

Decision No. 17747.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 THE PACIFIC TELEPHONE AND TELEGRAPH )  
 COMPANY for an order authorizing the )  
 purchase of all of the capital stock )  
 of Turlock Home Telephone and Telo- )  
 graph Company and for the transfer of )  
 the property of Turlock Home Tele- )  
 phone and Telegraph Company to The )  
 Pacific Telephone and Telegraph Com- )  
 pany, and authorizing the Turlock )  
 Company to retire from the telephone )  
 business and authorizing The Pacific )  
 Company to enter the territory in- )  
 volved and assume the obligations )  
 of rendering telephone service )  
 therein. )

ORIGINAL

Application No. 13267

J. L. Randolph, for Turlock Home Telephone and Telegraph Company.

J.G.Marshall, for The Pacific Telephone and Telegraph Company.

BY THE COMMISSION:

O P I N I O N

In the above entitled matter the Railroad Commission is asked to make an order:-

1. Authorizing The Pacific Telephone and Telegraph Company, hereinafter sometimes mentioned as Pacific Company, to purchase all of the outstanding capital stock (\$30,000.00 par value) of Turlock Home Telephone and Telegraph Company, hereinafter sometimes mentioned as Turlock Company, for the sum of \$100,000.00;
2. Authorizing Turlock Company to sell and transfer all of its properties, free and clear of all liens and indebtedness, to Pacific Company and to withdraw from the telephone business in the territory in

which it now operates; and

3. Authorizing Pacific Company to engage in a telephone and telegraph business in the territory now served by Turlock Company.

Turlock Company is engaged in a general telephone business in and about the City of Turlock, Stanislaus County. For the last three calendar years it has reported revenues and expenses as follows:-

ITEM	1923	1924	1925
Telephone operating revenues	\$34,519.02	\$35,040.28	\$37,732.65
Telephone operating expenses	30,710.72	30,030.45	32,904.12
Net operating revenues	3,808.30	5,009.83	4,829.53
Taxes . . . . .	2,137.94	1,852.78	1,912.88
Operating income . . . . .	1,670.36	3,157.05	2,916.65
DEDUCTIONS:			
Interest accrued . . . . .	730.90	1,540.26	1,155.00
Miscellaneous . . . . .	621.90	214.25	327.70
Total deductions . . . . .	1,352.80	1,754.51	1,482.70
Profit for year . . . . .	\$ 317.56	\$1,402.54	\$1,433.95

The operating expenses of the Turlock Company are reported as follows:-

	1923	1924	1925
Repairs to wire plant . . . . .	\$1,694.54	\$1,781.30	\$2,748.28
Repairs to equipment . . . . .	1,895.85	1,732.49	1,770.72
Station removals and changes	864.45	862.79	908.67
Depreciation . . . . .	4,471.99	4,674.71	4,820.29
Other maintenance expenses	838.70	1,041.31	1,824.87
Total maintenance expenses	9,765.53	10,092.60	12,072.73
Operators' wages . . . . .	7,609.20	7,707.50	8,932.60
Other traffic expenses . . . . .	231.19	212.82	339.69
Total traffic . . . . .	7,840.39	7,920.32	9,272.29
General office salaries . . . . .	10,209.68	8,535.40	7,917.60
Other general expenses . . . . .	2,895.12	3,482.13	3,641.50
Total general expenses	13,104.80	12,017.53	11,559.10
Total operating expenses	\$30,710.72	\$30,030.45	\$32,904.12

From the testimony herein it appears that there are about 1,000 stations in service.

A valuation of the physical properties, made by engineers of the purchasing company, was filed in this proceeding as Exhibit No. 2, and shows the estimated reproduction cost, as of September 30, 1925, <sup>6</sup> *Mem* at \$86,926.16, the estimated condition percent at 86.0 and the "appraised structural value" at \$74,750.00.

The record herein shows that the owners of the outstanding \$30,000.00 of stock of Turlock Company are desirous of retiring from the telephone business and that accordingly they have made arrangements to sell their shares of stock to Pacific Company for the total sum of \$100,000.00 payable in cash. It appears that on August 11, 1926, the holders of the \$30,000.00 of stock granted to Pacific Company an option to purchase such stock wherein it was agreed that the present holders, jointly and severally, would pay, satisfy and discharge all debts, liabilities and obligations of Turlock Company and would remove, satisfy and discharge any and all liens or encumbrances existing against any of the properties of Turlock Company, so that when Pacific Company acquires possession of the stock the properties of Turlock Company will be free and clear of all liens, indebtedness and encumbrances.

Upon acquiring the \$30,000.00 of stock Pacific Company plans to cause the properties of Turlock Company to be transferred immediately to it upon the payment of the nominal consideration of one dollar. In explanation of the procedure proposed to be followed it was stated that the original plan of Pacific Company was to buy the stock and to maintain Turlock Company as a separate entity to continue the operation of the properties now owned by it, separately, and that the arrangements to purchase the stock accordingly were made. Later, however, it was decided the system could be operated better by merging the properties with those now owned by Pacific Company which operates generally throughout Stanislaus County. In making this transfer it reports that it does not at this time contemplate any change in the rates, rules and regulations of Turlock Company within that company's service area. In support of the request of Pacific Company to purchase the ownership of the properties for \$100,000.00, Mr. C. E. Fleager, chief engineer of Pacific Company for Northern California and Nevada,

testified as follows:-

"Well, that is the best price we could get. Mr. Randolph wanted to sell, and it has been a matter that has been under negotiations for a long time; we are not able to get any better price out of him; he thought that was what it was worth, and we looked it over. We are of course, buying a business along with the physical property. It is in a community that is rich- we thought we could better the service; we are looking forward to better service all the time throughout a large territory, and with the rich country which is around Turlock, we felt we could afford to pay the \$100,000. and finally agreed to do so."

In authorizing the transfer of the stock and in effect the properties for the sum of \$100,000. we are not to be understood as making a finding of the value of the properties involved for any purpose other than the transfer of said stock and properties.

The Pacific Company on account of its greater financial resources, will be able to finance very readily the cost of any additions and betterments which may be necessary in the future. We find no good reason why the purchase of the stock and the transfer of the properties upon the terms indicated herein should not be authorized.

The order will be entered accordingly.

#### ORDER

Application having been made to the Railroad Commission, as set forth in the foregoing opinion, a public hearing having been held before Examiner Fankhauser and the Railroad Commission being of the opinion that the granting of the application is in the public interest and that the application should be granted, as herein provided,

IT IS HEREBY ORDERED as follows:-

1. The Pacific Telephone and Telegraph Company may purchase and acquire on or before February 1, 1927 for \$100,000.00 payable in cash, the outstanding \$30,000.00 of common capital stock of Turlock Home Telephone and Telegraph Company, and thereafter hold such stock.

2. Turlock Home Telephone and Telegraph Company may sell and transfer all of its properties to The Pacific Telephone and Telegraph Company upon the terms and conditions indicated in the foregoing opinion, and upon transfer of such properties, may cease furnishing and supplying telephone and telegraph service in the territory in which it now operates.

3. The Pacific Telephone and Telegraph Company, may purchase and acquire the properties of Turlock Home Telephone and Telegraph Company and, upon acquiring such properties, shall engage in a telephone and telegraph business in the territory now served by Turlock Home Telephone and Telegraph Company under the rates, rules and regulations heretofore filed by Turlock Home Telephone and Telegraph Company and now on file with the Railroad Commission.

The authority herein granted is subject to the following conditions:-

(a) The consideration of \$100,000.00 being paid by The Pacific Telephone and Telegraph Company shall not be urged as a measure of the value of the properties to be acquired from Turlock Home Telephone and Telegraph Company for any purpose other than the transfer herein authorized.

(b) The Commission, in making the order herein reserves the right to determine in this or in any subsequent proceeding, the amount of the purchase price that may be charged to capital account, by The Pacific Telephone and Telegraph Company.

(c) The Pacific Telephone and Telegraph Company within thirty days after the acquisition of the properties of Furlock Home Telephone and Telegraph Company shall file with the Commission a certified copy of the deed or bill of sale or other instrument of conveyance under which it acquires title to said properties.

DATED at San Francisco, California, this 11<sup>th</sup> day of December, 1926.

H. B. - - - - -  
W. - - - - -  
W. - - - - -  
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Commissioners.