

ORIGINAL

Decision No. 52454

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
ANDREW E. SMITH, doing business as
Capay Valley Telephone System, a sole
proprietorship, and

CAPAY VALLEY TELEPHONE SYSTEM, INC.,
a corporation,

for an order authorizing:

a) Andrew E. Smith to sell and Capay
Valley Telephone System, Inc., a cor-
poration, to purchase the properties
owned by him and consisting of the
Capay Valley Telephone System;

b) Andrew E. Smith to withdraw from
the public utility telephone business;

c) Capay Valley Telephone System, Inc.,
a corporation, to engage in the public
utility telephone business now being
conducted by Andrew E. Smith; and

d) Capay Valley Telephone System, Inc.,
a corporation, to issue stock.

Application
No. 37582

OPINION

In this application Andrew E. Smith seeks authorization to sell and convey the Capay Valley Telephone System to Capay Valley Telephone System, Inc., a corporation, in exchange for shares of stock.

Andrew E. Smith operates a public utility telephone company in the unincorporated towns of Guinda, Capay, Brooks and Rumsey and surrounding territory in Yolo County, and has reported 123 working

stations at December 31, 1954. He reports an expanding population in his service area, resulting in an increased demand for his telephone services which, in turn, requires the expansion of central office equipment and outside plant facilities and the conversion of the system to dial operation.

Applicant Smith asserts he 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. He therefore has caused the organization of Capay Valley Telephone System, Inc., and now proposes to transfer his business and properties to it in exchange for shares of stock equal approximately to his reported proprietary capital. According to the application, the recorded net investment in telephone plant and in current assets, as of October 31, 1955, amounted to \$21,017 and the liabilities to \$3,614, leaving a balance, representing proprietorship capital, of \$17,403. The amount of stock requested is \$17,230.

In 1954 the Commission reviewed applicant Smith's properties and operations and by Decision No. 49605, dated January 26, 1954, in Application No. 34750, authorized him to establish new schedules of rates designed to produce a rate of 3.8% on a depreciated rate base for the average year 1953 of \$16,700. Reports filed with the Commission show that in 1953 applicant Smith had operating revenues of \$5,810 with a net operating loss of \$17, but that during 1954 his revenues had increased to \$7,988 and his net operating revenues to \$1,041, before making provision for Federal taxes on income. For the first ten months of 1955 operating revenues amounted to \$7,553 and net operating revenues to \$610.

It is the intention of applicant corporation to continue to render telephone service to the public under the same rates, rules and regulations as presently are maintained by applicant Smith. It is our opinion, and we so find, that under the circumstances set forth in the verified application the proposed transfer will not be adverse to the public interest and should be authorized.

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 herein authorized is reasonably required by Capay Valley Telephone System, Inc., for the purpose specified herein, and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED as follows:

1. Andrew E. Smith, on and after the date hereof and on or before March 31, 1956, may sell and convey to Capay Valley Telephone System, Inc., 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. Capay Valley Telephone System, Inc., may enter into the operations of the telephone properties as of January 1, 1956.

2. Capay Valley Telephone System, Inc., on and after the date hereof and on or before March 31, 1956, may issue not exceeding 1,723 shares of its capital stock, of the aggregate par value of \$17,230, in payment for the properties and business of Andrew E. Smith, subject to the outstanding liabilities as of December 31, 1955.

3. On or before the date of actual transfer, Andrew E. Smith 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 Capay Valley Telephone System, Inc.

4. The rates, rules and regulations of Andrew E. Smith now on file with the Commission shall be refiled within 30 days after the date of transfer under the name of Capay Valley Telephone System, Inc., a corporation, in accordance with the procedure prescribed by General Order No. 96, or, in lieu of such refiling, Capay Valley Telephone System, Inc., 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. If the authority herein granted is exercised, Andrew E. Smith, within 30 days thereafter, shall notify the Commission in writing of the date of the completion of the transfer herein authorized and of his compliance with the conditions hereof.

6. Capay Valley Telephone System, Inc., shall file with the Commission a report, or 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 upon the date hereof.

Dated at San Francisco, California, this 9th day of January, 1956.

John E. Mitchell
President

Justin D. Calmes

Rayce Luterer

Michael J. ...

B. ...

Commissioners