

ORIGINAL

Decision No. 56240

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of

BIGELOW TELEPHONE COMPANY,
A Co-Partnership

Composed of J. E. Bigelow, E. B.
Bigelow, R. F. Bigelow, E. L.
Silkwood and R. L. Silkwood; and

THE PONDEROSA TELEPHONE CO.,

A Corporation

For an Order authorizing:

A. Bigelow Telephone Company, a
co-partnership, to sell and The
Ponderosa Telephone Co., a corporation,
to purchase the properties owned by
Bigelow Telephone Company and consist-
ing of the Bigelow Telephone Company;

B. Bigelow Telephone Company, a
co-partnership, to withdraw from
the public utility business;

C. The Ponderosa Telephone Co., a
corporation, to engage in the public
utility telephone business now being
conducted by Bigelow Telephone Company,
a co-partnership; and

D. The Ponderosa Telephone Co., a
corporation, to borrow up to \$120,000.00.

Application No. 39724

O P I N I O N

In this application, The Ponderosa Telephone Co., a corporation, seeks authorization (1) to issue \$55,060 par value of its common stock in payment for the net assets of Bigelow Telephone Company, (2) to issue \$12,500 par value of common stock in payment for certain real property and improvements located at

O'Neals and Friant, (3) to enter into a loan agreement with Stromberg-Carlson, a division of General Dynamics Corporation, (4) to issue notes in the aggregate principal amount of \$120,000 and (5) to execute a mortgage to secure the payment of said notes.

The application shows that J. E. Bigelow, E. B. Bigelow, R. F. Bigelow, E. L. Silkwood and R. L. Silkwood, doing business as Bigelow Telephone Company, are engaged in operating a public utility telephone service in portions of Madera and Fresno Counties with the principal place of business being at O'Neals, Madera County. They report that they have experienced an increasing demand for telephone service which requires the expansion of the central office equipment and outside plant facilities and the conversion of the telephone system to dial operation, all at an estimated cost of \$120,000.

The present owners report that they are not in a position to finance such a large construction program out of current resources and have found it difficult or impossible to obtain such financing in the present status of the telephone company as a copartnership, but that tentatively they have negotiated a loan agreement with Stromberg-Carlson for the amount required, provided that they incorporate the business. Accordingly, they have caused the organization of The Ponderosa Telephone Co. and they now propose to transfer the business and assets to the new corporation in exchange for stock equivalent in par value to approximately the net book value as of June 30, 1957, which net book value is reported at \$55,075.95. In addition, they propose to issue \$12,500 par value of common stock to J. E. Bigelow and E. B. Bigelow in exchange for

certain real property and improvements, located at O'Neals and Friant, which will be used in part to house the central office of the corporation and to provide pole yard facilities.

The application shows that Stromberg-Carlson has agreed to loan The Ponderosa Telephone Co. not exceeding \$120,000 to pay for the following:

Land and buildings	\$ 8,000
"XY" dial equipment	40,000
Telephones, dials and paystations	12,000
PBX equipment	2,800
Pole line materials	12,000
Cable plant materials	26,000
Aerial wire and miscellaneous	10,000
Carrier equipment	6,500
Labor	<u>2,700</u>
Total	<u>\$120,000</u>

Under the proposed arrangements, The Ponderosa Telephone Co. from time to time will issue interim notes payable on demand with interest at the rate of 5% per annum and on or before December 31, 1959, will issue a final note in substitution for said interim notes which will then be canceled, said final note to be payable in 240 consecutive monthly and substantially equal installments with interest at the rate of 5-1/4% per annum. The payment of the final note will be secured by a mortgage on the corporation's properties.

The present partners have been operating the properties for a number of years. Their annual financial statements filed with the Commission show that the number of working stations has increased from 147 at the end of 1951 to 254 at the end of 1956, and that their gross revenues have increased from \$32,280 in 1951 to \$41,323 in 1956. The partnership has reported assets, liabilities and capital as of June 30, 1957, as follows:

Assets

Net investment in plant	\$55,869
Current assets	11,324
Deferred charges	<u>300</u>
Total	<u>\$67,493</u>

Liabilities and Capital

Notes payable	\$10,660
Accounts payable	1,757
Partnership capital	<u>55,076</u>
Total	<u>\$67,493</u>

Upon the basis of the information presented in this proceeding and in the utility's financial reports, we will authorize the transfer of the properties and the issue of \$55,060 of stock in part payment therefor, as requested, and the issue of the notes to Stromberg-Carlson. With respect to the issue of the \$12,500 of stock in payment of real property and improvements, the application is not in sufficient detail to enable the Commission to make the required finding as to the reasonableness of the proposed stock issue. Such information as is before the Commission indicates that an order properly can be made at this time authorizing the issue of \$11,000 of stock in payment for the real property and improvements and the order herein will so provide. Applicant, if it so desires, may supplement its application with additional information with respect to the total claimed values of \$12,500 and the Commission thereupon will give the matter further consideration.

Our action in this proceeding shall not be construed to be a finding of the value of the properties to be acquired by the corporation, or as a determination that all of such properties are operative, nor as indicative of amounts to be included in a future rate base for the purpose of determining just and reasonable rates.

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 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. J. E. Bigelow, E. B. Bigelow, R. F. Bigelow, E. L. Silkwood and R. L. Silkwood, on and after the effective date hereof and on or before April 30, 1958, may transfer the telephone properties and business known as the Bigelow Telephone Company to The Ponderosa Telephone Co., a corporation, and thereafter may withdraw from their public utility telephone operations. The Ponderosa Telephone Co. may commence operations for accounting purposes as of July 1, 1957.

2. The Ponderosa Telephone Co., in acquiring the Bigelow Telephone Company, may assume the payment of outstanding liabilities as of June 30, 1957 and may issue not exceeding \$55,060 par value of common stock.

3. The Ponderosa Telephone Co. may issue not exceeding \$11,000 par value of common stock to J. E. Bigelow and E. B. Bigelow in payment for real property and improvements at O'Neals and Friant to which reference is made in this application.

4. The Ponderosa Telephone Co. may execute and enter into a loan agreement with Stromberg-Carlson, a division of General Dynamics Corporation, and may execute a mortgage, which loan agreement and mortgage shall be in, or substantially in, the same form as those filed in this proceeding.

5. The Ponderosa Telephone Co. may issue interim notes pursuant to the terms of said loan agreement, and for the purposes set forth therein, in the aggregate amount of not exceeding \$120,000 at any one time outstanding.

6. The Ponderosa Telephone Co. may issue its final note as set forth in said loan agreement in the principal amount of not exceeding \$120,000 in substitution of interim notes of like amount then outstanding.

7. On or before the date of actual transfer, J. E. Bigelow, E. B. Bigelow, R. F. Bigelow, E. L. Silkwood and R. L. Silkwood 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 The Ponderosa Telephone Co., a corporation.

8. The rates, rules and regulations of J. E. Bigelow, E. B. Bigelow, R. F. Bigelow, E. L. Silkwood and R. L. Silkwood, doing business as Bigelow Telephone Company, now on file with the Commission shall be refiled within 30 days after the date of transfer under the name of The Ponderosa Telephone Co., a corporation, in accordance with the procedure prescribed by General Order No. 96, ~~or, in lieu of such refiling, The Ponderosa Telephone Co., 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.

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

10. The Ponderosa Telephone Co., a corporation, 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.

11. The authority herein granted will become effective when The Ponderosa Telephone Co., a corporation, has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$120.

Dated at San Francisco, California, this 18th day of FEBRUARY, 1958.

[Signature] President
[Signature]
[Signature]
[Signature]
[Signature] Commissioners

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
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