

ORIGINAL

Decision No. 46455

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SAN)	
JOAQUIN TELEPHONE COMPANY, a California	:	
Corporation, and TALBOT KENDALL AND)	Application
SALLIE KENDALL for an Order authorizing	:	No. 32850
the Sale of certain property now owned)	
by San Joaquin Telephone Company.	:	
-----)	

O P I N I O N

This is an application for an order authorizing San Joaquin Telephone Company to sell certain real property, improvements and furniture to Talbot Kendall and Sallie Kendall. The purchasers are the vice-president and president, respectively, of the telephone company and own all its outstanding stock, except one share held by a third director.

Applicant corporation owns and operates a telephone system in the cities of Manteca and Ripon and surrounding territory in the County of San Joaquin. Its properties include certain real property in Manteca described as lots 22, 23, 24 and B in block 9 and lot 10 in block 8 and improvements thereon, consisting of one brick and tile building containing its business office and central office equipment and a two-unit frame dwelling, together with furniture and fixtures. The original cost of the land, improvements and personal property is reported at \$57,301.18 and the depreciation reserve at \$13,433.73, leaving a net book cost of \$43,867.45.

Exhibit B-1 filed in this proceeding shows that the corporation has financed its assets primarily with common stock, with loans from the Kendalls and bank borrowings and with retained earnings.

Its asset, liability and net worth accounts as of September 30, 1951, are reported as follows:

<u>Assets</u>		
Plant and equipment -		
Total amount	\$409,456.88	
Less-depreciation reserve	<u>70,818.41</u>	
Net plant and equipment		\$338,638.47
Current assets -		
Cash	24,992.75	
Accounts receivable	29,840.92	
Materials and supplies	20,764.71	
Prepaid items	<u>4,085.97</u>	
Total current assets		<u>79,684.35</u>
	Total	<u>\$418,322.82</u>
<u>Liabilities and Net Worth</u>		
Notes payable		\$148,360.15
Current liabilities -		
Accounts payable	\$ 94,139.62	
Customers' deposits	172.95	
Advance billing	8,563.25	
Accrued liabilities	<u>14,537.01</u>	
Total current liabilities		<u>117,412.83</u>
Total liabilities		265,772.98
Contributions of plant		23,530.99
Net worth -		
Capital stock	100,000.00	
Surplus	<u>29,018.85</u>	
Total net worth		<u>129,018.85</u>
	Total	<u>\$418,322.82</u>

The outstanding notes include \$62,160.15 of demand notes, some bearing interest at 6% and some at 7%, in favor of Talbot Kendall and Sallie Kendall, and \$86,200 of 5% notes in favor of Stockton Savings and Loan Bank.

The Commission is informed that the corporation now is endeavoring to negotiate a new bank loan in the principal amount of \$150,000 to pay the present bank loan and to enable it to proceed with a construction program to enlarge and improve its service, such program including the installation of dial equipment at Ripon and one switchboard position and terminating facilities for 600 additional

lines at Manteca, together with outside plant to reach additional subscribers.

It appears that the corporation has been requested, as a condition precedent to the loan, to reduce its outstanding demand notes. Accordingly, it proposes, and now asks permission, to sell the real property, improvements and furniture referred to in this proceeding to Talbot Kendall and Sallie Kendall at their net book value of \$43,867.45 in consideration for the cancellation of notes of \$43,950.15, the difference of \$82.70 being adjusted by a cash payment, and upon the conclusion of the transaction to lease the properties back for a period of ten years at a monthly rental of \$500. The corporation will receive the rent revenues from the dwellings, which at present amount to \$40 a month. At the conclusion of the transaction its outstanding indebtedness, other than the bank loan, will amount to approximately \$18,200.

It appears that the corporation will have need for additional funds to improve and extend its facilities and service. Considering the proposed sale and lease of properties under the terms outlined in this application as a part of the financing program, it appears that the transfer as proposed will not be adverse to the public interest. The action taken herein shall not be construed to be a finding of the value of the properties herein authorized to be transferred nor of the reasonableness of the terms of the lease. The Commission reserves the right, if called upon to fix rates, to review these matters anew and to determine at that time what amounts shall be included in the rate base or in operating expenses with respect to such properties.

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, and that the application should be granted, as herein provided; therefore,

IT IS HEREBY ORDERED as follows:

1. San Joaquin Telephone Company, after the effective date hereof and on or before December 31, 1951, may sell the land, buildings and furniture referred to in this proceeding to Talbot Kendall and Sallie Kendall in accordance with the terms and conditions set forth in this proceeding.

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

Dated at Los Angeles, California, this 27th day of November 1951.

[Signature]
President

[Signature]
[Signature]

[Signature]
[Signature]
Commissioners

