

RR/KLH/SR/WPSC

ORIGINAL

Decision 83 11 005 NOV 2 - 1983

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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| In the Matter of the Application |) | |
| of VOLCANO COMMUNICATIONS COMPANY |) | Application 83-09-31 |
| for an Order authorizing it to |) | (Filed September 7, 1983) |
| control THE VOLCANO TELEPHONE |) | |
| COMPANY. |) | |

O P I N I O N

Volcano Communications Company (Applicant), a California corporation, requests authority, under Public Utilities (PU) Code Section 854, to control The Volcano Telephone Company (Volcano) by acquiring 80% or more of each class of Volcano's outstanding stock in exchange for Applicant's stock.

Summary of Decision

This decision grants Applicant the authority to control Volcano through the issuance of its own stock to acquire 80% or more of Volcano's outstanding common and preferred stock.

Notice of the filing of the application appeared on the Commission's Daily Calendar of September 19, 1983. No protests have been received.

Volcano was incorporated in California on April 17, 1952 as a public utility telephone company. It offers telephone service in portions of Alpine, Amador, Calaveras, and El Dorado Counties. Members of the Smith and Welch families have owned 100% of the

company's stock since its incorporation in 1952. James W. Welch, president; Harry Glenn Smith, vice president; and Janice O. Welch, secretary-treasurer, have all served in their capacities since the date of incorporation. The company has been and continues to be a local family-owned and operated enterprise.

Applicant proposes to acquire shares of common and preferred stock of Volcano so that it will own 80% or more of each class of outstanding stock of the telephone company. Although this technically represents a change in control requiring approval under PU Code Section 854, it does not constitute an actual change in management personnel. Applicant proposes to acquire this stock in exchange for Applicant's stock in a tax free reorganization. The officers and directors of Applicant are identical to the officers and directors of Volcano. No change in the operation or management of Volcano will occur by reason of this transaction. The function of Applicant will be to act as a holding company for the stock of Volcano and to engage in unregulated business activities. It is not anticipated that Applicant, as a holding company, will itself become a utility.

The proposed transaction involves exchange of one share of Applicant's common stock for each 10 shares of Volcano's preferred stock. This proportional exchange will assure that the control and management of Applicant will be exactly the same as it has been for Volcano.

Volcano reported in its 1982 Annual Report to the Commission that it had outstanding 58,875 shares of Common Stock, \$1 par value, and 51,810 shares of Preferred Stock, \$25 par value, making a combined total of 110,685 shares. Applicant currently owns 47,100 of Volcano's common stock (80%) but owns none of the preferred stock and would need to issue the equivalent of about 5,181 shares on a 10 to one ratio to acquire 80% of the preferred stock in order to control Volcano. The preferred stock has voting rights.

The Commission's Revenue Requirements Division and the Communications Division have reviewed the application and have no objection to the proposed stock transactions or the acquisition of control of Volcano by Applicant.

Findings of Fact

1. Volcano, a California corporation, operates as a public telephone utility under the jurisdiction of this Commission.
2. Applicant, a California corporation, is a non-utility and is not under the Commission's jurisdiction.
3. The proposed reorganization would not be adverse to the public interest.
4. The proposed reorganization would be for lawful purposes.
5. The performance of Volcano under Applicant's control would be basically unchanged and would not be adversely affected.

6. There is no known opposition and there is no reason to delay granting the authority requested.

Conclusions of Law

1. A public hearing is not necessary.
2. The application should be granted to the extent set forth in the order which follows.

In issuing our order, we place Volcano and its shareholders on notice that we do not regard the number of shares outstanding, or the dividends paid, as measuring the return it should be allowed to earn on its investment. This authorization is not a finding of the value of Volcano's or Applicant's stock or properties nor is it indicative of amounts to be included in rate-setting procedures.

The following order should be effective on the date of signature to enable Applicant to issue its stock and to control Volcano expeditiously.

O R D E R

IT IS ORDERED that Volcano Communications Company (Applicant) may control The Volcano Telephone Company (Volcano) by acquiring 80% of more of each class of Volcano's outstanding stock in exchange for Applicant's stock.

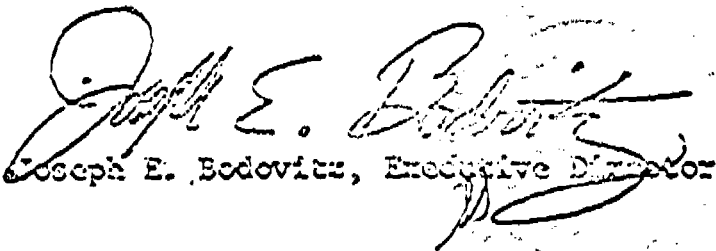
This order is effective today.

Dated NOV. 2, 1983, at San Francisco, California.

LEONARD M. GRIMES, JR.
President
VICTOR CARVO
PRISCILLA C. GREN
WILLIAM T. BADEBY
Commissioners

Commissioner Donald Vial, being necessarily absent, did not participate.

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.


Joseph E. Bodovitz, Executive Director