

LEM

ORIGINAL

Decision No. 20017.

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) Application No. 14608
of capital stock of Consolidated Utili-)
ties Company.)

Pillsbury, Madison and Sutro; Lawler and Degnan;
and James G. Marshall, for applicant.

John K. Hull, City Attorney for the City of
Long Beach, protestant.

C. A. Bland, representing the Long Beach Chamber
of Commerce, protestant.

BY THE COMMISSION:

O P I N I O N

The Pacific Telephone and Telegraph Company asks per-
mission to purchase at a cost of \$260,000.00 from Pierce, Fair
and Company seven hundred seventy-four and four tenths(774.4)
shares of the common capital stock and one hundred and three
(103) shares of the preferred stock of the Consolidated Utili-
ties Company. It further asks permission to acquire the
balance of the issued and outstanding common and preferred
stock of the Consolidated Utilities Company if the same can be
acquired at a reasonable price.

The Consolidated Utilities Company is engaged in a
general telephone business in the City of Compton and vicinity,
in Los Angeles County. The company has three central offices;
one at Hynes, one at Compton and one at Gardena. As of Feb-
ruary 29, 1928 the number of telephone stations in operation
is reported at 2658.

The Consolidated Utilities Company reports outstanding \$61,700.00 of preferred stock and \$80,590.00 of common stock. In the petition, filed in this proceeding, The Pacific Telephone and Telegraph Company asks permission to purchase \$10,300.00 of the preferred and \$77,440.00 of the common.

At the hearing had on this application evidence was submitted showing that since the filing of the petition, the Pacific Telephone and Telegraph Company has been offered the remaining outstanding common stock, namely, \$3,150.00 (31-1/2 shares) at \$150.00 per share. The record also shows that while applicant is willing to purchase the \$51,400.00 of preferred stock it will not pay more for such stock than \$105.00 per share, the price at which the preferred stock may be called for redemption.

There has been filed in this proceeding a stipulation by the Pacific Telephone and Telegraph Company in which it agrees for itself, its successors and assigns, that the price which it will pay for the stock of the Consolidated Utilities Company will not be claimed by it before the Commission or other public authority as representing, for rate fixing or any other purpose, the fair value of the property of Consolidated Utilities Company.

As of February 29, 1928 the assets and liabilities of the Consolidated Utilities Company are reported as follows;-

ASSETS:

Plant in service January 1, 1915.....	\$41,475.20
Land and buildings	20,698.99
Central office equipment	29,228.79
Station equipment	48,746.39
Exchange lines	38,266.34
General equipment	4,696.17
Total fixed capital	<u>\$233,111.88</u>
Cash and deposits	1,008.09
Accounts receivable.....	990.28
Materials and supplies	1,169.59
Total working assets.....	<u>3,167.96</u>
Total assets.....	<u>\$236,279.84</u>

LIABILITIES:

Capital stock, common	\$80,590.00
Capital stock, preferred	61,700.00
Capital stock installments	45.00
Total capital stock.....	<u>\$142,335.00</u>
Bills payable	11,863.41
Accounts payable	6,514.05
Total working liabilities....	<u>18,377.46</u>
Accrued liabilities not due.....	2,668.41
Reserve for accrued depreciation.....	45,679.20
Total surplus and undivided profits.....	27,219.77
Total liabilities.....	<u>\$236,279.84</u>

For the three years ending December 31, 1927 the annual reports filed by Consolidated Utilities Company with the Railroad Commission show operating revenues and expenses as follows:-

ITEM	1925	1926	1927
Operating revenues.....	\$62,038.71	\$75,685.90	\$93,960.79
Operating expenses....	47,500.53	55,778.10	66,629.92
Net operating revenue	<u>14,538.18</u>	<u>19,907.80</u>	<u>27,330.87</u>
Taxes.....	3,628.14	4,475.49	7,420.38
Uncollectible bills....	-	29.95	1,044.00
Operating income....	<u>10,856.04</u>	<u>15,402.36</u>	<u>18,866.49</u>
Deductions from income	1,257.54	2,828.81	3,670.74
Profit for year.....	<u>\$9,598.50</u>	<u>\$12,573.55</u>	<u>\$15,195.75</u>

For 1925 the company reports the number of its subscribers at 1186; for 1926 at 2261; and for 1927, 2544.

In Exhibit No. 1 the estimated structural value of the properties of the Consolidated Utilities Company as of February 29, 1928 is reported by applicant at \$285,421.00 which amount is segregated as follows:-

Fixed capital.....	\$277,717.00
Cash	1,008.00
Employees working fund.....	28.00
Due from subscribers and agents	962.00
Materials and supplies.....	<u>5,706.00</u>
Total.....	<u>\$285,421.00</u>

This proceeding does not involve the transfer of the properties of the Consolidated Utilities Company. While the order herein will permit The Pacific Telephone and Telegraph Company to purchase the outstanding stock of the Consolidated Utilities Company, it should be understood by the purchaser that we have made no determination of the amount of such purchase price which may be charged to fixed capital accounts at the time the properties of the Consolidated Utilities Company may be acquired by applicant.

Representatives of the City of Long Beach and of the Long Beach Chamber of Commerce moved at the outset of the hearing on this application that such hearing be continued, in order that they might more fully investigate the request of applicant and the relation, if any, of such request to the issues raised in the complaint filed on June 21st by the City of Long Beach(Case No. 2564) against the Consolidated Utilities Company and the Associated Telephone Company. In that complaint the city asks the Commission that certain territory referred to in the complaint be severed from the district now served by the Consolidated Utilities Company and that the exchange boundary line of the district of Long Beach now being served by the Associated Telephone Company be extended so as to include said area within the City of Long Beach and that the Associated Telephone Company be authorized to establish individual party and subsidiary telephone service to the territory under the existing authorized regulations and rates provided for such service by the Railroad Commission.

The Commission has considered the motion made by representatives of the City of Long Beach and its Chamber of Com-

merce and is of the opinion that such motion should be denied, for the reason that the issues raised in the complaint and the issues presented in this application are not related. It appears to us that the two proceedings are distinct and separate and that the city's complaint will not be prejudiced in any manner by the granting of this application, which involves only a transfer of the control of Consolidated Utilities Company.

O R D E R

The Pacific Telephone and Telegraph Company, having asked permission to purchase the outstanding stock of Consolidated Utilities Company, a public hearing having been held before Examiner Fankhauser and the Commission being of the opinion that the acquisition of such stock by The Pacific Telephone and Telegraph Company is in the public interest and that this application should be granted as herein provided, therefore,

IT IS HEREBY ORDERED that The Pacific Telephone and Telegraph Company may purchase and hold all or part of the outstanding stock of the Consolidated Utilities Company, provided that such stock is acquired upon the terms and conditions set forth in this proceeding.

IT IS HEREBY FURTHER ORDERED that within thirty days after the purchase of any of such stock The Pacific Telephone and Telegraph Company shall file with the Commission a statement showing the date on which it acquires such stock and the consideration paid therefor.

DATED at San Francisco, California, this 9th day of July, 1928.

Leon A. Wheeler
Chas. H. ...
Wm. ...
John S. ...
W. J. ...
Commissioners.