

ORIGINAL

Decision No. ~~49808~~

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
)
 ROBERT H. EDGAR, doing business as)
)
 Dorris Telephone Company, a sole)
)
 proprietorship, and)
)
 DORRIS TELEPHONE COMPANY, a corpo-)
)
 ration,)
)
 for an order authorizing:)
)
 a) Robert H. Edgar to sell and)
)
 Dorris Telephone Company, a corpo-)
)
 ration, to purchase the properties)
)
 owned by him and consisting of the)
)
 Dorris Telephone Company;)
)
 b) Robert H. Edgar to withdraw)
)
 from the public utility telephone)
)
 business;)
)
 c) Dorris Telephone Company, a)
)
 corporation, to engage in the pub-)
)
 lic utility telephone business now)
)
 being conducted by Robert H. Edgar;)
)
 d) Dorris Telephone Company, a cor-)
)
 poration, to issue stock; and)
)
 e) Dorris Telephone Company, a cor-)
)
 poration, to borrow up to \$50,000.00.)
)
 -----)

Application
No. 35194

O P I N I O N

In this application Dorris Telephone Company, a corporation, seeks authorization to issue \$42,800 of stock in exchange for telephone properties of Robert H. Edgar, to enter into a loan agreement with Stromberg-Carlson Company, to issue notes in the aggregate principal amount of \$50,000 for the purpose of obtaining funds to improve the service and facilities, and to execute a mortgage to secure the payment of said notes. It requests authority also to sell

an additional \$5,000 par value of capital stock to obtain funds to carry on the operations.

The application shows that Robert H. Edgar, doing business as Dorris Telephone Company, is engaged in furnishing telephone service in and about Dorris and MacDoel, in Siskiyou County. He reports that the population of his service area is expanding, and that increasing demands require the expansion of central office equipment and outside plant facilities and the conversion to a dial system at an estimated cost in excess of \$50,000.

According to the application, applicant Edgar is not in a position to finance the construction program out of current resources and has found it difficult or impossible to obtain such financing in his status as an individual, but tentatively has negotiated a loan agreement with Stromberg-Carlson Company provided his business be incorporated. Accordingly, he has caused the organization of Dorris Telephone Company and now proposes to transfer his business and properties to it in exchange for shares of stock equal approximately to the net book value as reflected by his books of account as of the end of 1953.

The application shows that Stromberg-Carlson Company has agreed to loan Dorris Telephone Company not exceeding \$50,000 for the following purposes:

XY dial switchboard at Dorris	\$26,000
XY dial switchboard at MacDoel	8,000
Telephones and dials	5,000
Materials and supplies	6,000
Building at Dorris	2,500
Labor	<u>2,500</u>
Total	<u>\$50,000</u>

Under the arrangements made, Dorris Telephone Company from time to time will issue interim notes payable on demand with interest

at the rate of 5-1/4% per annum and, within 60 days following the installation and/or cut over of the central office equipment in the Dorris exchange, will issue a final note in exchange for the interim notes then outstanding. The final note will be payable in 240 consecutive substantially equal monthly installments with interest at the rate of 5-1/2% per annum. The payment of the final note will be secured by a mortgage on Dorris Telephone Company's properties. Dorris Telephone Company has filed with the application a copy of its loan agreement with Stromberg-Carlson Company under which the moneys will be advanced, together with copies of the forms of the proposed notes and of the mortgage.

Annual reports of the operations of Dorris Telephone Company regularly have been filed with the Commission. As an indication of the growth, a review of them for the calendar years 1949 to 1952, inclusive, shows the number of stations in service at the end of each of such years as follows:

<u>Year</u>	<u>Company owned stations</u>	<u>Subscriber owned stations</u>	<u>Total</u>
1949	70	15	85
1950	136	15	151
1951	224	19	243
1952	288	22	310

For 1953, operating revenues are shown in the application as \$28,096.10 and net income as \$4,379.19. The net investment in assets as of December 31, 1953, was reported at \$47,460.69 and the outstanding liabilities at the same date were stated at \$4,640.62. Dorris Telephone Company proposes to issue to Robert H. Edgar 4,280 shares of its capital stock of the aggregate par value of \$42,800 in exchange for his telephone property and business subject to all liabilities.

Upon reviewing this application, as well as seller's financial reports on file with the Commission, it appears to us that the proposed transfer will not be adverse to the public interest and that an order is warranted authorizing the transfer, the issue of the stock and notes, and the execution of the loan agreement and mortgage, as here proposed. The action taken herein shall not be construed to be a finding of the value of the properties herein authorized to be transferred.

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, that the application should be granted, as herein provided, that the money, property or labor to be procured or paid for by the issue of the stock and notes herein authorized is reasonably required by Dorris Telephone Company 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. Robert E. Edgar, on and after the effective date hereof and on or before June 30, 1954, may sell and convey to Dorris Telephone Company, a corporation, the telephone properties and business to which reference is made in this proceeding and thereafter may withdraw from his public utility telephone operations. Dorris Telephone Company may enter into the operations of the telephone properties as of January 1, 1954.

2. Dorris Telephone Company, on and after the effective date hereof and on or before June 30, 1954, may issue not exceeding

4,280 shares of its capital stock, of the aggregate par value of \$42,800, in payment for the properties and business of Robert H. Edgar, subject to the outstanding liabilities as of December 31, 1953.

3. Dorris Telephone Company, on and after the effective date hereof and on or before June 30, 1954, may issue and sell, at par for cash, not exceeding 500 shares of its capital stock, of the aggregate par value of \$5,000, and expend the proceeds to improve or maintain its service.

4. Dorris Telephone Company may execute and enter into a loan agreement with Stromberg-Carlson Company and may execute a mortgage in, or substantially in, the same form as those filed in this proceeding, and may issue interim notes pursuant to the terms of said agreement and for the purposes set forth therein, in the aggregate amount of not exceeding \$50,000 at any one time outstanding.

5. Dorris Telephone Company may issue its final note as set forth in said agreement for the principal amount of not exceeding \$50,000 in payment of interim notes of like amount.

6. On or before the date of actual transfer, Robert H. Edgar shall refund all deposits which customers are entitled to have refunded. Any unrefunded deposits shall be transferred to and become the obligation for refund of Dorris Telephone Company.

7. The rates, rules and regulations of Robert H. Edgar now on file with the Commission shall be refiled within 30 days after the date of transfer under the name of Dorris Telephone Company, a corporation, in accordance with the procedure prescribed by General Order No. 96, or, in lieu of such refiling, Dorris 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.

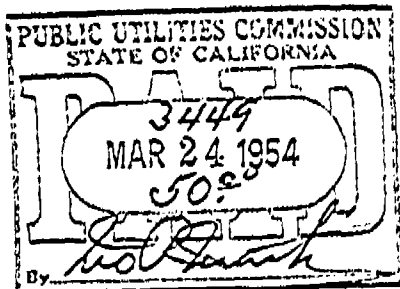
8. Upon acquiring the properties under the authority herein granted, Dorris Telephone Company shall charge the purchase price to Account 276, Telephone Plant Acquired, and within 90 days thereafter shall file with the Commission its proposed journal entries to distribute such price to its primary plant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

9. Dorris Telephone Company 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.

10. If the authority herein granted to transfer properties is exercised, Dorris Telephone Company, within 30 days thereafter, shall notify the Commission in writing of the date of completion of the transfer.

11. The authority herein granted will become effective when Dorris Telephone Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$50.00.

Dated at San Francisco, California, this 23rd day of March, 1954.



[Signature]
President
[Signature]
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Commissioners