

ORIGINAL

Decision No. 53762

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of O. H. IVEY, doing business as Enterprise Telephone Company, a sole proprietorship, and ENTERPRISE TELEPHONE COMPANY, a corporation for an order authorizing:

- a) O. H. Ivey to sell and Enterprise Telephone Company, a corporation, to purchase the properties owned by him and consisting of the Enterprise Telephone Company;
- b) O. H. Ivey to withdraw from the public utility telephone business;
- c) Enterprise Telephone Company, a corporation, to engage in the public utility telephone business now being conducted by O. H. Ivey;
- d) Enterprise Telephone Company, a corporation, to issue stock; and
- e) Enterprise Telephone Company, a corporation, to borrow up to \$75,000.

Application No. 38358

O P I N I O N

In this application, Enterprise Telephone Company, a corporation, seeks authorization (1) to issue \$58,130 par value of common stock in exchange for telephone properties of O. H. Ivey, (2) to enter into a loan agreement with Stromberg-Carlson Company, a division of General Dynamics Corporation, (3) to issue notes in the aggregate principal amount of \$75,000 for the purpose of obtaining funds to improve the service and facilities, and (4) to execute a mortgage to secure the payment of said notes.

The application shows that O. H. Ivey, doing business as Enterprise Telephone Company, is engaged in furnishing telephone

service in and about Knights Landing, in Yolo County, and in and about Robbins, in Sutter 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 \$75,000.

It is reported that applicant Ivey is not in a position to finance the construction program out of current resources, that he has found it difficult or impossible to obtain such financing in his status as an individual, but that tentatively he has negotiated a loan agreement with Stromberg-Carlson Company, a division of General Dynamics Corporation provided that he incorporate his business. Accordingly, he has caused the organization of Enterprise 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 June 30, 1956.

The application shows that Stromberg-Carlson Company has agreed to loan Enterprise Telephone Company not exceeding \$75,000 to pay for the following:

"XY" Equipment for Knights Landing	\$30,500
"XY" Equipment for Robbins	10,500
Telephones and dials	7,500
Station installation materials	2,500
Cable and cable supplies	12,000
Miscellaneous materials and supplies	5,000
Land and buildings	<u>7,000</u>
Total	<u><u>\$75,000</u></u>

Under the proposed arrangements, Enterprise Telephone Company from time to time will issue interim notes payable on demand with interest at the rate of 5% per annum and, within 60 days following the installation and/or cutover of the central

office equipment at the Knights Landing and Robbins exchanges, 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% per annum. The payment of the final note will be secured by a mortgage on Enterprise Telephone Company's properties. Enterprise Telephone Company has filed with the application a copy of its loan agreement with Stromberg-Carlson Company under which the monies will be advanced, together with copies of the forms of the proposed notes and of the mortgage.

Applicant Ivey acquired the telephone system from The Independent Telephone Company, a corporation, in 1954 pursuant to authorization granted by the Commission by Decision No. 49940, dated April 20, 1954. In his annual financial statements he has reported the number of working stations at 251 in May of 1954, at 265 in December of that year, and at 313 in December of 1955. He has reported his assets, liabilities and capital, as of June 30, 1956, as follows:

<u>Assets</u>	
Net investment in plant	\$91,793
Cash and current assets	<u>4,148</u>
Total	<u><u>\$95,941</u></u>
<u>Liabilities and Capital</u>	
Current liabilities	\$34,363
Deferred credits	3,439
Contributions of telephone plant	490
Proprietorship	<u>57,649</u>
Total	<u><u>\$95,941</u></u>

The current liabilities include \$15,917 advanced by Stromberg-Carlson Company, \$4,535 by Bank of America, and \$9,000 by O. H. Ivey.

Upon the basis of the information presented in this proceeding, we will authorize the transfer of the properties to the corporation but will limit the stock issue in amount to the reported proprietorship capital, to-wit, \$57,650. 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 proposed transfer will not be adverse to the public interest, 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 Enterprise 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. O. H. Ivey, on and after the effective date hereof and on or before December 31, 1956, may sell and convey to Enterprise 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. Enterprise Telephone Company may enter into the operations of the telephone properties as of July 1, 1956.
2. Enterprise Telephone Company, on and after the effective date hereof and on or before June 30, 1957, may issue not exceeding 5,765 shares of its capital stock, of the aggregate par value of \$57,650, in payment for the properties and business of O. H. Ivey, subject to the outstanding liabilities, as of June 30, 1956.

3. Enterprise Telephone Company may execute and enter into a loan agreement with Stromberg-Carlson Company, a division of General Dynamics Corporation, 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 \$75,000 at any one time outstanding.

4. Enterprise Telephone Company may issue its final note as set forth in said agreement in the principal amount of not exceeding \$75,000 in payment of interim notes of like amount.

5. On or before the date of actual transfer, O. H. Ivey 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 Enterprise Telephone Company.

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

7. Upon acquiring the properties under the authority herein granted, Enterprise 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.

8. Enterprise 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.

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

10. The authority herein granted will become effective when Enterprise Telephone Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$75.

Dated at San Francisco, California, this 18th day of September, 1956.

John E. [Signature] President
Justin J. Casner
Ralph [Signature]
Michael [Signature]
Ed [Signature] Commissioners

