

Decision No. 48235

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
COLFAX TELEPHONE EXCHANGE, an individual)
proprietorship owned by MRS. GLADYS M.)
GIBBS, and COLFAX TELEPHONE EXCHANGE, a)
corporation, for an Order of the Com-)
mission: (a) authorizing MRS. GLADYS M.)
GIBBS, an individual, to sell to COLFAX)
TELEPHONE EXCHANGE, a corporation, the)
properties owned by her and consisting of)
the Colfax Telephone Exchange system;)
(b) authorizing COLFAX TELEPHONE EXCHANGE)
an individual proprietorship, and MRS.)
GLADYS M. GIBBS, to withdraw from the)
public utility telephone business in said)
Colfax Telephone Exchange; (c) author-)
izing COLFAX TELEPHONE EXCHANGE, a cor-)
poration, to purchase Colfax Telephone)
Exchange properties and to engage in the)
public utility telephone business in the)
Colfax Telephone Exchange; (d) author-)
izing COLFAX TELEPHONE EXCHANGE, a cor-)
poration, to issue shares of its \$10 par)
Value Capital Stock in an amount equal to)
the net book value of said properties.)
-----)

Application
No. 33981

O P I N I O N

In this application Gladys M. Gibbs seeks authorization to sell and convey the Colfax Telephone Exchange to Colfax Telephone Exchange, a corporation, in exchange for shares of stock.

The application shows that Gladys M. Gibbs for some time has been engaged in furnishing telephone service in and about the City of Colfax, in Placer County. She reports that there has been a steady growth in the population in her service area and that she is faced with a substantial construction program, including the conversion to dial operation, the extension of the present facilities and service, more particularly in the rural areas, and the construction

of a new building to house the central office equipment. She is of the opinion that these construction projects are necessary to meet the needs of the public and she estimates that the total cost will be in excess of \$100,000.

According to the application, Mrs. Gibbs is not in a position to finance the construction program out of her personal resources, and upon inquiry has found it difficult or impossible to obtain such financing in her status as an individual, but that she has tentatively negotiated a loan agreement with the Rural Electrification Administration provided that her business be incorporated. Accordingly, she has caused the organization of Colfax Telephone Exchange and now proposes to transfer her business and properties to it in exchange for shares of stock equal to the net book value as reflected by her books of account as of the end of 1952.

Annual reports of the operations of the Colfax Telephone Exchange regularly have been filed with the Commission. A review of them for the calendar years 1946 to 1951, inclusive, shows the investment in plant and the number of stations in service as of the end of each of such years and the operating revenue and net operating income, as follows:

	<u>Investment in Plant Dec. 31st</u>	<u>Operating Revenue</u>	<u>Net Operating Income</u>	<u>Number of Stations</u>
1946	\$ 8,655.68	\$13,994.76	\$1,637.29	195
1947	12,390.25	15,402.16	(85.66)	233
1948	17,582.95	21,529.19	1,262.89	289
1949	23,410.89	25,111.25	2,851.74	345
1950	29,385.30	26,930.98	2,537.46	409
1951	34,187.47	29,000.24	2,042.32	460

For 1952, operating revenues amounted to \$32,448.89 and net income to \$1,348.81. The assets, liabilities and net worth of the business as of December 31, 1952, are shown in the following tabulation.

Assets

Telephone plant		\$37,683.90
Current assets -		
Cash	\$6,528.74	
Due from subscribers and agents	8,049.57	
Materials and supplies	1,979.76	
Total current assets		16,558.07
Prepayments and deferred charges -		
Prepayments	121.15	
Other deferred charges	121.39	
Total prepayments and deferred charges		242.54
Total		<u>\$54,484.51</u>

Liabilities

Proprietary capital		\$42,037.48
Current and accrued liabilities -		
Accounts payable	\$3,439.84	
Advance billing and payments	1,374.45	
Accrued liabilities	1,200.00	
Total current and accrued liabilities		6,014.29
Depreciation reserve		6,108.46
Contributions of telephone plant		324.28
Total		<u>\$54,484.51</u>

Upon reviewing this application we are of the opinion that the proposed transfer will not be adverse to the public interest, that an order is warranted authorizing such transfer and the issue of stock in the aggregate amount of \$42,040, that the money, property or labor to be procured or paid for by 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. The action taken herein shall not be construed to be a finding of the value of the properties herein authorized to be transferred, nor as representing an approval at this time of such subsequent loan application as the corporation may file with the Commission.

O R D E R

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

IT IS HEREBY ORDERED as follows:

1. Gladys M. Gibbs, on and after the effective date hereof and on or before June 30, 1953, may sell and convey to Colfax Telephone Exchange, a corporation, the telephone properties and business to which reference is made in this proceeding and thereafter may withdraw from her public utility telephone operations. Colfax Telephone Exchange, a corporation, may enter into the operations of the telephone properties as of January 1, 1953.

2. Colfax Telephone Exchange, a corporation, on and after the effective date hereof and on or before June 30, 1953, may issue not exceeding 4,204 shares of its capital stock, of the aggregate par value of \$42,040, in payment for the properties and business of Gladys M. Gibbs, subject to the outstanding liabilities as of December 31, 1952.

3. On or before the date of actual transfer, Gladys M. Gibbs shall refund all deposits which customers are entitled to have refunded. Any unrefunded deposits shall be transferred to and become the obligation for refund by Colfax Telephone Exchange, a corporation.

4. The rates, rules and regulations of Gladys M. Gibbs now on file with the Commission shall be refiled within thirty days after the date of transfer under the name of Colfax Telephone

Exchange, a corporation, in accordance with the procedure prescribed by General Order No. 96, or, in lieu of such refiling, Colfax Telephone Exchange, 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. Upon acquiring the properties under the authority herein granted, Colfax Telephone Exchange, a corporation, shall charge the purchase price to Account 276, Telephone Plant Acquired, and within ninety days thereafter shall file with the Commission its proposed journal entries to distribute such price to its primary plant and other accounts.

6. Colfax Telephone Exchange, 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.

7. The authority herein granted will become effective twenty days after the date hereof.

Dated at San Francisco, California, this 24th day of February, 1953.

A. T. [Signature]
 President

James T. [Signature]

Harold P. [Signature]

Samuel [Signature]

John L. [Signature]
 Commissioners