

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

Decision No. 2959

In the Matter of the Application )  
of SUNSET TELEPHONE AND TELEGRAPH )  
COMPANY and THE PACIFIC TELEPHONE )  
AND TELEGRAPH COMPANY for an order )  
authorizing Sunset Telephone and )  
Telegraph Company to sell to The )  
Pacific Telephone and Telegraph )  
Company the entire property of )  
Sunset Telephone and Telegraph )  
Company in the State of Califor- )  
nia and of The Pacific Telephone )  
and Telegraph Company to purchase )  
and acquire the same. )

Application No. 2304.

Pillsbury, Madison and Sutro, by H. D. Pillsbury,  
and James T. Shaw for Petitioners.

THELEN and GORDON, Commissioners.

O P I N I O N.

Sunset Telephone and Telegraph Company, hereinafter referred to as the Sunset Company, asks authority to sell its entire property in the State of California to The Pacific Telephone and Telegraph Company, hereinafter referred to as the Pacific Company, and the Pacific Company asks authority to acquire said property.

The petition alleges, in effect, that the Sunset Company is a California corporation which owns a general telephone and telegraph system extending generally throughout the State of California, except in the City and County of San Francisco, and elsewhere; that the Pacific Company is a California corporation which is engaged in doing a general telephone and telegraph business throughout the State of California and elsewhere; that the property of Sunset Company was leased to the Pacific Company on January 2, 1907, and that ever since said date said property has been and is now operated by the Pacific Company as a telephone and telegraph system; that the Pacific Company owns a telephone plant

and system in the City and County of San Francisco and operates it together with said property of the Sunset Company as one telephone and telegraph system; that the Sunset Company has outstanding capital stock of the par value of fifteen million dollars, all being owned by the Pacific Company, and that the Sunset Company has no indebtedness except to the Pacific Company; that the Sunset Company desires to sell its entire property, except its corporate franchise, to the Pacific Company for the sum of ten dollars and that the Pacific Company desires to acquire the property for said consideration; that the purpose of the proposed sale is to enable the Pacific Company, which now operates all of said property, to become the owner thereof, so that the company owning the property may be the same company as the one which is charged with the responsibility of managing and operating it; that it is impossible to state the original cost of the Sunset Company's property; and that an inventory and appraisal of the property of the Sunset Company in the State of California is being made in connection with Application No. 1870, filed by the Pacific Company. Petitioners ask that the Railroad Commission make its order authorizing the Sunset Company to sell its entire property in the State of California, except its corporate franchise, to the Pacific Company and authorizing the Pacific Company to acquire the property.

A public hearing was held in San Francisco on December 18, 1916. No one appeared in opposition to the granting of the petition.

The Sunset Company is the owner of the entire so-called "Bell" telephone and telegraph system in the State of California, with the exception of the system in the City and County of San Francisco, which property is owned by the Pacific Company. The Sunset Company also owns a telephone and telegraph system in the southern portion of Oregon and in the western portion of Washington.

On January 2, 1907, the Sunset Company entered into an agreement with the Pacific Company, under which agreement the Sunset Company leased to the Pacific Company for the term of 30 years from and after January 2, 1907, the Sunset Company's entire real and personal property used in connection with its telephone and telegraph system in the states of California, Washington and Oregon. The Pacific Company agreed to pay to the Sunset Company during each of the <sup>first</sup> ten years of the term of the lease the sum of \$60,000.00 annually, during <sup>each of</sup> the second ten years of the term of the lease the sum of \$75,000.00, and during each of the last ten years of the term of the lease the sum of \$100,000.00 annually and to pay during each year of the term of the lease the interest upon all outstanding bonds of the Sunset Company. The Pacific Company agreed, at its own cost and expense, to properly maintain and operate the property leased and to make extensions and improvements thereto when necessary, and to pay all taxes and other charges and, at the expiration of the term of the lease, to surrender the property, together with all improvements and extensions, to the Sunset Company, its successors and assigns, in as good condition as when received. At the time this lease was executed and at all times subsequent thereto, the Pacific Company owned the entire issued capital stock of the Sunset Company.

On October 17, 1907, a supplemental lease was entered into between the same parties, which lease corrected the property description of the Sunset Company contained in the first lease by adding thereto all the rights, privileges and franchises of the Sunset Company, except its corporate franchise.

The property of the Sunset Company which was leased to the Pacific Company and which is now <sup>to be</sup> ~~being~~ conveyed to the Pacific Company included all franchises and permits granted by public authorities to the Sunset Company or its predecessors. Copies of these franchises and permits, in so far as they pertain

to the State of California, may be summarized as follows:

<u>Granting Public Authority.</u>	<u>Number of Ordinance or Resolution</u>	<u>Date of Passage.</u>	<u>Term.</u>
Anaheim	Ord.No.112	Dec.10,1895	25 years
Arcata	" " 81	Feb. 8,1896	25 "
Auburn	" " 39	Apr. 6,1892	-----
County of Kern	" " --	Feb.11,1893	-----
Boulder Creek	" " 15	Sep. 2,1902	50 "
Chico	" " 6(1890)	Mar.23,1892	25 "
Colusa	-----	May 8,1894	25 "
Corona	" " 24	Apr.17,1897	25 "
Escondido	" " 92	May 18,1897	25 "
Grass Valley	-----	Nov. 9,1894	25 "
Hollister	" " 127	Nov. 4,1895	25 "
Madera	" " 22	June 6,1895	25 "
Marysville	-----	May 2,1892	25 "
Merced	" " 47	July18,1895	25 "
Modesto	" " 156	Sep.19,1895	25 "
Monrovia	" " 57	Sep. 3,1892	25 "
Napa	" " 276	Jan.20,1896	25 "
National City	" " 131	May 19,1897	25 "
Nevada City	" " 117	Nov.30,1894	25 "
El Paso de Robles	" " 21	July19,1892	25 "
Petaluma	" " 94	Apr.18,1891	25 "
"	" " 211	Apr.15,1901	25 "
County of Eldorado	" " 45	Jul. 8,1896	25 "
Red Bluff	" " 66	Jan. 8,1895	25 "
Redding	" " 31	June14,1894	25 "
Redondo Beach	" " 53	Sep.18,1896	25 "
Redwood City	-----	Jun.21,1892	-----
Rocklin	" " 39	Feb.27,1905	25 "
San Bernardino	" " 109	May 10,1892	25 "
Sacramento	" " 305	Oct.31,1892	50 "
San Diego	" " 32	Nov.29,1886	30 "
"	" " 36	Dec.13,1886	-----
San Diego	" " 363	Apr.16,1896	30 "
San Jacinto	" " 69	Feb. 3,1903	25 "
San Luis Obispo	" " 73	Nov.19,1894	25 "
San Mateo	" " 25	Dec.21,1905	25 "
San Jose	-----	Nov.30,1881	-----
San Pedro	" " 135	Jul.16,1896	25 "
San Rafael	" " 278	Sep. 6,1892	25 "
Santa Clara	" " 211	Jan. 4,1904	25 "
Santa Cruz	" " 74	Feb.19,1883	50 "
Santa Monica	" " 255	Jul. 6,1896	25 "
Stockton	" " 84	Apr.25,1892	25 "
Ukiah	" " 85	May 3,1897	25 "
Vacaville	" " 56	Oct. 6,1896	25 "
Visalia	" " 89	Aug.12,1896	25 "
Visalia	" " 95	Mar.17,1897	25 "
Watsonville	" " 64	May 17,1892	25 "

We do not mean by listing the above franchises and permits to pass in any way upon their legality.

The Sunset Company also claims rights under Section 536 of the Civil Code of this state, which rights it desires to assign to the Pacific Company.

The Sunset Company's issued capital stock consists of fifteen million dollars, par value, of common stock, all owned by the Pacific Company. The Sunset Company also has outstanding seventeen million dollars, face value, of gold notes made payable to and owned by the Pacific Company. These notes were executed by the Sunset Company, from time to time, as the Pacific Company made additions ~~and~~ to the Sunset Company's property and together with the capital stock of the Sunset Company, have been pledged with Mercantile Trust Company of San Francisco as additional security under an authorized bond issue of the Pacific Company of the total authorization of thirty-five million dollars. The Sunset Company has no indebtedness other than the gold notes hereinbefore referred to. Exhibit No.3 of Petitioners herein shows that the issued common stock and the gold notes of the Sunset Company are carried on the books of the Pacific Company as without book value and that these securities do not "have any value except as additional collateral issued to protect the interests of the Mercantile Trust Company of San Francisco."

On May 31, 1916, on which day the Sunset Company ceased to act as an operating company, all ledger balances other than the capital stock and the gold notes were closed and the amounts transferred to the books of the Pacific Company.

The entire property of the Sunset Company, including all additions and betterments, except with reference to the Tacoma, Washington, exchange plant, appears on the books of the Pacific Company as an asset. It is impossible to segregate this property on the books of the Pacific Company from the property owned by the Pacific Company directly.

If the order herein asked for is granted, no change will be made on the books of the Pacific Company except that reference to the capital stock and bonds of the Sunset Company will be eliminated as soon as the Sunset Company has been disincorporated. The property now owned by the Sunset Company will be substituted under the mortgage of the Pacific Company for the capital stock and gold notes of the Sunset Company now pledged to Mercantile Trust Company of San Francisco.

The transfer of the property of the Sunset Company to the Pacific Company, as herein proposed, is, in our opinion, in the interest of simplicity and economy, and we recommend that the petition be granted.

We submit the following form of order:

O\_R\_D\_E\_R.

SUNSET TELEPHONE AND TELEGRAPH COMPANY and THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY having filed herein their petition as set forth in the opinion which precedes this order, and a public hearing having been held thereon and this proceeding having been submitted and being now ready for decision,

IT IS HEREBY ORDERED that Sunset Telephone and Telegraph Company be and the same is hereby authorized to sell and convey to The Pacific Telephone and Telegraph Company and The Pacific Telephone and Telegraph Company is hereby authorized to acquire, for the ~~sum~~ consideration of ten dollars (\$10.00), the entire telephone plant, exchanges and systems of Sunset Telephone and Telegraph Company in the State of California, including all real estate, easements, rights-of-way, leases, plants, buildings, improvements, machinery, implements, appliances, poles, cross-arms, cables, wires, booths and fittings, together with all rights and interests, accounts and bills receivable, moneys in bank, cash on hand and all franchises, permits and other rights granted by public authority in the State

of California, together with all other property of whatsoever kind and nature, save and except the corporate franchise of Sunset Telephone and Telegraph Company.

Within thirty (30) days after the execution of deed of conveyance, The Pacific Telephone and Telegraph Company shall file herein a certified copy thereof.

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 29 day of December, 1916.

Max Thelen

Alvin G. Gordon

Edwin O. Edgerton

Frank R. Deolin

Commissioners.