

ORIGINAL

Decision No. 46622

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 John H. Evans, Virginia Evans Williams, :
 and Estella C. Evans, co-partners, and)
 Evans Telephone Company, a corporation, :
 for an Order; (a) authorizing John H.)
 Evans, Virginia Evans Williams, and :
 Estella C. Evans, co-partners, to sell)
 to Evans Telephone Company the proper- :
 ties owned by them and consisting of)
 the Evans Telephone Company, a :
 co-partnership; (b) authorizing said)
 John H. Evans, Virginia Evans Williams, :
 and Estella C. Evans, co-partners, to)
 withdraw from the public utility :
 telephone business; (c) authorizing)
 Evans Telephone Company to purchase)
 Evans Telephone Company properties and)
 to engage in the public utility :
 telephone business; (d) authorizing)
 Evans Telephone Company to issue :
 shares of its \$5 Par Value Common)
 Stock in an amount equal to the net)
 book value of said properties and to)
 issue 500 shares of its Preferred)
 Stock, \$20 Par Value, Series A.)
 -----)

Application
No. 32994

O P I N I O N

This is an application for an order authorizing John H. Evans, Virginia Evans Williams and Estella C. Evans, hereinafter referred to as Sellers, to sell and convey their public utility telephone properties to Evans Telephone Company, a corporation, and authorizing said corporation to issue \$81,000 par value of its common stock and \$10,000 par value of its 5-3/4% preferred stock.

The application shows that Sellers, doing business as Evans Telephone Company, for some years have been engaged in furnishing telephone service in and about the City of Patterson, in Stanislaus County. They report that they are faced with construction

expenditures, including the conversion of their telephone exchange to an automatic basis at an estimated cost of \$87,000, together with cable projects and outside plant betterments estimated to cost approximately \$10,000, that they are not in a position to finance this construction program, and that they have explored the possibilities of obtaining the necessary financing from external sources. They report further that they have found it impossible to obtain financing in their status as individuals or as a partnership but that tentatively they have negotiated a loan agreement with a private lending institution provided their business be incorporated. Accordingly, they have caused the incorporation of Evans Telephone Company to take over their properties and business and thereafter to continue the operations.

Sellers regularly have filed financial reports with the Commission which show, among other things, that between the close of 1945 and November 30, 1951, their investment in telephone plant has increased from \$63,291.83 to \$148,729.77, with the number of company-owned stations increasing from 613 to 1,324. A review of their reports for the calendar years 1946 to 1950 and the first 11 months of 1951 shows the net increase in plant, the operating revenues and the net income for each of the periods and the number of company-owned stations at the end of each period, as follows:

	<u>Net Increase in Plant</u>	<u>Operating Revenues</u>	<u>Net Income</u>	<u>Number of Stations</u>
1946	\$ 8,826.33	\$32,757.85	\$ 6,479.79	741
1947	10,315.92	42,104.58	2,735.86	851
1948	10,078.82	54,056.16	12,862.43	993
1949	15,766.81	65,331.81	6,137.98	1,109
1950	24,492.91	70,355.00	10,349.62	1,184
1951 (11 months)	15,957.16	74,051.30	9,832.06	1,324

In Exhibit B filed in this proceeding, Sellers report their assets, liabilities and net worth as of November 30, 1951,

as follows:

<u>Assets</u>		
Plant in service -		
Total amount	\$148,729.77	
Less-depreciation reserve	<u>67,183.80</u>	
Net plant in service		\$ 81,545.97
Current assets -		
Cash	4,574.80	
Accounts receivable	6,537.82	
Materials and supplies	6,932.61	
Prepayments	<u>615.33</u>	
Total current assets		<u>18,660.56</u>
Total		<u>\$100,206.53</u>

<u>Liabilities and Net Worth</u>		
Note payable		\$ 10,000.00
Current liabilities -		
Accounts payable	\$ 3,490.62	
Customers' deposits	190.00	
Accrued taxes	<u>1,236.81</u>	
Total current liabilities		<u>4,917.43</u>
Total liabilities		14,917.43
Contribution to plant		1,595.51
Capital and undivided profits		<u>83,693.59</u>
Total		<u>\$100,206.53</u>

In taking over the telephone properties, the corporation proposes to issue to the partners \$81,000 par value of its common stock and to issue to John H. Evans its preferred stock in the aggregate par amount of \$10,000 in payment of the outstanding note referred to on the balance sheet, which note is said to represent moneys borrowed for additions to the telephone properties.

Upon reviewing this application, as well as Sellers' financial reports on file with the Commission, it appears that an order is warranted authorizing the transfer of the properties and the issue of the stock as here proposed.

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 proposed transfer will not be adverse to the public interest; that the money, property or labor to be procured or paid for through the issue and sale of the stock herein authorized is reasonably required by Evans Telephone Company, a corporation, for the purposes specified herein; and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. John H. Evans, Virginia Evans Williams and Estella C. Evans, after the effective date hereof and on or before June 30, 1952, may sell and convey to Evans Telephone Company, a corporation, their telephone properties and business to which reference is made in this proceeding and thereafter may withdraw from their public utility telephone operations.
2. Evans Telephone Company, a corporation, after the effective date hereof and on or before June 30, 1952, may acquire said telephone properties and enter into business as a public utility telephone corporation in the area now served by said John H. Evans, Virginia Evans Williams and Estella C. Evans; may assume the outstanding indebtedness of said individuals, doing business as Evans Telephone Company; and may issue not exceeding \$81,000 par value of its common capital stock and \$10,000 par value of its preferred stock for the purposes indicated in this application.

3. On or before the date of actual transfer, John H. Evans, Virginia Evans Williams and Estella C. Evans shall refund all deposits which customers are entitled to have refunded. Any unre-funded deposits shall be transferred to and become the obligation for refund by Evans Telephone Company, a corporation.

4. The rates, rules and regulations of John H. Evans, Virginia Evans Williams and Estella C. Evans now on file with the Commission shall be refiled within thirty (30) days from the date of transfer under the name of Evans Telephone Company, a corporation, in accordance with the procedure prescribed by General Order No. 96, or, in lieu of such refiling, Evans Telephone Company, a corporation, may file a notice of adoption of said presently filed rates, rules and regulations. No increase in the present rates shall be made unless authorized by the Commission.

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

6. Upon acquiring the properties under the authority herein granted, Evans Telephone Company, a corporation, shall charge the purchase price to Account 276, Telephone Plant Acquired, and within ninety (90) days thereafter shall file with the Commission its proposed journal entries to distribute such price to its primary plant and other accounts.

7. Evans Telephone Company, a corporation, shall file with the Commission monthly reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

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

Dated at San Francisco, California, this 8th day of January, 1952.

R. J. Zimmerman
President

Harold D. Kula

Harold D. Pattee
John L. Maxwell

Commissioners

Commissioner Justus F. Craomer, being necessarily absent, did not participate in the disposition of this proceeding.