

Decision No. 22841

## BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
                   C. F. GREEN                  )  
 for authority to sell his telephone )  
 property and to retire from the )  
 telephone business, and of J. T. )  
 Shipley to purchase said property )  
 and render telephone service in the )  
 territory involved; also to issue a )  
 note and execute mortgages to secure )  
 the same.                                  )

ORIGINAL

Application No. 16737

Ernest Irwin for applicants.

BY THE COMMISSION:

O P I N I O N

In this proceeding G. F. Green, who owns and operates a telephone exchange sometimes known as the Ripon Telephone Exchange in the Town of Ripon, San Joaquin County, State of California, asks permission to sell such properties to J. T. Shipley and to retire from the telephone business in that territory now served by him. J. T. Shipley asks permission to purchase the aforesaid properties for the consideration of \$25,000.00, payable as hereafter indicated, to issue a note, to execute mortgages and to operate the aforesaid properties.

It appears from the record that G. F. Green owns and operates the telephone system which provides telephone service to the inhabitants of the Town of Ripon and vicinity. Reports on file with the Commission show that for the year 1928 his operating revenues were \$7,533.63 and for the year 1929 \$7,912.90. His

operating expenses for the former year were \$7,396.60 and for the latter year \$7,250.87, leaving net revenues of \$137.03 for 1928 and \$662.03 for 1929. Deducting taxes which for 1928 are reported at \$428.41 and for 1929 at \$445.24, results in a loss of \$291.38 for 1928 and an operating income of \$216.79 for 1929. For 1928 he reports 245 telephone subscribers and 246 for 1929. In Exhibit No. 1 prepared by Ernest Irwin, the historical cost of the G. F. Green telephone exchange properties are reported at \$29,105.13, segregated as follows:

Land and buildings.....	\$ 4,000.00
General office equipment.....	1,440.00
Station equipment.....	6,555.82
Exchange pole lines.....	7,269.17
Exchange aerial wire.....	5,005.29
Exchange underground conduit.....	223.12
Exchange underground cable.....	268.93
General equipment.....	<u>3,712.37</u>
Sub-total.....	28,474.70
Materials and supplies.....	<u>630.43</u>
Grand Total.....	<u>\$29,105.13</u>

Mr. Irwin testified that the aforementioned figures represent, in his opinion, the historical cost of the telephone properties. Giving consideration to the accrued depreciation, he believes that the historical cost of the properties less such accrued depreciation would be from \$19,000.00 to \$20,000.00.

It appears from the record in this proceeding that G. F. Green has agreed, under an agreement dated July 11, 1930, to sell his telephone properties to J. T. Shipley for \$25,000.00 on condition that \$13,000.00 of the purchase price be paid upon the execution and delivery of the title to said properties and the balance of \$12,000.00 to be paid covering a period of six years from said date and payable as follows:

\$1,000.00 per annum for each and  
every year for the first five years and the

balance of \$7,000.00 to be paid in the sixth year.

The deferred payments are to bear interest at the rate of seven percent per annum and are to be represented by five \$1,000.00 notes and one \$7,000.00 note, the payment of which is to be secured by the execution of a chattel mortgage and of a real estate mortgage. Copies of these mortgages are on file in this proceeding and appear to be in satisfactory form.

J. T. Shipley testified that he would continue in effect the rates, rules and regulations which are now applicable to the G. F. Green telephone system and that he would endeavor to meet all the requirements of the Public Utilities Act and of the Railroad Commission. He believes that he can improve the telephone service and increase the revenues of the telephone system.

#### ORDER

Applicants having requested this Commission to enter its order as indicated in the foregoing opinion, a public hearing having been held before Examiner Fankhauser and the Commission being of the opinion that the money, property or labor to be procured or paid for by the notes herein authorized to be issued is reasonably required by J. T. Shipley for the purpose herein stated and that the expenditures for such purpose are not, in whole or in part, reasonably chargeable to operating expenses or to income and that this application should be granted as provided in this order, therefore,

IT IS HEREBY ORDERED as follows:

(1) G. F. Green is hereby authorized to sell and transfer, on or before November 1, 1930, to J. T. Shipley his telephone

properties described in the contract and agreement, dated July 11, 1930 and filed in this proceeding.

(2) J. T. Shipley is hereby authorized to acquire the aforesaid properties and to issue in part payment for such properties his promissory notes for the sum of \$12,000.00 with interest at the rate of not exceeding seven percent per annum, such notes to be payable at the rate of \$1,000.00 per annum for each and every year for the first five years and the note for the balance of \$7,000.00 to be payable in the sixth year after the date of said notes.

(3) J. T. Shipley is hereby authorized to execute, on or before November 1, 1930, a chattel mortgage and a real estate mortgage similar in form to the chattel mortgage and the real estate mortgage filed in this proceeding for the purpose of securing the payment of the aforesaid notes, provided that the authority herein granted to execute such mortgages is for the purpose of this proceeding only and is granted only insofar as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of such mortgages as to such other legal requirements to which said mortgages may be subject.

(4) The authority herein granted to transfer properties, issue notes and execute mortgages will become effective when J. T. Shipley has paid the minimum fee prescribed by Section 57 of the Public Utilities Act, which fee is \$25.00.

(5) Upon the purchase of the aforesaid properties by J. T. Shipley and the assumption by said J. T. Shipley of the obligation to render telephone service, G. F. Green is authorized to retire from the telephone business in the territory now served by the system which he is herein authorized to sell and transfer.

(6) The consideration paid for the aforesaid properties by J. T. Shipley shall not be urged before this Commission as determining the value of said properties for the purpose of fixing rates, or for the purpose of issuing securities, or for any other purpose than the transfer herein authorized.

DATED at San Francisco, California, this 8th day of September, 1930.

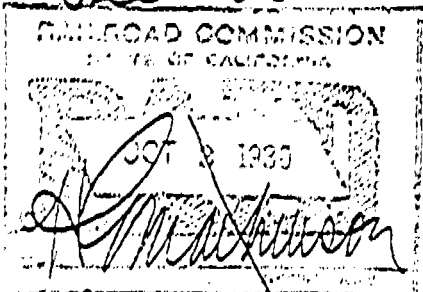
*P. L. Keavy*

*Leon Whitehall*

*Thos. S. Larkin*

Commissioners.

*Fee \$ 25<sup>00</sup>*



*Fee # 28378*