgan Hill, and should be able to continue the operations and to provide the necessary finances to meet service requirements. Accordingly, it appears that the transfer, as here proposed, will not be adverse to the public interest.

O R D E R

The Commission has considered the above entitled matter and is of the opinion that a public hearing thereon is not necessary, and that the application should be granted, as herein provided; therefore,

IT IS HEREBY ORDERED as follows:

1. A. J. Cain and Della D. Cain, after the date hereof and on or before December 31, 1951, may sell and transfer their public utility telephone properties to Los Gatos Telephone Company in accordance with the terms and conditions of the agreement of sale filed in this proceeding as Exhibit A.

2. Los Gatos Telephone Company, in acquiring said properties, may assume the payment of the outstanding liabilities of Sellers which are referred to in the preceding opinion.

3. The rates, rules and regulations of A. J. Cain and Della D. Cain now on file with the Commission shall be refiled within thirty (30) days from the date of transfer under the name of Los Gatos Telephone Company, in accordance with the procedure prescribed by General Order No. 96, or, in lieu of such refiling, Los Gatos Telephone Company may file a notice of adoption of said presently filed rates, rules and regulations. No increases in the present lawfully filed rates shall be made unless authorized by the Commission.

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

5. Los Gatos Telephone Company shall maintain its records in such form as to make available information regarding the investment in telephone plant in Novato, and the operating revenues and expenses applicable to such plant.

6. Within thirty (30) days after transfer of the properties, Los Gatos Telephone Company shall file with the Commission a certified copy of the deed of conveyance.

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

Dated at San Francisco, California, this 1st day of August, 1951.

A. J. [Signature]
Justice F. [Signature]
Harold P. [Signature]

Commissioners