

ORIGINAL

Decision No. 50825

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)

THOS. P. PLOTTS, doing business as)
Happy Valley Telephone Company, a)
sole proprietorship, and)

HAPPY VALLEY TELEPHONE COMPANY, a)
corporation,)

for an order authorizing:)

a) Thos. P. Plotts to sell and)
Happy Valley Telephone Company, a)
corporation, to purchase the proper-)
ties owned by him and consisting of)
the Happy Valley Telephone Company;)

Application
No. 35748

b) Thos. P. Plotts to withdraw)
from the public utility telephone)
business;)

c) Happy Valley Telephone Company,)
a corporation, to engage in the)
public utility telephone business)
now being conducted by Thos. P.)
Plotts;)

d) Happy Valley Telephone Company,)
a corporation, to issue stock; and)

e) Happy Valley Telephone Company,)
a corporation, to borrow up to)
\$40,000.00.)

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O P I N I O N

In this proceeding the Commission is asked to make an order authorizing Thos. P. Plotts to sell a public utility telephone system to Happy Valley Telephone Company, a corporation, and authorizing said corporation to issue \$39,100 par value of common stock, to enter into a loan agreement and to issue promissory notes in the total amount of \$40,000.

The application shows that Thos. P. Plotts, doing business as Happy Valley Telephone Company, operates a public utility telephone service in the unincorporated communities of Olinda, Igo and Ono, and in surrounding territory, in Shasta County, together with a toll service between said communities and areas and the Town of Anderson. Applicant Plotts reports that the population is growing in his territory and that he is experiencing an increased demand for telephone service which requires the expansion of his facilities. He proposes at this time to install a dial board at Igo, to make additions to his Olinda switchboard, and to provide certain other facilities, all at an estimated cost of \$40,000, as follows:

20-Line XY switchboard at Igo	\$ 3,300
Switchboard addition at Olinda	1,000
Building	2,000
Telephones and dials	2,500
Material and supplies	19,700
Labor	<u>6,500</u>
Total	<u>\$40,000</u>

Applicant Plotts reports that he is not in a position to finance the construction program out of his own resources and has found it difficult or impossible to obtain such financing in the present status of the telephone company as a sole proprietorship but that Stromberg-Carlson Company tentatively has agreed to loan the sum of \$40,000, provided that the business be incorporated.

Accordingly, applicant Plotts has caused the organization of Happy Valley Telephone Company and now proposes to transfer his business and properties to it in exchange for shares of stock equal, approximately, to the June 30, 1954, net book value as reflected by his books of account. Thereafter, it is proposed for the new corporation to enter into a loan agreement with Stromberg-Carlson Company, under the terms of which the latter would advance the total

sum of \$40,000, said advances to be represented at the outset by interim notes, payable on demand, with interest at the rate of 5-1/4% per annum. The agreement provides for the ultimate issue, within 60 days following the installation or the cutting over of the central office equipment at Igo, of a final note in exchange for the interim notes then outstanding, the final note to be payable in 240 consecutive monthly installments with interest at the rate of 5-1/2% per annum and to be secured by a mortgage on the telephone properties.

From annual reports filed with the Commission the following tabulation has been prepared, indicating the growth in the business and operations of Thos. P. Plotts during the last five calendar years:

	Telephone Plant <u>Dec. 31</u>	Operating Revenues <u> </u>	Net Income <u> </u>	Stations <u>Dec. 31</u>
1949	\$ 9,945	\$2,134	\$(4,055)	46
1950	12,754	1,454	(6,031)	46
1951	18,269	2,057	(4,895)	56
1952	43,371	3,080	(6,067)	90
1953	47,486	5,446	(3,598)	107

Recently, the Commission has reviewed the operations of the telephone system and by Decision No. 50783, dated November 23, 1954, in Application No. 35305, authorized applicant Plotts to place revised rates in effect which, it is estimated, will increase the annual operating revenues by \$8,640 and will produce a return of 6.27% on a depreciated rate base of \$64,870, the rate base including the installation of the dial office at Igo.

In determining the rate base referred to above the Commission gave consideration to certain adjustments which its staff recommended be made to the company's depreciated investment in telephone properties and to its investment in material and supplies. These adjustments had the net effect of reducing proprietary capital in the amount of \$9,370.90. If like consideration is given to these

adjustments in this proceeding, the net book value of the proprietor's interest will be reduced from \$39,118.01 to \$29,747.11. It appears appropriate at this time to limit the par value of the stock to be issued by the new corporation to an amount which is not in excess of the net value of the assets to be acquired as determined in the proceedings on Application No. 35305, and the order herein will so provide.

Upon the basis of the revised rates it would appear that the new corporation should be in a position to meet its requirements under the proposed loan agreement. The installation of the improvements to the plant are in the public interest and accordingly we will enter our order granting the present application. We find the proposed transfer is not adverse to the public interest. The authority granted herein shall not be deemed to be a finding of the value of the property 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 shares of stock and the notes herein authorized is reasonably required by applicant 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. Thos. P. Plotts, on and after the effective date hereof and on or before March 31, 1955, may sell and convey to Happy Valley Telephone Company, a corporation, the telephone properties and business being operated by him and thereafter may withdraw from the public utility telephone business.

2. Happy Valley Telephone Company, a corporation, on and after the effective date hereof and on or before March 31, 1955, may issue not exceeding \$29,747 par value of its common stock in exchange for the properties and business of Thos. P. Plotts, subject to outstanding liabilities.

3. The application, insofar as it involves the issue of \$9,370 of common stock, hereby is denied.

4. Happy Valley Telephone Company, a corporation, on and after the effective date hereof and on or before March 31, 1955, 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 \$40,000 at any one time outstanding.

5. Happy Valley Telephone Company, a corporation, may issue its final note, as set forth in said agreement, in the principal amount of not exceeding \$40,000 in payment of interim notes of like amount.

6. On or before the date of actual transfer, Thos. P. Plotts 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 Happy Valley Telephone Company, a corporation.

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

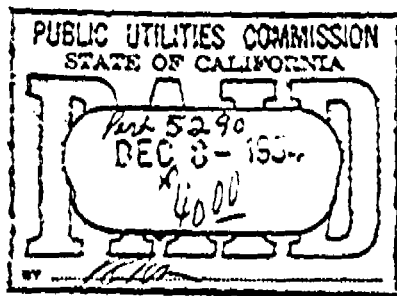
8. Upon acquiring the properties under the authorization herein granted, Happy Valley Telephone Company, a corporation, shall charge the purchase price to Account 276, Telephone Plant Acquired, and, within 90 days thereafter, shall file with the Commission its proposed journal entries to distribute such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

9. If the authority herein granted to transfer properties is exercised, Happy Valley Telephone Company, a corporation, within 30 days thereafter, shall notify the Commission in writing of the date of completion of the transfer.

10. Happy Valley 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.

11. The authority herein granted will become effective when Happy Valley Telephone Company, a corporation, has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$40.00.

Dated at San Bernardino, California, this 7th day of December, 1954.



John E. Mitchell
President
Justus J. Calmes
Harrold Potts
Gene Higgins
Ralph L. Williams
Commissioners