

Decision No. 55563

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of The California Interstate Telephone Company, a corporation, and Donovan F. Gouldin, a noncorporate proprietorship, doing business as the Kernville Telephone Company, for an Order;

(a) authorizing Donovan F. Gouldin to sell to California Interstate Telephone Company the property owned by him and which constitutes the telephone system of the Kernville Telephone Company;

(b) authorizing said Donovan F. Gouldin to withdraw from the public utility telephone business;

(c) authorizing California Interstate Telephone Company to purchase the Kernville Telephone Company properties and to engage in the public utility telephone business in the area formerly served by the Kernville Telephone Company;

(d) authorizing California Interstate Telephone Company to issue its unsecured non-interest bearing promissory note in the amount of \$60,000.00; payable to Donovan F. Gouldin and Edith W. Gouldin, his wife.

Application No. 39262

O P I N I O N

In this application, the Commission is asked to make an order authorizing Donovan F. Gouldin to sell the properties constituting the Kernville Telephone Company to California Interstate Telephone Company, a corporation, and authorizing said corporation to issue its unsecured noninterest bearing promissory note in the principal amount of \$60,000 payable in equal consecutive monthly installments of \$500.

The application shows that Donovan F. Gouldin is engaged in operating the Kernville Telephone Company for the purpose of supplying telephone service to approximately 200 subscribers in and about the community of Kernville.^{1/} Applicant Gouldin reports that he does not have sufficient financing to expand and to develop the telephone system properly and that he desires to dispose of his operations, and has made arrangements to sell his telephone plant and facilities to California Interstate Telephone Company at an agreed price of \$65,000, payable \$5,000 in cash and \$60,000 in installments over a period of time.^{2/}

California Interstate Telephone Company is a much larger corporation operating in territory located in close proximity to the service area of applicant Gouldin. It reports that the acquisition of the facilities and service area of Kernville Telephone Company is a logical step in the growth and development of its operations, that it is adequately equipped to render efficient telephone service, and that it is financially in a position to take over the operations and to expand them. Upon consummation of the transaction, California Interstate Telephone Company intends

^{1/} Applicant Gouldin, in his 1956 annual report, sets forth his investment in telephone plant at \$67,355, with an accumulated depreciation reserve of \$15,465, leaving a net book investment of \$51,890.

^{2/} Under the uniform system of accounts, applicant is required, in accounting for the acquisition, to charge the original costs of the plant to telephone plant accounts, with appropriate credits to the reserve, and to file its proposed journal entries to record the acquisition. At that time, we will give consideration to the amounts proposed to be set up in the primary plant and other accounts.

to provide additional communication service to existing and future subscribers in the present Kernville area and, to effect these additions and improvements, proposes to embark on a construction program whereby it will purchase land and construct a building to house central office equipment, automotive equipment, materials and supplies, and will install additional central office facilities and modernize the outside plant.

Upon a review of this application, we are of the opinion that the proposed transfer will not be adverse to the public interest, that the money, property or labor to be procured or paid for by the issue of the unsecured promissory note herein authorized is reasonably required for the purposes specified herein, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that an ex parte order should be entered granting the application.

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 binding the Commission to accept the agreed purchase price for the purpose of fixing rates or authorizing the issue of securities.

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. Donovan F. Gouldin may sell the properties constituting the Kernville Telephone Company to California Interstate Telephone Company, a corporation, under the terms and conditions set forth herein.

2. California Interstate Telephone Company, a corporation, may issue its promissory note, as set forth herein, in the principal amount of \$60,000 for the purpose of financing, in part, the purchase price of the Kernville Telephone Company.

3. The rates, rules and regulations of Donovan F. Gouldin, doing business as Kernville Telephone Company, now on file with the Commission shall be refiled within 30 days after the date of transfer under the name of California Interstate Telephone Company, in accordance with the procedure prescribed by General Order No. 96, or, in lieu of such refiling, California Interstate Telephone Company 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.

4. On or before the date of actual transfer, Donovan F. Gouldin, doing business as Kernville Telephone Company, 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 California Interstate Telephone Company.

5. On or before the date of actual transfer of the physical properties under the authorization herein granted, Donovan F. Gouldin, doing business as Kernville Telephone Company, shall transfer and deliver to California Interstate Telephone Company

all records, memoranda, and papers pertaining to the construction and operations of the properties of Kernville Telephone Company.

6. Upon compliance with the terms and conditions of the transfer, Donovan F. Gouldin, doing business as Kernville Telephone Company, shall stand relieved of all further public utility obligations in connection with the operations of the public utility telephone system herein authorized to be transferred.

7. California Interstate Telephone Company shall file with the Commission a monthly report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

8. If the authority herein granted to transfer properties is exercised, California Interstate Telephone Company, within 30 days thereafter, shall notify the Commission in writing of the date of completion of such transfer. The authority herein granted will lapse unless exercised on or before June 30, 1958.

9. The authority herein granted to issue an unsecured promissory note will become effective when California Interstate Telephone Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$60. In other respects,

the authorization herein granted will become effective 20 days after the date hereof.

Dated at San Francisco, California, this 17th day of September, 1957.

W. E. Baskell
 President

Raymond A. ...

Michael ...

R. ...

C. Lynn Fox
 Commissioners

