

ORIGINAL

Decision No. 2505.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of)
The Sanger Telephone Company,)
Ross B. Matkins, owner, for authority)
to sell all its right, title and in-) Application No. 1677.
terest in certain telephone lines and)
appurtenances thereto located in Fresno)
County, California, and of H. F. Knapp)
to purchase the same.)

Ross B. Matkins,
Guy Johnson, for The Sanger Telephone Company.

H. F. Knapp in propria persona

Maynard Bailey for the Pacific Telephone and
Telegraph Company.

GORDON, Commissioner.

O P I N I O N

This is an application by Ross B. Matkins, sole owner of The Sanger Telephone Company, an unincorporated telephone company operating as a public utility in the town of Sanger and vicinity, for authority to sell and transfer this telephone system for the sum of Eleven Thousand (11,000.00) Dollars, and of H. F. Knapp to purchase and operate the same.

By a previous order of this Commission, approved October 25, 1915, the present owner purchased this system from the former owners for the sum of Ten Thousand (10,000.00) Dollars, since which time expenditures aggregating approximately \$2250.00 have been made for betterments.

Since its purchase in 1915, Mr. Matkins states that by reason of other business interests he has found it difficult to give the necessary time and attention to its operation and to secure the capital necessary to properly meet the demands of the business, and for this reason desires to dispose of it to Mr. Knapp who is not engaged in any other business and is willing to

devote his entire time to the operation of the system. Mr. Knapp states that he has sufficient capital to provide such extensions and improvements as may become necessary, but has not had sufficient experience in telephone work to successfully conduct the business if left at once entirely to his own resources. His attention having been called to the responsibilities involved in the service of public utilities of this character, the Commission has been assured that the present manager of this company, a man of considerable practical experience, will be retained in the active employ of the company or that, in the possible event of his retirement, other competent help will be employed for such time as may be necessary to enable the prospective purchaser to properly conduct the business without such help. If this plan is faithfully followed, it does not appear that the public interest will be made to suffer by reason of Mr. Knapp's present inexperience. On the contrary, with the completion of certain improvements in the system which he has agreed to make at once, the public should be considerably benefitted.

As previously stated, this system was purchased during the year 1913 for \$10,000.00 and since its purchase approximately \$2250.00 have been expended in improvements. Based upon the valuation claimed at the time of the purchase in 1913, and allowing for the improvements which have been made since its purchase and after deducting depreciated value of the purchased property at 5% per year, depreciated value not having been deducted by the applicant in fixing the present value, and no fund having been provided for depreciation in the meantime, the present value would be approximately \$11,280.00, exclusive of material and supplies on hand, of which there is a small amount. The applicant now claims a present value, inclusive of accounts receivable going with the sale to this prospective purchaser and amounting to \$592.71, of \$11,077.67. According to the applicant's testimony

there are now about 274 telephones in service which, under either of these valuations, would represent an investment per telephone of slightly more than \$40.00. The Commission's engineers have not inspected this property in detail for appraisal purposes, but unless the plant is in very poor condition this investment per telephone is not excessive, and since the applicant's rates are not in question in this proceeding there appears to be no reasonable objection to the price to be paid for its transfer.

This is not an incorporated company and hence has issued no stock or bonds. Aside from ordinary current operating expenses, its only outstanding indebtedness is a balance due The Pacific Telephone and Telegraph Company on a first mortgage amounting to \$2100.00 with accumulated interest, and a second mortgage for \$3000.00 with accumulated interest held by its manager, Guy Johnson. The total amount of interest due on these two mortgages amounts to \$271.25. Out of the purchase price, \$11,000.00, Mr. Knapp proposes to take up these two mortgages by agreement of the holders and to pay the balance of the purchase price in cash to the present owner. It is also the purpose of the purchaser to make certain needed improvements at once, replacing the present magneto switchboard with a common battery board, and replacing portions of the present open aerial wire construction with aerial cable, increasing the capacity of each to provide additional facilities for growth. The present plant has reached the limit of its capacity and these improvements will add to the efficiency and adequacy of the service.

Under these conditions, I recommend that the application be granted and submit the following order.

O R D E R

Application having been made by The Sanger Telephone Company, Ross B. Matkins owner, for authority to sell all its right, title and interest in certain telephone lines and appur-

tenances thereto located in Fresno County, California, and of H. F. Knapp to purchase the same, and a hearing having been had, and no reasonable objection appearing,

IT IS HEREBY ORDERED that the application herein be and it hereby is granted.

PROVIDED that this permission is granted upon condition that the purchaser, H. F. Knapp, shall assume and take up the two mortgages referred to in the foregoing opinion under such terms and conditions as may be acceptable to the mortgagees.

AND PROVIDED FURTHER, that the price to be paid for the sale of this property, as set forth in the preceding opinion, is not to be taken by this Commission or other duly constituted authority as approval of the valuation of such property for rate making or other purposes.

AND IT IS HEREBY FURTHER PROVIDED, as a condition to the granting of this application, that the purchaser, H. F. Knapp, shall, upon its acquisition by him, employ such competent and experienced help in the operation and conduct of this telephone system for such time as may be necessary to enable him to properly and efficiently conduct and operate the same without the employment of such help.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 21st day of June, 1915.

Max Thelen

H. S. Howard

H. A. Gordon

Francis P. DeWitt
Commissioners.