

**ORIGINAL**

Decision No. 68063

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of General Telephone Company of California, a corporation, and Delta Telephone and Telegraph Company, a corporation, for an Order of the Commission;

(a) authorizing General Telephone Company of California to acquire all of the outstanding stock of Delta Telephone and Telegraph Company and to issue shares of its common stock in consideration therefor; (b) authorizing Delta Telephone and Telegraph Company to merge into General Telephone Company of California and to cease public utility operations; (c) authorizing General Telephone Company of California to enter and engage in the telephone business in the territory now served by Delta Telephone and Telegraph Company.

Application No. 46985  
Filed September 18, 1964

O P I N I O N

This is an application for an order of the Commission

(1) authorizing General Telephone Company of California to acquire all of the outstanding stock of Delta Telephone and Telegraph Company, (2) authorizing Delta Telephone and Telegraph Company to merge into General Telephone Company of California, and (3) authorizing General Telephone Company of California to issue \$1,019,920 aggregate par value of its common stock.

General Telephone Company of California is a California corporation engaged in business as a public utility providing telephone service in portions of central and southern California.

All of its outstanding common stock is owned by General Telephone & Electronics Corporation, a New York corporation, which is also the sole stockholder of Delta Telephone and Telegraph Company, a California corporation operating a public utility telephone system in certain areas along the Sacramento River.

In this proceeding, General Telephone Company of California requests authority to acquire from its parent company all of the capital stock of Delta Telephone and Telegraph Company, and in exchange therefor, to issue 50,996 shares of \$20 par value common stock in the aggregate par value of \$1,019,920. Upon consummation of such transaction, Delta Telephone and Telegraph Company seeks permission to merge into General Telephone Company of California and to withdraw from its territory and cease public utility operations. The surviving corporation proposes to assume all liabilities and obligations, including the duty to provide telephone service in said territory.

A pro forma balance sheet giving effect to the contemplated merger as of July 31, 1964, attached to the application as Exhibit D, indicates that Delta Telephone and Telegraph Company's net plant investment amounted to \$1,550,641; that the book value of its common stock was \$634,211; and that the \$385,709 acquisition adjustment arising from the exchange of stock will be charged to the earned surplus account of the surviving corporation.

According to the application, the proposed merger will benefit the public inasmuch as General Telephone Company of California has greater financial resources and a larger force of

experienced personnel to devote to the operation and development of the merged properties and service area. It is alleged further that the advantages of centralized purchasing and combined accounting functions, as well as the elimination of certain corporate and administrative responsibilities, will result in cost savings and operating efficiencies.

Delta Telephone and Telegraph Company serves in territory which is geographically separated from other areas currently served by General Telephone Company of California. For rate-making and other purposes, it is deemed necessary that there be a segregation of accounts relating to its plant and operations subsequent to the merger, and the order herein will so provide.

The Commission has considered this matter and finds that: (1) the proposed merger would not be adverse to the public interest; (2) the money, property or labor to be procured or paid for by the issue of the stock herein authorized is reasonably required for the purpose specified herein; and (3) such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income. On the basis of these findings we conclude that the application should be granted. A public hearing is not necessary.

In issuing our order herein, we place General Telephone Company of California and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares nor the dividends paid as measuring the return the company should be allowed to earn on its investment in plant and

that the authorization herein given is not to be construed as a finding of value of the company's stock or properties nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. General Telephone Company of California may acquire the outstanding common stock of Delta Telephone and Telegraph Company and, in consideration therefor, may issue not to exceed 50,996 shares of its common stock having an aggregate par value of \$1,019,920.
2. Delta Telephone and Telegraph Company may merge into General Telephone Company of California.
3. General Telephone Company of California, as the surviving corporation under the merger, may assume all the debts, liabilities and obligations of Delta Telephone and Telegraph Company.
4. General Telephone Company of California, as the surviving corporation under the merger, may enter into and engage in the telephone business in the territory now served by Delta Telephone and Telegraph Company.
5. Upon consummation of the merger, Delta Telephone and Telegraph Company is authorized to cease public utility operations in, and to withdraw from, the territory served by said company.

6. General Telephone Company of California shall file, within five days after the effective date of the merger, a notice of adoption of the presently filed tariff schedules of Delta Telephone and Telegraph Company.

7. The tariff schedules of Delta Telephone and Telegraph Company, now on file with this Commission, shall be refiled within thirty days after the effective date of the merger under the name of General Telephone Company of California, in accordance with the requirements of General Order No. 96-A, except that General Telephone Company of California may withdraw such of Delta Telephone and Telegraph Company's rules and standard forms as are substantially identical with those of General Telephone Company of California, and the withdrawal of which will not result in increases in rates or more restrictive conditions than the presently filed tariffs of Delta Telephone and Telegraph Company.

8. General Telephone Company of California, after the consummation of the merger, shall maintain its records in such form as to provide a segregation of accounts relating to the plant investment and pertinent rate base items, as well as the revenues and expenses of the system being acquired through merger.

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

10. Within sixty days after the consummation of the merger, General Telephone Company of California shall file with the Commission a copy of each journal entry used to record the merger on its books of account.

11. On or before the end of the third month after the consummation of the merger as herein authorized, General Telephone Company of California shall cause to be filed with the Commission, in such form as it may prescribe, an annual report, or reports, covering the period commencing with the first day of the current year to and including the effective date of the merger.

12. This order shall become effective on the date hereof. Unless exercised, the authority herein granted shall expire on March 31, 1965.

Dated at San Francisco, California, this 20th day of October, 1964.

Frederick B. Hallock  
President

Paul E. [unclear]  
Charles [unclear]

George [unclear]

Commissioners

Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.