

ORIGINAL

Decision No. 74211

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of GOLDEN WEST)
TELEPHONE COMPANY, a California)
corporation, and JAMES TELEPHONE)
COMPANY, a California corporation,)
for an order authorizing: (a))
James Telephone Company to)
transfer and Golden West)
Telephone Company to acquire)
the properties of James)
Telephone Company; (b) Golden)
West Company to issue shares of)
its capital stock in exchange)
for the properties of James)
Telephone Company.)

Application No. 50223
Filed May 8, 1968

O P I N I O N

This is an application for an order of the Commission (1) authorizing James Telephone Company to transfer its public utility telephone properties, together with related assets, to Golden West Telephone Company, and (2) authorizing Golden West Telephone Company, in exchange for said properties and assets, to assume certain liabilities and to issue 101,811 shares of its \$1 par value common stock.

James Telephone Company is a California corporation engaged in the business of providing telephone service in portions of Fresno County pursuant to authority granted by Decision No. 69078, dated May 18, 1965, in Application No. 46237. The

application shows that the utility serves approximately 1,150 stations in a 400 square mile area which includes the communities of San Joaquin, Tranquillity and Cantua Creek. The most recent annual report of James Telephone Company on file with this Commission shows total operating revenues and net income of \$181,861 and \$48,960, respectively, for the year ended December 31, 1967. The company's balance sheet on said date is summarized as follows:

<u>Assets</u>	
Telephone plant - Net	\$819,812
Other assets	<u>123,169</u>
Total	<u>\$942,981</u>
 <u>Liabilities and Capital</u>	
Long-term debt*	\$447,185
Common stock equity	436,180
Other liabilities	<u>59,616</u>
Total	<u>\$942,981</u>

*Rural Electrification Administration notes bearing interest at 2% per annum.

Golden West Telephone Company is a California corporation engaged in the business of furnishing local and toll telephone service in a portion of the State of Arizona and in many localities throughout the State of California, including territory near the exchange area of James Telephone Company. The utility's 1967 annual report on file with this Commission shows

total operating revenues of \$5,287,545 and net income of \$708,596 for the year. The corporation's balance sheet as of December 31, 1967 is summarized as follows:

Assets

Telephone plant - Net	\$18,257,673
Other assets	<u>1,626,609</u>
Total	<u>\$19,884,282</u>

Liabilities and Capital

Long-term debt*	\$12,529,001
Preferred stock	468,975
Common stock equity	4,751,699
Other liabilities	<u>2,134,607</u>
Total	<u>\$19,884,282</u>

*Includes \$11,345,605 of Rural Electrification Administration notes bearing interest at 2% per annum.

The application indicates that both companies are subsidiaries of Continental Telephone Corporation, which owns at least 99% of the outstanding common stock of each.

Golden West Telephone Company, in exchange for 101,811 shares of its \$1 par value common stock and the assumption of long-term and certain other liabilities, proposes to acquire substantially all of the properties of James Telephone Company. It appears that James Telephone Company will dissolve thereafter pursuant to the Plan and Agreement of Reorganization, a copy of which is attached to the application as Exhibit E.

On the basis of the book value of common stock of Golden West Telephone Company as of December 31, 1967, the proposed additional 101,811 shares would have an approximate value of \$436,000, which corresponds with the common stock equity of James Telephone Company.

After consideration the Commission 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 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 Golden West Telephone Company 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 the 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. James Telephone Company, on or after the date hereof and on or before September 30, 1968, may transfer, and Golden West Telephone Company may acquire, the public utility telephone business, properties and related assets referred to in this proceeding, in accordance with the terms of the Plan and Agreement of Reorganization, a copy of which is attached to the application as Exhibit E.
2. Golden West Telephone Company, for the purpose specified in this proceeding, may assume outstanding indebtedness and may issue not exceeding 101,811 shares of its common stock.
3. Golden West Telephone Company 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.
4. On or before the date of actual transfer, James Telephone Company 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 Golden West Telephone Company which shall be responsible for their refund when due.

5. On or before the date of actual transfer, James Telephone Company shall deliver to Golden West Telephone Company, 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.

6. If the authority herein granted to transfer properties is exercised, Golden West Telephone Company, 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.

7. After the date of this order and not more than five days after the date of actual transfer, Golden West Telephone Company shall file a notice of adoption of the tariff schedules of James Telephone Company. Such filing shall comply with General Order No. 96-A, and the effective date of the notice of adoption shall be the date of actual transfer.

8. The tariff schedules of James Telephone Company, now on file with the Commission, shall be refiled within ninety days after the date of actual transfer under the name of Golden West Telephone Company, in accordance with the requirements of General Order No. 96-A, except that Golden West Telephone Company may withdraw such of James Telephone Company's rules and standard forms as are substantially identical with those of Golden West

Telephone Company, and the withdrawal of which will not result in increases in rates or more restrictive conditions than the presently filed tariff schedules of James Telephone Company.

9. Golden West Telephone Company, after the consummation of the transfer, 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.

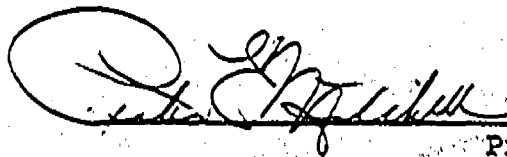
10. Within sixty days after consummating the transfer herein authorized, Golden West Telephone Company shall file with the Commission a copy of each journal entry used to record the transfer on its books of account.

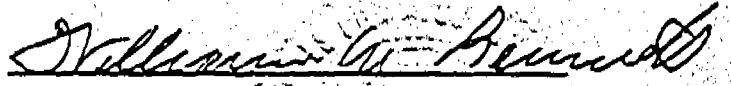
11. On or before the end of the third month after the consummation of the transfer herein authorized, Golden West Telephone Company shall cause to be filed with the Commission, in such form as the Commission may prescribe, an annual report, or reports, related to the operations of James Telephone Company for the period commencing with the first day of the current year to and including the date of the transfer.

12. Upon compliance with all of the conditions of this order, James Telephone Company shall stand relieved of its public utility obligations in the area served by the transferred system, and may discontinue service concurrently with the commencement of service by Golden West Telephone Company.

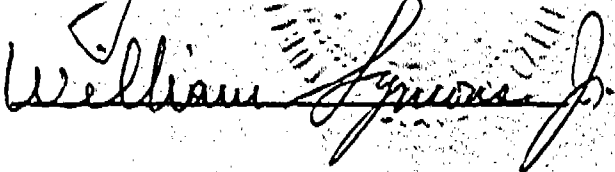
13. The effective date of this order is the date
hereof.

Dated at San Francisco, California,
this 5th day of JUNE, 1968.


President







Commissioners

Commissioner Fred P. Morrissey, being
necessarily absent, did not participate
in the disposition of this proceeding.