

ORIGINAL

Decision No. 73698

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of ROY MC DONNELL and HAZEL J.)
MC DONNELL, doing business as)
HORNITOS TELEPHONE EXCHANGE and)
HORNITOS TELEPHONE CO., a)
corporation, for an Order)
authorizing:)

Application No. 49934
Filed January 10, 1968

A. Roy McDonnell and Hazel J.)
McDonnell to transfer and)
Hornitos Telephone Co., a)
corporation, to acquire the)
properties owned by Roy McDonnell)
and Hazel J. McDonnell, consisting)
of the Hornitos Telephone Exchange;)

B. Roy McDonnell and Hazel J.)
McDonnell to withdraw from the)
public utility business;)

C. Hornitos Telephone Co., a)
corporation, to issue its capital)
stock in exchange for the assets)
of and to assume the obligations)
of Hornitos Telephone Exchange,)
and)

D. Hornitos Telephone Co., a)
corporation, to borrow \$20,000,)
to issue its Notes therefor and)
to encumber its properties as)
security for said Notes.)

O P I N I O N

This is an application for an order of the Commission
authorizing Roy McDonnell and Hazel J. McDonnell, doing business
as Hornitos Telephone Exchange, to transfer and convey their
public utility telephone exchange systems and related assets

to Hornitos Telephone Co., a corporation. In addition, Hornitos Telephone Co. seeks authority (a) to issue 6,500 shares of its \$10 par value capital stock, (b) to issue notes aggregating \$20,000 pursuant to the terms and conditions of a Loan Agreement and (c) to execute and deliver a mortgage, supplemental mortgages and a financing statement.

Pursuant to authority granted by Decision No. 51316, dated April 12, 1955, in Application No. 36815, Roy McDonnell and Hazel J. McDonnell acquired the telephone system formerly known as Josephine O. Hamilton Telephone Company. By Decision No. 61188, dated December 13, 1960, in Application No. 42535, the Commission authorized said owners to establish their Mt. Bullion exchange.

The current application shows that operations presently are conducted under the name of Hornitos Telephone Exchange and that service is provided to subscribers located in and about the communities of Hornitos, Mt. Bullion and Exchequer in Mariposa County. According to the balance sheet dated as of December 31, 1966, attached to the application as a part of Exhibit D, the utility's total assets of \$68,627 were offset by current liabilities and net worth of \$4,361 and \$64,266, respectively.

In the present proceeding Roy McDonnell and Hazel J. McDonnell request authority to transfer and convey their public utility telephone exchange systems and related assets to Hornitos Telephone Co., a California corporation organized on or about November 24, 1967. The corporation proposes to acquire said assets, subject to existing liabilities, in exchange for \$65,000 aggregate par value of its capital stock.

In order to procure, or to repay short-term notes or debts incurred to procure, XY dial equipment, Hornitos Telephone Co. proposes to borrow \$20,000 from Stromberg-Carlson Corporation pursuant to the terms of a Loan Agreement. Said borrowing will be represented by interim notes which will be replaced by a final note on or before October 31, 1969. The interim and final notes will bear interest at the rate of 7% per annum and the final note will be repayable in 120 monthly installments. The indebtedness to be evidenced by said notes will be secured by a mortgage, supplemental mortgages and a financing statement.

The Commission has considered this matter and finds that: (1) the proposed transactions will 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 and notes herein authorized is reasonably required for the purposes specified herein; and (3) such purposes are 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 Hornitos Telephone Co. 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 corporation should be allowed to earn on its investment in plant, and that the authorization herein granted is not to be construed as a finding of the value of its 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. On or after the effective date hereof and on or before June 30, 1968, Roy McDonnell and Hazel J. McDonnell, doing business as Hornitos Telephone Exchange, may transfer and convey, and Hornitos Telephone Co., a corporation, may acquire, the public utility telephone exchange systems and related assets referred to in this proceeding. The transfer and conveyance may be made effective as of January 1, 1968, for accounting purposes only.

2. Hornitos Telephone Co., on or after the effective date hereof and on or before June 30, 1968, in acquiring said assets, may assume the obligations and liabilities referred to in the application and may issue not exceeding \$65,000 aggregate par value of its capital stock.

3. Hornitos Telephone Co., on or after the effective date hereof, may enter into a Loan Agreement with Stromberg-Carlson Corporation, may execute and deliver a mortgage, supplemental mortgages and a financing statement and, for the purposes specified in this proceeding, may issue and deliver interim notes in the aggregate principal amount of not exceeding \$20,000, and thereafter may replace such interim notes by a final note. Said documents shall be in the same form, or in substantially the same form, as those referred to in the application.

4. Hornitos Telephone Co. 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.

5. Within sixty days after the date of actual transfer, the tariffs of Roy McDonnell and Hazel J. McDonnell now on file with this Commission shall be refiled under the name of Hornitos Telephone Co. in accordance with the procedure prescribed in General Order No. 96-A or, in lieu of such refiling, Hornitos Telephone Co. may file within thirty days after the date of actual transfer, by advice letter, a notice of adoption of said presently filed tariffs.

6. On or before the date of actual transfer, Roy McDonnell and Hazel J. McDonnell shall refund all customers' deposits and advances for construction, if any, which are due and payable as of the date of transfer. All unrefunded deposits and advances shall be transferred to Hornitos Telephone Co. which shall be responsible for their refund when due.

7. On or before the date of actual transfer, Roy McDonnell and Hazel J. McDonnell shall deliver to Hornitos Telephone Co., which shall receive and preserve, all available records, memoranda and papers pertaining to the construction and operation of the properties herein authorized to be transferred.

8. If the authority herein granted to transfer properties is exercised, Hornitos Telephone Co., within thirty days thereafter, shall notify the Commission, in writing, of that fact and within said period shall file with the Commission a true copy of any bill of sale or other instrument of transfer which may be executed to effect such transfer.

9. On or before the end of the third month after the consummation of the transfer as herein authorized, Hornitos Telephone Co. shall cause to be filed with the Commission, in such form as the Commission may prescribe, an annual report, or reports, related to the operations of the transferors for the period commencing with the first day of the current year to and including the effective date for accounting purposes of the transfer if such date is other than January 1, 1968.

10. Upon compliance with all of the conditions of this order, Roy McDonnell and Hazel J. McDonnell shall stand relieved of their public utility obligations in the area served by the transferred systems and may discontinue service concurrently with the commencement of service by Hornitos Telephone Co., which for accounting purposes only may occur as of January 1, 1968.

11. This order shall become effective when Hornitos Telephone Co. has paid the minimum fee prescribed by Section 1904 (b) of the Public Utilities Code, which fee is \$25.

Dated at San Francisco, California,
this 6th day of FEBRUARY, 1968.

Stallman *President*
Augustin
William L. ...
Paul P. Monsey *Commissioners*

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.

PUBLIC UTILITIES COMMISSION
 STATE OF CALIFORNIA
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 FEB - 6 1968
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 By *H. Saloner*