

Decision No. 16248.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

ORIGINAL

In the matter of the application of Elk Grove Mutual Telephone Association to sell certain property and of Elk Grove Telephone Company, a corporation, to purchase said property, and for order authorizing issue of stock.

Application No. 12,342.

Hughes, Bradford, Cross & Prior, by  
E. B. Bradford, and Ernest Irwin,  
for applicants.  
L. M. Brown, for The Pacific Telephone  
and Telegraph Company.  
Ernest Irwin, for California Independent  
Telephone Association.

BY THE COMMISSION:

O P I N I O N

In the original application in this proceeding, applicant, Elk Grove Telephone Company, a corporation organized for the purpose of acquiring and operating certain telephone properties in Elk Grove and environs, Sacramento County, asked that the Railroad Commission issue its order permitting the sale of stock and granting a certificate of public convenience and necessity covering its proposed operations.

A hearing was held in this matter by Examiner Satterwhite in Sacramento on February 16, 1926.

At the hearing an amended application was presented and filed, which set forth a joint request on the part of Elk Grove Mutual Telephone Association for permission to sell certain property and Elk Grove Telephone Company to purchase such property, and to issue four hundred (400) shares of stock of the aggregate par value of \$4,000.00, to cover the purchase price of the property referred to and two thousand (2,000) additional shares of the aggregate par value of \$20,000.00, to be sold for cash to finance the cost of purchasing existing farmer lines, if advisable, and of making replacements and extensions. A further amendment to the original application has since been filed in which applicant, Elk

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Grove Telephone Company, asks permission to file and make effective certain rules and regulations governing the telephone service which it proposes to render.

Applicant, Elk Grove Mutual Telephone Association has for some time past owned and maintained central office facilities and main pole leads and wire lines within a radius of one-half mile of its central office in the town of Elk Grove. Ownership of all other pole and wire facilities, and telephone instruments, with one exception, is vested in the subscribers. The Elk Grove Mutual Telephone Association, however, has been responsible for the maintenance of all plant, regardless of ownership, for about the last three years.

Although no other exchange telephone service, except that furnished by the Association, is offered or available in Elk Grove and immediate vicinity, it appears from the evidence that some overlapping of service provided by the Elk Grove Mutual Telephone Association with that furnished by other utilities exists at points more distant from Elk Grove. Applicant filed as one of its exhibits a map showing the territory served by the Elk Grove Mutual Telephone Association and that in which the Elk Grove Telephone Company desires to render exchange telephone service under a Certificate of Public Convenience and Necessity. Testimony shows that there are certain subscribers' stations located outside this territory which are served from the Elk Grove central office and certain other stations which are within the territory, but are served from outside central offices of other utilities. Witnesses for applicants testified that the residents of Florin and vicinity were desirous of receiving service from Elk Grove rather than Sacramento on account of relationships existing between the two communities. Contrasted with this statement is evidence submitted by The Pacific Telephone and Tele-

graph from which it appears that there approximately fifty (50) subscribers' stations in Florin and vicinity which are served from the Sacramento central office as compared with twenty (20), more or less, served from the central office at Elk Grove. It appears that, due to matters discussed above, some modification should be made in the boundary of the territory to be served by Elk Grove Telephone Company. The modified territorial boundary line is shown in Exhibit "A", attached hereto.

Rural Union Telephone Company, sometimes referred to as Schoech's Central, has been operating as a public telephone utility in the area immediately surrounding and including Franklin, Sacramento County, which area is included in the territory in which the Company desires to render telephone service. Testimony submitted at the hearing shows that the service at present furnished by the Rural Union Telephone Company is inadequate and of little value, that the Rural Union Telephone Company desires to abandon its operations as a public utility and that residents of Franklin and former patrons of the Rural Union Company elect to receive telephone service from some other source. The Rural Union Telephone Company has since the hearing in this matter filed an application to abandon telephone utility operations.

The reorganization of the Elk Grove Mutual Telephone Association is in accordance with suggestions made by this Commission and it appears that the present subscribers of the Elk Grove Mutual Telephone Association and the public generally in the locality involved would be benefitted by the granting of this petition of applicants. There appears to be no reason why the Elk Grove Telephone Company should not be allowed to commence operations as a public utility in the territory proposed in the evidence supporting its application, with certain modifications and under the rates at present charged and collected by the Elk Grove Mutual Telephone

Association, shown in Exhibit "B" attached hereto.

Elk Grove Telephone Company has an authorized capital stock of \$50,000.00 divided into 5,000 shares of the par value of \$10.00 each, all common. In connection with the request of the corporation to issue \$4,000.00 of stock in payment for the properties of the Elk Grove Mutual Telephone Association, reference is made by applicants to a valuation prepared by the Commission's engineering department in 1922 in Application No. 7,893, a rate matter, wherein the historical reproduction cost of the properties as of June 1, 1922 was estimated at \$4,480.00, and the historical reproduction cost less depreciation at \$3,104.00. Since the date of the appraisal, according to the testimony herein, net additions have been made to the plant of about \$1,500.00, bringing the historical reproduction cost undepreciated, based on the earlier appraisal of \$4,480.00, as of January 1, 1926, up to about \$6,000.00. The historical reproduction cost less depreciation, in the opinion of Ernest Irwin, an engineer called as one of applicants' witnesses, is in excess of \$4,000.00, the amount of stock the corporation proposes to issue for the properties.

Coming to the request of the corporation to issue \$20,000.00 of stock, it appears that the company proposes to sell such additional amounts from time to time as arrangements are made to take over existing farmers' lines and for additions and extensions.

In this proceeding the company reports the necessity of expending, from the proceeds from the sale of the \$20,000.00 of stock, the sum of \$11,350.00 for the purpose of constructing five new lines known as the West, East, Florin, Franklin and Wilton lines. The \$11,350.00 consists of \$2,950.00 for the West line, \$1,150.00 for the East line, \$1,900.00 for the Florin line, \$2,200.00 for the Franklin line and \$3,150.00 for the Wilton line and, as shown in Exhibit "4", includes the following items:

One-quarter mile of 50 pair cable . . . . .	\$665.
One-quarter mile of 75 pair cable . . . . .	800.
One-quarter mile of 100 pair cable . . . . .	985.
Messenger cable . . . . .	275.
Poles . . . . .	3,600.
Wire, No. 12 and 14 galvanized iron . . . . .	1,000.
Cross arms and glass . . . . .	950.
Twisted service pairs and poles . . . . .	300.
Cable terminals . . . . .	25.
Labor . . . . .	2,750.

Total . . \$11,350.

Based on the showing made in this matter the order herein will authorize the issue of \$4,000.00 of stock in full payment for the properties of Elk Grove Mutual Telephone Association, although such permission is not to be construed as a finding of value of such properties, the issue and sale for cash at not less than par of \$20,000.00 of stock and the use at this time of \$11,350.00 of the proceeds received thereby for the purchase of the lines described in Exhibit "4". The remaining proceeds may be used only as authorized by the Commission in supplemental orders.

O R D E R

Elk Grove Mutual Telephone Association and Elk Grove Telephone Company, having made application to the Railroad Commission, the former seeking permission to sell, and the latter to purchase, certain telephone properties in Elk Grove, Sacramento County, and vicinity; Elk Grove Telephone Company having made application for permission to issue stock and for an order granting a Certificate of Public Convenience and Necessity requiring it to operate as a public utility in and in the vicinity of Elk Grove, a public hearing having been held, the Railroad Commission having fully considered all evidence in this proceeding, and the matter being submitted and ready for decision,

The Railroad Commission of the State of California hereby

declares that public convenience and necessity require Elk Grove Telephone Company to operate the telephone system formerly operated by Elk Grove Mutual Telephone Association.

The Railroad Commission finds as a fact that the Elk Grove Telephone Company should render telephone service throughout the territory as shown in Exhibit "A", attached, under rates effective for service rendered by Elk Grove Mutual Telephone Association and set forth in Exhibit "B", attached.

Basing its order on the foregoing finding of fact and upon other findings of fact contained in the Opinion preceding this Order:

IT IS HEREBY ORDERED that Elk Grove Telephone Company shall

(1) Furnish on and after May 1, 1926 telephone service within the territory shown in Exhibit "A", attached hereto.

(2) Charge and collect, effective as of May 1, 1926, the rates for service as shown in Exhibit "B", attached hereto.

(3) File with the Railroad Commission on or before April 30, 1926, the schedule of rates referred to in Section (2) above, together with rules and regulations similar to those set forth in this Commission's Decision No. 13,478 (24 C.R.C. 854) and as may be approved by this Commission.

(4) File with the Railroad Commission on or before April 30, 1926, a map of territory served as shown in Exhibit "B", attached hereto.

IT IS HEREBY FURTHER ORDERED that Elk Grove Telephone Company be, and it is hereby, authorized to issue, on or before December 31, 1926, 2,400 shares of its common capital stock, of

the aggregate par value of \$24,000.00, and to deliver 400 shares thereof in full payment for the properties of Elk Grove Mutual Telephone Association and to sell the remaining 2,000 shares for cash at not less than par, such authority being subject to the following conditions:

(1) Of the proceeds to be received through the issue and sale of the 2,000 shares herein authorized, not more than \$11,350.00 may be used to finance the cost of the construction work described in Exhibit No. 4, and referred to in the foregoing opinion. The remaining proceeds, and such portion of the \$11,350.00 not needed for the work described in Exhibit No. 4 may be used only when authorized by the Commission in supplemental orders.

(2) The amount of stock which Elk Grove Telephone Corporation is authorized to issue in payment for the properties of Elk Grove Mutual Telephone Association shall not be urged before this Commission or other court or public body having jurisdiction as a measure of value of such properties for the purpose of fixing rates.

(3) Elk Grove Telephone Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the 25th day of each

month a verified report as required by the Railroad Commission's General Order No. 24, which order in so far as applicable is made a part of this order.

For all other purposes, the effective date of this order shall be twenty (20) days from and after the date hereof.

Dated at San Francisco, California, this 18<sup>th</sup> day of March, 1926.

H. B. ...

C. ...

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Commissioners.

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EXHIBIT "A"

MAP OF EXCHANGE AREA

CALIFORNIA RAILROAD COMMISSION

MAP SHOWING  
EXCHANGE AREA  
OF  
ELK GROVE TELEPHONE COMPANY

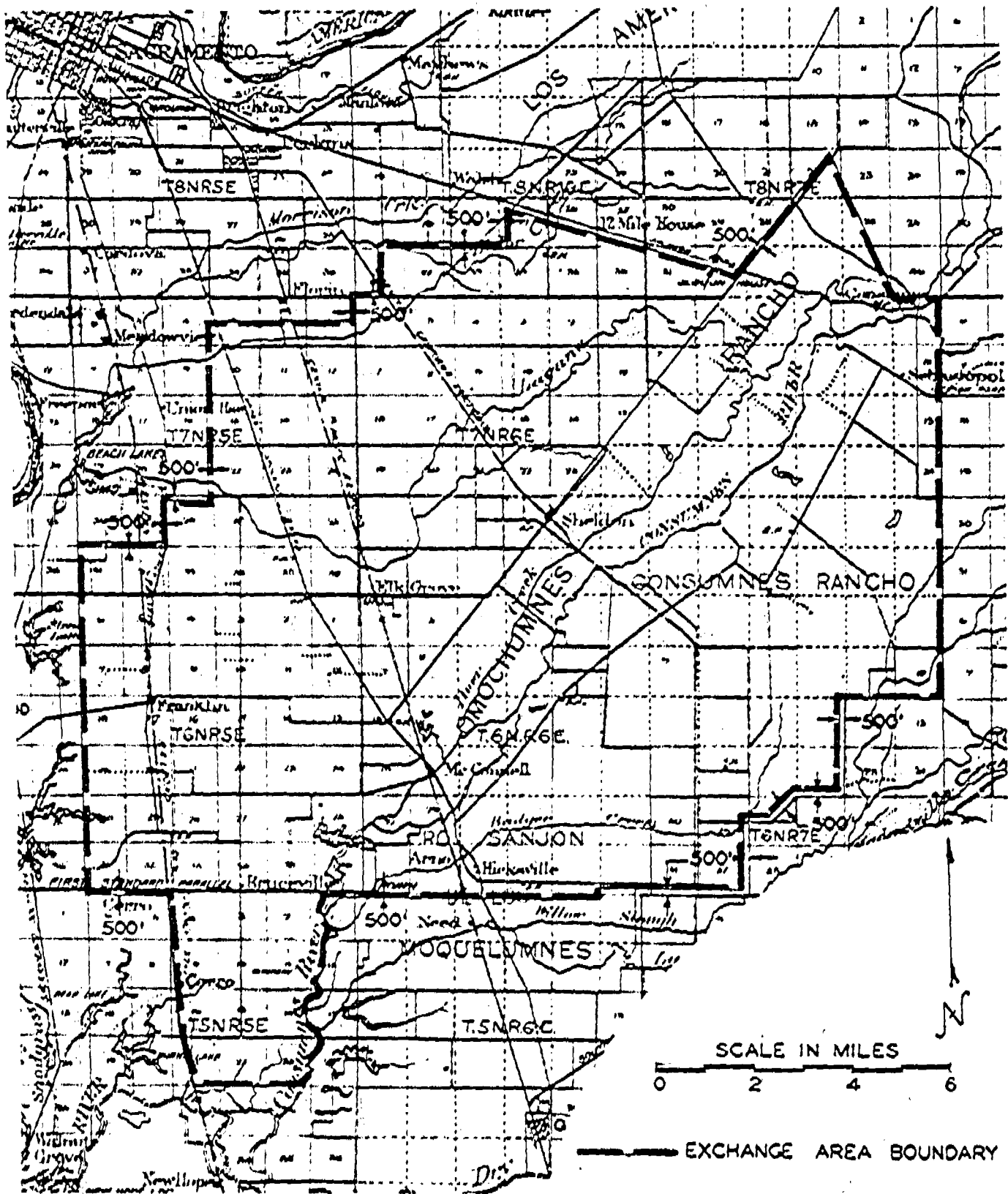


EXHIBIT "B"

RATES

EXCHANGE SERVICE SCHEDULE NO. A-1

GENERAL SERVICE

ELK GROVE.

SERVICE:

Applicable to individual and party line flat rate service within one-half mile radius from the central office at Elk Grove.

RATE:

<u>Grade of Service</u>	<u>Rate per Station per year</u>	
	<u>Business Service</u>	<u>Residence Service</u>
Individual line	\$18.00	\$15.00
Two-party line	16.80	13.80
Five-party line	15.00	12.00

CONDITIONS:

(1) The above rates, plus mileage rates, are applicable to individual line and two-party line stations located at a distance greater than one-half mile from the central office.

(2) The company maintains all lines and equipment under the above rates.

EXCHANGE SERVICE SCHEDULE NO. A-4

MILEAGE RATES:

Applicable to individual and two-party line service outside one-half mile radius from the central office.

RATE:

For service to stations outside one-half mile radius from central office the following mileage rates are effective, based upon air line mileage measured between the station and the nearest point in a circle the center of which is at the central office and the radius of which is one-half mile.

Rate per month per one-quarter (1/4) mile or fraction thereof (air line distance)

Individual line  
Two-party line

\$0.50 per line  
.35 per primary station

CONDITIONS:

(1) The charge for service under the above rates is in addition to the regular flat rate charges.

(2) The company maintains all lines and equipment under the above rates.

EXCHANGE SERVICE SCHEDULE NO. A-5

SUBURBAN SERVICE:

Applicable to suburban party line service, within the exchange area as shown on map filed herewith, outside one-half mile radius from central office.

RATE:

<u>Grade of Service</u>	<u>Rate per Station per year</u>	
	<u>Business Service</u>	<u>Residence Service</u>
Suburban Service	\$15.00	\$12.00

CONDITIONS:

(1) The Company maintains all lines and equipment under the above rates.