

Decision No. _____

ORIGINAL

Decision No. 2580

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA

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In the matter of the Application of
SACRAMENTO VALLEY TELEPHONE COMPANY
for authorization to create a bonded
indebtedness of \$500,000, to execute
a deed of trust to secure the same,
to purchase property, to issue stock
and bonds for cash and for property,
and to operate under various fran-
chises; of GLENN COUNTY TELEPHONE
COMPANY for authorization to sell
its property for cash, bonds and stock
of SACRAMENTO VALLEY TELEPHONE COMPANY;
of TEHAMA COUNTY TELEPHONE COMPANY for
authorization to sell its property for
cash, bonds and stock of SACRAMENTO
VALLEY TELEPHONE COMPANY; and of THE
PACIFIC TELEPHONE AND TELEGRAPH COMPANY
for authorization to sell certain prop-
erty for bonds and stock of SACRAMENTO
VALLEY TELEPHONE COMPANY, and to sub-
scribe for stock of SACRAMENTO VALLEY
TELEPHONE COMPANY.

Application No. 1680

H.P. Andrews, for Glenn County Telephone
Company, Tehama County
Telephone Company and Sacra-
mento Valley Telephone Company.

J.T. Shaw and H.D. Pillsbury, for The Pacific
Telephone and Telegraph Company.

GORDON, Commissioner.

OPINION.

This is an application on the part of GLENN COUNTY
TELEPHONE COMPANY and TEHAMA COUNTY TELEPHONE COMPANY to sell
their telephone properties to Sacramento Valley Telephone Com-
pany; on the part of THE PACIFIC TELEPHONE AND TELEGRAPH COM-
PANY to transfer certain portions of its telephone plant locat-
ed in Glenn and Tehama Counties to Sacramento Valley Telephone
Company; and an application by SACRAMENTO VALLEY TELEPHONE
COMPANY to mortgage the property which it will thus acquire

and to issue \$193,500 par value of stock and \$190,000 face value of bonds. The Pacific Telephone and Telegraph Company requests authority also to acquire \$190,000 par value of the stock of Sacramento Valley Telephone Company.

These applications have grown out of a competitive situation in the telephone business of Glenn and Tehama Counties. The Pacific Telephone and Telegraph Company had been serving this territory for a number of years. Dissatisfaction with the service rendered by The Pacific Telephone and Telegraph Company led to the organization, in December, 1907, of the Glenn County Telephone Company, and in July, 1910, of the Tehama County Telephone Company, the former serving the people of Glenn County and the latter those of Tehama County.

Each of these companies has competed in its respective field with The Pacific Telephone and Telegraph Company. After an experience extending over a period of years, all three companies report that the competitive operation has been unprofitable and dissatisfactory. For the purpose of bringing this situation to a close, they join in the application here presented.

In general terms, the application provides for the consolidation of the properties of the Glenn County Telephone Company, the Tehama County Telephone Company, and certain portions of the telephone system of The Pacific Telephone and Telegraph Company in Glenn and Tehama Counties, including its exchange facilities, but excepting its through toll pole lines and its through toll aerial wires. The proposed consolidation contemplates that the new company, to be known as Sacramento Valley Telephone Company, shall own the local exchange systems in Glenn and Tehama Counties and the toll service located wholly within those two counties. The through long distance toll service is to be retained by The Pacific Telephone and Telegraph Company. The Pacific Telephone and Telegraph Company is to retain exchange lines in a small area in northern Tehama County.

served by one of its exchanges in Shasta County.

The applicants have submitted estimates of the value of the properties to be consolidated as follows:

Glenn County Telephone Company properties,	\$114,960.69
Tehama County Telephone ^{Company} proper- ties,	66,797.15
The Pacific Telephone and Telegraph Company properties to be transferred,	<u>226,226.76</u>
Total,	\$407,984.60

It is also proposed by the applicants that the Glenn County Telephone Company shall transfer to the Sacramento Valley Telephone Company its franchises granted by the county of Glenn and by the town of Willows; that the Tehama ^{County} Telephone Company shall transfer to the Sacramento Valley Telephone Company its franchises granted by the county of Tehama and the towns of Tehama, Red Bluff and Corning. No provision is made for the transfer to the Sacramento Valley ^{Tehama} ~~Transfer~~ Company of the franchises now held by The Pacific Telephone and Telegraph Company in Willows and Red Bluff.

The properties which it is proposed the Glenn County Telephone Company shall transfer to the Sacramento Valley Telephone Company are described in Exhibit "F", attached to the application herein. The physical properties therein described may be summarized as follows:

Glenn County Telephone Company's exchanges and systems located at Orland, Willows, Germantown and Butte City, all in Glenn County;

The exchange lines radiating therefrom and the toll lines connecting the exchanges;

Also toll lines extending from Orland to Newville, thence south to Elk Creek, Rockville, Winslow, Stoney Ford and East Park Dam;

Also toll lines from Orland to Hamilton City, Saint John and south to Princeton.

The properties which it is proposed shall be transferred by Tehama County Telephone Company to Sacramento Valley

Telephone Company are described in Exhibit "H", attached to the application herein. The physical properties therein described may be summarized as follows:

The Tehama County Telephone Company's exchanges and systems located at Red Bluff and Corning, in Tehama County, together with the exchange lines radiating therefrom;

Also toll lines from Red Bluff south to Corning and Tehama;

Also the toll line west to Paskenta.

The properties which it is proposed shall be transferred by The Pacific Telephone and Telegraph Company to Sacramento Valley Telephone Company are described in Exhibit "J", attached to the application herein. This exhibit contains the deed of sale, which reads in part as follows:

"The Pacific Telephone and Telegraph Company agrees to sell all of its telephone exchanges in the Counties of Glenn and Tehama, and the exchange lines radiating therefrom, also all other property situated in the Counties of Glenn and Tehama, except,

- 1.- Through toll pole lines,
- 2.- Through toll aerial wires,
- 3.- The subscriber's stations which are duplicated by the stations of the Glenn and Tehama Counties Telephone Companies,
- 4.- The local pole and wire lines serving subscribers in Tehama County from the switchboard in Cottonwood, Shasta County.
- 5.- The equipment in Red Bluff exchange central office other than the equipment used in testing the toll lines.
- 6.- The switchboard in the Orland exchange central office,
- 7.- The equipment in the Butte City exchange central office,
- 8.- The material and supplies, the shop and store equipment in the exchanges at Red Bluff, Corning, Orland and Butte City."

The Pacific Telephone and Telegraph Company will turn over to the Sacramento Valley Telephone Company a portion of its telephone plants located at the following points in

Glenn and Tehama Counties:

Butte City	Norman	Winslow	Paskenta
Elk Creek	Orland	Corning	Payne's Creek
Fruto	Willows	Los Molinos	Red Bluff
Hamilton	Saint John	Manton	Vina.

The applicants appraise the properties of The Pacific Telephone and Telegraph Company in this territory which it is now proposed to transfer to Sacramento Valley Telephone Company at \$243,693.63. Of this amount, property valued by the applicants at \$226,226.76 will be turned over to the Sacramento Valley Telephone Company. The balance will be retained by The Pacific Telephone and Telegraph Company.

The Sacramento Valley Telephone Company will, therefore, operate a system of exchanges and toll lines in Glenn and Tehama Counties with central exchange switchboards and exchange and toll lines radiating therefrom, at Red Bluff, Paynes Creek, Manton, Los Molinos, Vina, Corning and Paskenta in Tehama County; and at Orland, St. John, Hamilton, Germantown, Willows, Norman, Butte City, Fruto and Elk Creek, in Glenn County; and toll lines and toll stations at Proberta and Henleyville, in Tehama County; Newville, Winslow and Athens, in Glenn County; and at Stonyford, East Park Dam and Princeton, in Colusa County.

For the calendar year 1914 the Glenn County Telephone Company reported earnings and expenses as follows:

Operating Revenues,	\$15,482.50	
Operating Expenses,	<u>12,116.07</u>	
Net Operating Revenue,		\$3,366.43
Interest, Rent, etc.,		<u>3,246.87</u>
Surplus for year,		119.56

For the calendar year 1913, the company reported a surplus of \$3,777.15.

For the calendar year 1914, the Tehama County Telephone Company reported as follows:

Operating Revenue,	\$8,567.60	
Operating Expenses,	<u>8,502.96</u>	
Net Operating Revenue,		\$64.64

Neither the Glenn County Telephone Company nor the Tehama County Telephone Company have paid any dividends.

The Sacramento Valley Telephone Company will have in addition the earnings attributable to those portions of The Pacific Telephone and Telegraph Company's system which it will acquire in Glenn and Tehama Counties.

The Sacramento Valley Telephone Company has been incorporated with an authorized stock issue of 5,000 shares of the par value of \$100. per share, or a total par value of \$500,000. It has an authorized issue of \$500,000 face value first mortgage six per cent. twenty-year gold bonds.

It is now proposed in this application that Sacramento Valley Telephone Company shall issue \$193,500 par value of stock consisting of 1,935 shares and \$193,000 face value of bonds.

The stock is to be sold or delivered as follows:

\$125,000 par value to be sold to The Pacific Telephone and Telegraph Company at par for cash.

65,000 par value to be delivered to The Pacific Telephone and Telegraph Company as part payment for property.

2,000 par value to be delivered to Glenn County Telephone Company as part payment for property.

1,500 par value to be delivered to Tehama County Telephone Company as part payment for property.

The cash received from the sale of this stock will be used by Sacramento Valley Telephone Company as follows:

\$ 68,000 to pay in part for property of Glenn County Telephone Company,

43,500 to pay in part for property of Tehama County Telephone Company,

10,500 to pay note due The Pacific Telephone and Telegraph Company for moneys advanced;

3,000 to be retained for working capital.

The Sacramento Valley Telephone Company proposes to issue the \$190,000 face value of bonds as follows:

\$13,000 face value to Glenn County Telephone Company,

12,000 face value to Tehama County Telephone Company,

165,000 face value to The Pacific Telephone and Telegraph Company,

\$190,000 T o t a l.

It appears, therefore, that for the property of Glenn County Telephone Company, which is appraised by the applicants at \$114,960.69, Sacramento Valley Telephone Company proposes to pay \$88,000 in cash, bonds and stock, as follows:

Cash from sale of stock, \$ 68,000.

Cash deposited as guarantee, 5,000.

Bonds, face value, 13,000.

Stock, par value, 2,000.

For the properties of Tehama County Telephone Company, which the applicants appraise at \$66,797.15, Sacramento Valley Telephone Company proposes to pay \$62,000 in cash, bonds and stock as follows:

Cash derived from sale of stock, . . \$ 43,500.

Cash deposited as guarantee, 5,000

Bonds, face value, 12,000

Stock, par value, 1,500

For the properties of The Pacific Telephone and Telegraph Company, which applicants appraise at \$226,226.76, the Sacramento Valley Telephone Company proposes to pay \$230,000 in stocks and bonds as follows:

Bonds, \$165,000

Stock, 65,000

It was stated in testimony that the negotiations looking to the consummation of this transaction were conducted by Mr. F.H. Crosby, a broker, who was to receive as part of his compensation \$3,500 par value of stock of Sacramento Valley Telephone Company.

This stock will be paid:

\$2,000 by Glenn County Telephone Company, and

1,500 by Tehama County Telephone Company.

The result, therefore, will be that of the \$193,500 par value of stock proposed to be issued by Sacramento Valley Telephone Company, \$190,000 will be owned by The Pacific Telephone and Telegraph Company and \$3,500 by Mr. Crosby.

Of the bonds to be issued by Sacramento Valley Telephone Company, \$165,000 will be issued to The Pacific Telephone and Telegraph Company and the remaining \$25,000 will be held by Glenn County Telephone Company and Tehama County Telephone Company, with the exception of a small amount to be given to Mr. Crosby as part of his commission.

It is apparent, therefore, that the control of Sacramento Valley Telephone Company will be lodged with The Pacific Telephone and Telegraph Company. In fact the relationship will be such that Sacramento Valley Telephone Company may be considered in reality a subsidiary corporation of The Pacific Telephone and Telegraph Company.

While the applicants have appraised the property of Glenn County Telephone Company at \$114,960.60, it is intended that it pass into the possession of Sacramento Valley Telephone Company for a consideration of \$88,000. The representatives of The Pacific Telephone and Telegraph Company stipulated at the hearing that if the authorization here applied for were granted, no claim would henceforth be made for a valuation for rate-fixing purposes of the properties of Glenn County Telephone Company beyond the sum of \$88,000 paid therefor.

A stipulation was also made as to the properties of Tehama County Telephone Company which were appraised at \$66,797.15 by the applicants and which, it is proposed, shall pass into the possession of Sacramento Valley Telephone Company for the consideration of \$62,000. This stipulation was to the

effect that hereafter no claim should be advanced for the values upon these properties for rate-fixing purposes beyond the sum of \$62,000 paid therefor.

The Glenn County Telephone Company has heretofore reported 966 subscribers and the Tehama County Telephone Company 645 subscribers. The Pacific Telephone and Telegraph Company has reported approximately 1,600 additional subscribers in Glenn and Tehama Counties. The consolidated corporation, therefore, in the form of Sacramento Valley Telephone Company, would have approximately 3,000 subscribers. The estimate of the applicants is 3,090 subscribers. A summary has been prepared by the applicants estimating, on the basis of the present earnings of the three companies in Glenn and Tehama Counties, gross annual revenues for the consolidated properties of \$56,818.61 for the calendar year 1914. The total is made up as follows:

Exchange Revenue, \$47,160.60

Interexchange Revenue, 9,658.21

The applicant submits a statement showing the estimated value and capitalization per station as follows:

THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY

Statement for Glenn and Tehama Counties
Showing Average Plant Per Exchange Station

	Present Value	Sta- tions	Av. Per Station	Selling Price	Sta- tions	Av. Per Station	
Pacific Company	\$226,226.76	1627	\$139.05	\$230,000.00	1627	\$141.36	
Glenn Co. Company	\$114,960.69	855	134.46	---	---	---	
Tehama Co. Co.	66,797.15	608	109.86	---	---	---	
	181,757.84	181,757.84	1463	124.24	150,000.00	1463	102.53
	407,984.60		132.03	380,000.00	3090	122.98	
Organization Expense,				100.75	---	---	
Working Capital,				3,399.25	---	---	
Stocks and Bonds,				383,500.00	3090	124.11	

On the data submitted by the applicant, therefore, it would appear that the capitalization per station would be \$124.11. On the estimate of \$56,818 for the gross revenues, gross earnings per station would amount to \$18.56. This will call for an average telephone rate of approximately \$1.50 per station. With a capitalization of \$383,500, figured at 6 per cent, the applicant would be required to earn net \$25,010, or \$7.44 per station. This will leave an average of \$10.94 for operating expenses, depreciation and taxes.

The attention of the applicant was directed at the hearing to the fact that although an effort had been made to eliminate certain features of The Pacific Telephone and Telegraph Company's plant from consolidation, there would nevertheless remain in the consolidated company's hands, certain duplicate facilities not useful to the system at this time. The applicants stated that such duplication features as remain, including exchange lines, poles and facilities, would gradually be welded into the unified system. However, the applicants volunteered that such duplication as might now be found to exist would be absorbed by The Pacific Telephone and Telegraph Company through its ownership of stock of the Sacramento Valley Telephone Company. The statement was made that The Pacific Telephone and Telegraph Company proposed to retain and not to dispose of the stock of Sacramento Valley Telephone Company. Mr. Crosby, who was also present at the hearing and who will be the only other stockholders of Sacramento Valley Telephone Company, stated he was willing to take his chances with The Pacific Telephone and Telegraph Company in the understanding that such duplication as might remain in the consolidated plant would, in the last analysis, be chargeable against the stock.

I, therefore, deem it unnecessary to make a detailed investigation into the estimates of value here presented. I am of the opinion, however, that the estimates submitted are subject to revision in certain particulars.

In the proposed consolidation all of the franchises now

held by Glenn County Telephone Company and Tehama County Telephone Company are to be transferred to Sacramento Valley Telephone Company. The franchises now owned by The Pacific Telephone and Telegraph Company in Glenn and Tehama Counties are not to be transferred to Sacramento Valley Telephone Company.

The Pacific Telephone and Telegraph Company is operating under special franchises in Willows and Red Bluff. Under the terms of the Willows franchise of The Pacific Telephone and Telegraph Company, it is obligated to give certain free service for the benefit of the town. No such obligation is imposed upon Glenn County Telephone Company in its Willows franchise.

As contemplated, therefore, Sacramento Valley Telephone Company will be under only those obligations in Willows which are imposed in the franchise of Glenn County Telephone Company.

The Pacific Telephone and Telegraph Company will cease to operate locally in Willows and, therefore, the free service heretofore given to the Town of Willows will be discontinued.

Applicants stated that they would submit this question to the Town authorities of Willows and such authorization as may hereafter be given for the transfer of the franchise in Willows to the Sacramento Valley Telephone Company will be conditioned upon the prior approval of such transfer by the town authorities of Willows.

The franchises under^{which} Sacramento Valley Telephone Company will operate are for a term of ~~fifteen~~ years and the first maturity will be in 1956.

No unusual obligations are imposed in any of these franchises, with the exception of the franchise at Corning. This franchise assumes to fix the rates which shall be charged to subscribers.

All of the franchises contain the usual provisions of the Broughton Act, providing for the annual payment of two per cent. of the gross receipts after five years.

The bonds to be issued by Sacramento Valley Telephone Company will mature twenty years from date. The proposed deed of trust to secure these bonds has been submitted, but it is indefinite

in several respects and approval will, therefore, be withheld until it is made definite and clear.

It was stipulated at the hearing that Sacramento Valley Telephone Company would assume all contract obligations ^{connecting} for telephone service in Glenn and Tehama Counties now binding upon any of the three companies to be consolidated.

The American Telephone and Telegraph Company, which controls The Pacific Telephone and Telegraph Company, has heretofore entered into an agreement with the Attorney General of the United States, wherein it stipulates that ---

"Neither the American Telephone and Telegraph Company nor any other company in the Bell System will hereafter acquire directly or indirectly, through purchase of its physical property or of its securities or otherwise, dominion or control over any other telephone company owning, controlling or operating any exchange or line which is, or may be, operated in competition with any exchange or line included in the Bell System; or which constitutes, or may constitute, a link or portion of any system so operated, or which may be so operated, in competition with any exchange or line included in the Bell System."

Attached to this stipulation is the provision ---

"Provided, however, that where control of the properties or securities of any other telephone company heretofore has been acquired and is now held by or in the interest of any company in the Bell System, and no physical union or consolidation has been effected, or where binding obligations for the acquisition of the properties or securities of any other telephone company heretofore has been entered into by or in the interest of any company in the Bell System, and no physical union or consolidation has been effected, the question as to the course to be pursued in such cases will be submitted to your department (meaning the Department of Justice at Washington) and to the Interstate Commerce Commission for such advice and directions, if any, as either may think proper to give, due regard being had to public convenience and to the rulings of local tribunals."

The applicants stated that negotiations had been pending for the consolidation herein proposed for a period of five years, that the matter had been referred to the Attorney General at Washington and that he had directed applicants to bring the matter to his attention after they had obtained a ruling on the proposed consolidation from the Railroad Commission of California.

This Commission will be confined, of course, in its findings to those matters over which it has jurisdiction within the

State of California.

We are confronted, therefore, with the proposal that these telephone systems in Glenn and Tehama Counties, heretofore in competition, be allowed to merge. In other words, this is an application to substitute a regulated monopoly for a competitive service. The testimony offered by the three companies proposing to merge is uniformly to the effect that each has found the business unprofitable -due to competition. It is argued that there has not been sufficient business in each county to enable two competitive companies to make a profit, but that there is sufficient business in the two counties to enable one consolidated company to make an adequate earning. This testimony is borne out by the records.

Neither the Glenn County Company nor the Tehama County Company has been able to do much more than meet its bare expenses without even a proper allowance for depreciation, and there has been no return upon the stock investment.

The Pacific Telephone and Telegraph Company also reports that its business in these two counties has been unprofitable.

We may assume, therefore, that the competitive condition has been unfortunate in its effect upon the three companies concerned, and that a continuance of this competitive condition will further accentuate this disadvantageous condition. It is possible, of course, that in the long run the two weaker and smaller companies would be forced out of business by the strongest among them.

We have, therefore, to consider the effect of the proposed consolidation upon the public; to determine the public interest as between the competitive condition and the proposed condition of regulated monopoly. The interest of the public goes directly to the rates and to the service.

Petitions from the boards of supervisors, town trustees and chambers of commerce of Glenn and Tehama Counties have been filed with this Commission requesting that the authorization to merge these telephone plants as herein requested be granted.

The companies involved have not been able to serve their patrons at the present rates at a profit and it would certainly follow that a continuation of the loss would ^{mean} ~~have~~ curtailment and depreciation of service.

Competitive service means duplication of facilities and the greater the competition the greater the duplication. These subscribers are, of course, under necessity to pay a return upon this duplicated property when a single facility would serve the whole purpose. In fact, it appears in this case that there are 696 duplicate services in the two counties. Therefore, these subscribers to the number of 696 are paying double rates, once to The Pacific Telephone and Telegraph Company and again to either the Tehama County Telephone Company or the Glenn County Telephone Company to obtain a service which it is herein proposed that the single agency in the form of the Sacramento Valley Telephone Company shall perform.

It has been stipulated in this proceeding that the present rates shall remain in force for the present. Thereafter certain adjustments will be required to remove the discriminations which may now exist. It would appear, therefore, that the consolidation will, for the present mean no change in the rate schedule, but will serve to relieve those who are now paying the double rates by reason of the fact that they are subscribers to the two telephone systems.

The annual sum paid for these duplicate services by the companies' subscribers is estimated at \$12,888.

It appears further that the losses of the three companies would probably occasion some readjustment of rates in the near future in order that they might continue to give service. It is furthermore apparent that the total to be paid in rates by the subscribers in these two counties to the three companies will in any arrangement be greater than the total amount to be paid to a single company which may be substituted to perform the same service.

It is clear that the proposed consolidation should lead

to a great improvement in the telephone service rendered in these two counties. At present, subscribers on the lines of the Tehama County Telephone Company and the Glenn County Telephone Company have not the privilege of interchange toll switching with The Pacific Telephone and Telegraph Company. They are required to use The Pacific Telephone and Telegraph Company for long distance service. Under the proposed consolidation, Sacramento Valley Telephone Company will handle all of the toll business located wholly within the two counties of Glenn and Tehama and will have interchange service at the customary rates established for independent companies with The Pacific Telephone and Telegraph Company for messages to and from points outside of Glenn and Tehama Counties. Moreover, the new company, Sacramento Valley Telephone Company, if this plan is approved, will be in such financial position and will have such financial support that it should be able to render a high class of service to its patrons.

Certain farmer line companies now having connection with either the Glenn or Tehama Companies will be protected in these connections by the Sacramento Valley Telephone Company.

In view of all of these facts, I recommend that the application be granted, and I accordingly submit the following form of Order:

O R D E R.

GLENN COUNTY TELEPHONE COMPANY and TEHAMA COUNTY TELEPHONE COMPANY having applied to this Commission for authority to sell their telephone plants and to transfer their franchises to Sacramento Valley Telephone Company, and THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY having requested authority to transfer certain of its telephone properties located in Glenn and Tehama Counties to Sacramento Valley Telephone Company, and SACRAMENTO VALLEY TELEPHONE COMPANY having applied to this Commission for authority to issue \$193,500.

par value of stock and \$190,000 face value of its twenty-year six per cent. first mortgage bonds; and Sacramento Valley Telephone Company having applied for authority to execute a mortgage and deed of trust to secure said issue of bonds, and The Pacific Telephone and Telegraph Company having applied to this Commission for authority to acquire \$190,000 par value of stock of Sacramento Valley Telephone Company:

And a hearing having been held, and the Commission being fully advised in the premises, and it appearing that the public interest will be served by granting the application as herein made;

And it appearing further that the stocks and bonds which Sacramento Valley Telephone Company herein requests authority to issue are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED as follows:

That Glenn County Telephone Company be granted authority, and it is hereby granted authority, to transfer to Sacramento Valley Telephone Company its telephone properties as listed in Exhibit "F", filed in connection with the application herein;

That Glenn County Telephone Company be granted authority, and it is hereby granted authority, to convey to Sacramento Valley Telephone Company its franchises heretofore granted by the County of Glenn and the Town of Willows for the operation of a telephone system in Glenn County;

That ~~Glenn~~ Tehama County Telephone Company be granted authority, and it is hereby granted authority, to transfer to Sacramento Valley Telephone Company its telephone properties as listed in Exhibit "H", attached to the application herein;

That Tehama County Telephone Company be granted authority, and it is hereby granted authority, to transfer to Sacramento Valley Telephone Company its franchises for the operation of a telephone system heretofore granted by the County of Tehama and the Towns of Tehama, Red Bluff and Corning;

That The Pacific Telephone and Telegraph Company be granted authority, and it is hereby granted authority, to transfer to Sacramento Valley Telephone Company its telephone properties in Glenn and Tehama Counties, as listed in Exhibit "J", attached to the application herein;

That Sacramento Valley Telephone Company be granted authority, and it is hereby granted authority, to issue 1,935 shares of its capital stock of the par value of \$100. per share, or a total par value of \$193,500;

That Sacramento Valley Telephone Company be granted authority, and it is hereby granted authority, to issue \$190,000 of its first mortgage six per cent. twenty-year bonds;

That Sacramento Valley Telephone Company be granted authority, and it is hereby granted authority, to execute a mortgage and deed of trust to secure said issue of bonds after this Commission shall have issued a supplemental order approving the form of deed of trust herein authorized to be issued;

That The Pacific Telephone and Telegraph Company be granted authority, and it is hereby granted authority, to acquire 1,900 shares of the capital stock of the Sacramento Valley Telephone Company of the par value of \$100. per share, or a total value of \$190,000;

The authority herein granted is granted upon the following conditions and not otherwise:

- (1). Glenn County Telephone Company, Tehama County Telephone Company and The Pacific Telephone and Telegraph Company shall give to Sacramento Valley Telephone Company a good and sufficient deed for the properties herein authorized to be transferred;
- (2). The franchise granted by the Town of Willows to Glenn County Telephone Company herein authorized to be transferred to Sacramento Valley Telephone Company shall be transferred only after such transfer shall have been approved by the public authorities of the Town of Willows and after this Commission shall

have issued a supplemental order approving such transfer;

(3).- The authority herein granted to Glenn County Telephone Company and Tehama County Telephone Company to convey franchises in Glenn and Tehama Counties to Sacramento Valley Telephone Company shall be effective only after Sacramento Valley Telephone Company shall have filed a stipulation with this Commission to the effect that it shall agree that the value to be placed upon said franchises in any rate fixing proceeding, or any purchase or condemnation by public authority, shall be a sum not in excess of the original cost of said franchises.

(4).- The authority herein granted to Sacramento Valley Telephone Company to issue stock is granted upon the following conditions and not otherwise:

- a. 1,250 shares of said stock shall be sold to The Pacific Telephone and Telegraph Company at par for cash;
- b. 650 shares of par value of said stock shall be sold to The Pacific Telephone and Telegraph Company as part payment for the properties to be transferred;
- c. 20 shares of said stock shall be delivered to Glenn County Telephone Company as part payment for the properties to be transferred;
- d. 15 shares of said stock shall be delivered to Tehama County Telephone Company as part payment for the properties to be transferred;
- e. The cash received from the sale of said stock shall be used by Sacramento Valley Telephone Company as follows:
 - 1.- In part payment for property of Glenn County Telephone Company, \$68,000
 - 2.- In part payment for property of Tehama County Telephone Company, 43,500
 - 3.- In part payment of note due The Pacific Telephone and Telegraph Company for funds advanced, 10,000
 - 4.- To be retained for working capital, 3,000

Total, \$124,500

(5).- The bonds herein authorized to be issued by Sacramento Valley Telephone Company shall be issued for the following purposes and not otherwise:

- a. \$13,000⁰⁰ face value of said bonds shall be issued to Glenn County Telephone Company in part payment for the properties to be transferred;
- b. \$12,000 face value of said bonds shall be issued to Tehama County Telephone Company in part payment for the properties to be transferred;
- c. \$165,000 face value of said bonds shall be issued to The Pacific Telephone and Telegraph Company in part payment for the properties to be transferred.

(5).-- Sacramento Valley Telephone Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the stocks and bonds hereby authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Commission stating the sale or sales of said bonds and *notes* during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, insofar as applicable, is made a part of this order.

(7). The authority herein given shall apply to such stocks and bonds as shall have been issued and sold on or before June 30, 1916.

(8). The authority herein given is conditioned upon the payment of the fee prescribed under the Public Utilities Act as amended.

(9). Sacramento Valley Telephone Company shall assume all contracts and obligations for telephone service binding upon Glenn County Telephone Company, Tehama County Telephone Company and The Pacific Telephone and Telegraph Company in Glenn and Tehama Counties, with the exception of service in Tehama County from the exchange of The Pacific Telephone and Telegraph Company at Cottonwood, Shasta County; and the toll service of The Pacific Telephone and Telegraph Company to and from points outside of said counties.

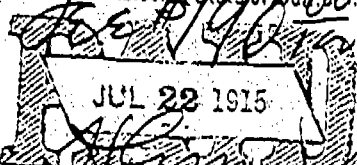
(10). The authority herein granted as to the transfer of property, the transfer of franchises, the issue of stocks and bonds and the

acquisition of stock shall be effective only after this Commission shall have issued a supplemental order finding that the applicants herein have complied with all the conditions herein set out.

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 8th of July, 1915.

Railroad Commission State of California



BY

Assistant Secretary.

H. S. Howard
Alex. Gordon
Edwin O. Edgerly

Commissioners.