

ORIGINAL

Decision No. 3187

Decision No. _____.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of
KLAMATH TELEPHONE AND TELEGRAPH COM-
PANY, an association, for an order
authorizing it to sell a telephone
line to the Siskiyou Telephone Com-
pany, a corporation.
.....)

Application No. 2065.

By the Commission.

O P I N I O N

This is an application by the Klamath Telephone and Telegraph Company, a co-partnership, for authority to sell and transfer certain property of its telephone system to the Siskiyou Telephone Company, a corporation.

The applicant is an association composed of Joseph V. Hessig, John H. Hessig, and Augusta M. Hessig, co-partners, doing business under the name of the Klamath Telephone and Telegraph Company, and owns and operates three telephone systems, two of which are in Siskiyou County, California, and the third in Klamath County, Oregon. The two systems in Siskiyou County are practically fifteen miles apart between the two nearest points, Yreka and Ager.

The property in question comprises about one hundred and forty miles of telephone line and equipment lying west and south of Yreka, Siskiyou County, and is more particularly described in an inventory and an agreement filed in connection with this application, together with the map showing its location.

The full agreed purchase price of the property to be sold is the sum of Six Thousand (\$6,000) Dollars, which is to be paid by the Siskiyou Telephone Company in the following manner: Two Thousand Five Hundred (\$2,500) Dollars cash; One Thousand (\$1,000) Dollars on July 1, 1916; One Thousand Five Hundred (\$1,500)

Dollars on January 1, 1917; and One Thousand (\$1,000) Dollars on July 1, 1917; the deferred payments to bear interest at the rate of four (4) per cent per annum and to be secured by first mortgage on all property in question.

The Siskiyou Telephone Company owns and operates a telephone system beginning at Yreka and extending southerly a distance of approximately twenty-five miles. These lines, if the proposed sale is effected, can at a small expense be connected with the lines of the Klamath Telephone and Telegraph Company, thereby providing a connected telephone service from Scott Bar to Fort Jones; from Fort Jones to Yreka; from Yreka to Happy Camp; and from Happy Camp to Forks of Salmon; establishing a complete system of exchange for the western part of Siskiyou County. This system, the applicant states, will render better service to the public than can be given under the present conditions.

In connection with this application the Klamath Telephone and Telegraph Company filed an inventory and appraisal of all property under consideration, showing a total construction cost estimate for materials and labor of Seven Thousand Fifty Eight Dollars and Seventy Cents (\$7,058.70). The application states that the original cost of this property was approximately Five Thousand Five Hundred (\$5,500) Dollars, including government assistance, for which the government was reimbursed through the granting of unlimited and perpetual telephone service for official business. The discrepancy between the two figures is explained by the fact that the construction cost was carefully computed from construction records, while the latter figure is the amount paid to the corporation which built the system. The company further claims that the present value of said property is Six Thousand (\$6,000) Dollars, which is the amount agreed upon as the full purchase price.

The Commission's engineering department has checked the statements of the company and applied to the quantities as checked proper unit prices. In addition to an estimate of reproduction cost new there was made an estimate of reproduction cost less depreciation on the basis of a present condition of the property of 70% as compared with new. It does not appear necessary to go into the details of these estimates, a summary of which is as follows:

| | <u>Reproduction Cost New</u> | <u>Reproduction Cost Less Depreciation</u> |
|---|----------------------------------|--|
| <u>Division No. 1:</u> | | |
| Telephone Lines between Yreka and Hamburg via Humbug.. | \$2,172.00 | \$1,520.40 |
| <u>Division No. 2:</u> | | |
| Two Branch Lines to Eliza and Mono Mines via Summit on Humbug..... | 271.67 | 190.17 |
| <u>Division No. 3:</u> | | |
| Line from Hamburg to Happy Camp..... | 1,639.90 | 1,147.93 |
| <u>Division No. 4:</u> | | |
| Branch Lines from Nolton to Evans Ranch, Sixes Mine, Siskiyou Mine and Gordon's Ranch, | 635.60 | 444.92 |
| <u>Division No. 5:</u> | | |
| Line from Walker to Garretson Springs..... | 368.10 | 257.67 |
| <u>Division No. 6:</u> | | |
| Line from Walker to Gottville..... | 391.67 | 274.17 |
| <u>Division No. 7:</u> | | |
| Line from Walker to Gosneys on Horse Creek..... | 292.60 | 204.82 |
| <u>Division No. 8:</u> | | |
| Line from Walker to Commodore Mine..... | 189.66 | 132.62 |

| | <u>Reproduction Cost New</u> | <u>Reproduction Cost Less Depreciation</u> |
|--|----------------------------------|--|
| Forwarded..... | \$5,961.20 | \$4,172.70 |
| <u>Division No. 9:</u> | | |
| Line from Walker to Sam White's Ranch..... | 135.37 | 94.76 |
| <u>Division No. 10:</u> | | |
| Line from Hamburg to Scott Bar..... | 193.16 | 135.21 |
| <u>Division No. 11:</u> | | |
| Small Lateral Tele- phone Lines..... | 63.72 | 44.60 |
| <u>Division No. 12:</u> | | |
| Other Property..... | 890.00 | 623.00 |
| Totals..... | \$7,243.45 | \$5,070.27 |
| Overhead expenses, including engineering, legal expenses, organi- zation, interest during construction, and con- tingencies, at 10% of last total..... | 724.32 | 507.03 |
| Grand Totals..... | \$7,967.77 | \$5,577.30 |

No money value has been given in this estimate to the privilege granted by the United States Government to this company, permitting it to use, within the Forest Reserve, trees for the stringing of wire.

It is the Commission's opinion that public interest will be served if this application is granted.

O R D E R

KLAMATH TELEPHONE AND TELEGRAPH COMPANY, an association, having filed with the Commission an application for an order authorizing the sale of a telephone line to the Siskiyou Telephone Company, a corporation; and it appearing to the Commission that on the basis of the figures shown in the foregoing opinion the proposed purchase price of Six Thousand (\$6,000) Dollars is reasonable; and that a consolidation of telephone lines as contemplated in the purchase agreement between applicant and the

Siskiyou Telephone Company will undoubtedly result in better

service and greater convenience to the public, and that the application should be granted;

IT IS HEREBY ORDERED, That this application be and the same is hereby granted, provided that the consideration given for the property herein authorized to be transferred shall not be taken by this Commission or any other public body as representing, for rate fixing or other purposes, the value of the property transferred.

Dated at San Francisco, California, this 25th day of March, 1916.

Max Thelen

W. H. Ireland

W. H. Gordon

Edwin O. Edgerton

Frank R. Doherty

Commissioners.