

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of IMPERIAL TELEPHONE COMPANY for an order authorizing the sale of its entire property to The Pacific Telephone and Telegraph Company and of THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY authorizing it to purchase and acquire said property.

Application No. 2246.

In the Matter of the Application of THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY for an order authorizing the purchase from The Mountain States Telephone and Telegraph Company of the entire capital stock of Imperial Telephone Company.

Application No. 2637.

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.

The purpose of the two above entitled proceedings is to enable The Pacific Telephone and Telegraph Company to acquire control of the entire capital stock and of the entire property of Imperial Telephone Company, a telephone company operating in Imperial County, California.

The amended petition in Application No. 2246 alleges, in effect, that Imperial Telephone Company, hereinafter referred to as the Imperial Company, and The Pacific Telephone and Telegraph Company, hereinafter referred to as the Pacific Company, are California corporations; that Imperial Company desires to sell to the Pacific Company its entire property of every character, except its corporate franchise, and that the Pacific Company desires to

acquire said property for the nominal sum of \$10.00; that the Pacific Company is operating the property of the Imperial Company and desires to acquire the same so that the ownership of the property may be in the corporation which is charged with the responsibility of operating the same; and that the original cost of the property of the Imperial Company cannot be ascertained but that its "present value" as of February 29, 1916, is the sum of \$156,347.91.

The petition in Application No. 2637 alleges, in effect, that The Mountain States Telephone and Telegraph Company, hereinafter referred to as the Mountain States Company, one of the so-called "Bell" companies, owns the entire capital stock of Imperial Telephone Company, consisting of capital stock of the total par value of \$25,000.00; that Mountain States Company desires to sell said capital stock to the Pacific Company and that the Pacific Company desires to acquire the same, at a price to be agreed upon between the parties, which price, however, the Pacific Company stipulates shall never be used before the Railroad Commission or any other public authority as representing the fair value of said capital stock or of the property of the Imperial Company for any purpose whatsoever.

Public hearings in these proceedings were held in San Francisco on December 18, 1916. At these hearings the above entitled proceedings were consolidated for hearing and decision. No one appeared in opposition to the granting of the petitions.

The subject matter of this opinion will be considered under the following heads:

1. Imperial Telephone Company - History and Service.
2. Balance Sheet.
3. Finances.
4. Value of Property.
5. Franchises.
6. Proposed Consolidation.
7. Effect of Consolidation on Rates and Service.

1. IMPERIAL TELEPHONE COMPANY-HISTORY AND SERVICE.

The Imperial Company was incorporated under the laws of California on April 1, 1903, for the purpose of engaging in a general telephone business in a portion of what is now Imperial County, California. At the time of its incorporation, and for some time subsequent thereto, the Imperial Company had no affiliation with any of the so-called "Bell" companies. After several years of operation, the capital stock of the Imperial Company was acquired by an Arizona corporation called Consolidated Telephone, Telegraph and Electric Company, the name of which corporation was thereafter changed to Arizona Telephone and Telegraph Corporation. In June, 1912, the Mountain States Company, a Colorado corporation, heretofore referred to, acquired all the property and assets of Arizona Telephone and Telegraph Corporation, including the entire capital stock of the Imperial Company, having a total par value of \$25,000.00. The annual reports of the Imperial Company to the Railroad Commission for the years ending December 31, 1913, 1914 and 1915, show purported changes in the ownership of the capital stock of the Imperial Company, as between various of the so-called

"Bell" companies, including the Pacific Company, certain of which changes of ownership were not effective for the reason that the consent of the Railroad Commission, as required by Section 51 (b) of the Public Utilities Act, was not secured. The petition in Application No. 2637 was filed primarily to clarify this situation and to make it possible for the Pacific Company to acquire the entire control of the capital stock of the Imperial Company under authorization from the Railroad Commission.

On January 27, 1913, the Mountain States Company entered into an agreement with the Pacific Company, under which agreement, together with extensions thereof, the Pacific Company has been and is now operating the property of the Imperial Company.

As shown by the annual report of the Imperial Company for the year ending December 31, 1915, the Imperial Company gives telephone service to the following cities and communities in Imperial County: El Centro, Imperial, Brawley, Calexico, Holtville, Dixieland, Seeley, Heber, Silsbee, Meloland, Mobile, Alamo, Westmoreland, Rockwood, Calipatria and Keystone. The Imperial Company also serves the town of Mexicali, in Mexico, adjoining Calexico, in California.

On January 1, 1916, the Imperial Company had 1600 telephone stations and on September 25, 1916, 1559 stations.

The Imperial Company has been giving local exchange service in the communities hereinbefore specified and <sup>interexchange</sup> ~~interchange~~ service between said communities. Long distance service has been given through connection with the long distance system of the Pacific Company.

## 2. BALANCE SHEET.

Table I shows the Balance Sheet of the Imperial Company as of September 30, 1916, as shown by Exhibit No. 4 of Petitioners herein.

Table I.

BALANCE SHEET - IMPERIAL TELEPHONE COMPANY -  
September 30, 1916.

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ASSETS

Right of Way	\$ 121.54
Land and Buildings	12,094.69
Central Office Equipment	30,229.29
Station Equipment	25,470.27
Exchange Lines	94,764.67
Toll Lines	25,450.39
General Equipment	4,956.73
Total Fixed Capital	\$ 193,087.58
Construction Work in Progress	603.77
Total Permanent and Long Term Investments	\$ 193,691.35
Cash and Deposits	2,913.83
Bills Receivable	41.35
Accounts Receivable	8,763.60
Materials and Supplies	7,993.03
Total Working Assots	\$ 19,711.81
Prepayments	\$ 1,012.27
<u>TOTAL ASSETS</u>	<u>\$ 214,415.43</u>

LIABILITIES

Capital Stock	\$ 25,000.00
Advances from System Corporations, For Construction, Equipment and Betterments	145,758.20
Accounts Payable	26,981.62
Accrued Liabilities Not Due	35.75
Other Deferred Credit Items	1.75
Reserve for Accrued Depreciation	19,243.93
Surplus and Undivided Profits	<u>*2,605.82</u>
<u>TOTAL LIABILITIES</u>	<u>\$ 214,415.43</u>

\*Deficit.

3. FINANCES.

The Imperial Company has a total authorized issue of capital stock consisting of 250 shares of the par value of \$100.00 each, being a total par value of \$25,000.00, all of which capital stock is owned either directly or through the directors, by the Mountain States Company.

The Imperial Company has no bonded indebtedness and no outstanding deed of trust or mortgage. As shown by Table I, the Imperial Company on September 30, 1916, owed the Pacific Company for money advanced for capital account the sum of \$145,758.20. The Imperial Company owed on accounts payable the sum of \$26,981.62.

Table II, being Exhibit No. 10 of Petitioners herein, shows a comparative statement of the earnings and expenses of the Imperial Company during the years 1913 to 1916, inclusive, with increases in the various items over 1913.

TABLE II

## COMPARATIVE STATEMENT OF EARNINGS AND EXPENSES - IMPERIAL TELEPHONE

IMPERIAL TELEPHONE COMPANY, 1913 to 1916, INCLUSIVE

	1913		1914		1915		1916		Increase Over 1913					
	A	B	A	B	A	B	A	B						
Exchange Service Revenue	\$28 682	\$37.69	36.35	\$38 291	\$38.22	30.46%	\$41 153	\$36.45	27.66%	\$42 800	\$35.67	24.04%	\$14 118.	49.22%
Toll Service Revenue	11 962	15.72	15.16	18 230	18.19	14.50	21 610	19.14	14.52	22 900	19.08	12.87	10 938.	91.44
Misc. Operating Rev.	2	-	-	839	.84	.67	1 184	1.05	.80	1 300	1.08	.73	1 298	64900.00
<b>Total</b>	<b>\$40 646</b>	<b>\$53.41</b>	<b>51.51%</b>	<b>\$57 360</b>	<b>\$57.25</b>	<b>45.63%</b>	<b>\$63 947</b>	<b>\$56.64</b>	<b>42.98%</b>	<b>\$67 000</b>	<b>\$55.83</b>	<b>37.64%</b>	<b>\$26 354.</b>	<b>64.84%</b>
Telephone Operating Expenses														
Ordinary Repairs	3 991	5.24	5.06	5 297	5.29	4.21	7 530	6.67	5.06	5 300	4.42	2.98	1 309.	32.60
Station Removals & Changes	1 486	1.95	1.89	2 458	2.45	1.96	2 591	2.29	1.74	3 000	2.50	1.69	1 514.	101.88
Depreciation	6 650	8.74	8.43	10 750	10.73	8.55	10 300	9.12	6.92	7 900	6.58	4.43	1 250.	18.60
<b>Total Maintenance</b>	<b>\$12 127</b>	<b>\$15.93</b>	<b>15.37%</b>	<b>\$18 505</b>	<b>\$18.47</b>	<b>14.72%</b>	<b>\$20 421</b>	<b>\$18.08</b>	<b>13.72%</b>	<b>\$16 200</b>	<b>\$13.50</b>	<b>9.10%</b>	<b>4 073.</b>	<b>33.59%</b>
General Expense	3 757	4.94	4.76	4 246	4.24	3.38	4 365	3.88	2.95	7 300	6.08	4.10	3 543.	94.30
Traffic Expense )	20 260	26.62	25.68	( 21 674	21.63	17.24	23 984	21.24	16.12	27 800	23.17	15.62 )	14 240.	70.29
Commercial Expense )				( 7 856	7.84	6.25	6 789	6.02	4.56	6 700	5.58	3.76 )		
Uncollectible	901	1.18	1.14	654	.65	.52	1 754	1.55	1.18	1 400	1.17	.79	499.	55.38
Taxes	691	.91	.88	1 544	1.54	1.23	2 095	1.87	1.41	2 600	2.17	1.46	1 909.	276.27
Rights, Privileges & Use of Property, 1913	111	.15	.14	-	-	-	-	-	-	-	-	-	-	-
Rents, 1914- 1916	-	-	-	1 580	1.58	1.26	1 907	1.69	1.28	3 100	2.58	1.74 )	2 989.	2692.79
<b>Total</b>	<b>\$37 847</b>	<b>\$49.73</b>	<b>47.97%</b>	<b>\$56 059</b>	<b>\$55.95</b>	<b>44.60%</b>	<b>\$61 335</b>	<b>\$54.33</b>	<b>41.22%</b>	<b>\$65 100</b>	<b>\$54.25</b>	<b>36.57%</b>	<b>\$27 253.</b>	<b>72.01%</b>
Net Revenue	\$ 2 799	\$ 3.68	3.54%	\$ 1 301	\$ 1.30	1.03%	\$ 2 612	\$ 2.31	1.76%	\$ 1 900	\$ 1.58	1.07%	* 699.	*32.12
Stations (Average)	761	-	-	1 002	-	-	1 129	-	-	1 200	-	-	439	57.19%
Plant (Average)	\$78 900	\$103.68	-	\$125 700	\$125.45	-	\$148 800	\$131.80	-	\$178 000	\$148.33	-	\$99 100	125.60%
Reserve for Depreciation	3 560	-	4.51	18 963	-	15.09	19 136	-	12.86	19 200	-	10.79	15 640	439.33
Surplus	40 580	-	51.43	9 882	-	7.86	4 218	-	2.83	* 2 700	-	*1.52	*43 280	*106.65
<b>Total Reserve &amp; Surplus</b>	<b>\$44 140</b>	<b>-</b>	<b>55.94%</b>	<b>\$28 845</b>	<b>-</b>	<b>22.95%</b>	<b>\$23 354</b>	<b>-</b>	<b>15.69%</b>	<b>\$16 500</b>	<b>-</b>	<b>9.27</b>	<b>*27 640</b>	<b>* 62.62%</b>

Notes: Column A - Per Station  
B - % Average Plant

\* Deficit.

It will be observed that Table II shows a net revenue of the Imperial Company ~~as follows~~ as follows:

1913	\$2799.00
1914	1301.00
1915	2612.09
1916	1900.00

Table II, however, contains no reference to return on the investment or interest payments. In Exhibit No. 3 of Petitioners, deductions from net revenue are made for interest charges, being the interest paid by the Imperial Company or claimed to be due from it by the Pacific Company for moneys advanced. After making these interest deductions, the net profit of the Imperial Company was as follows:

1913	\$2224.81
1914	* 5697.91
1915	* 5664.09

\* Deficit.

Exhibit No. 3 of Petitioners does not give the corresponding figures for 1916.

As will be observed from Table II, the total of the reserve for depreciation and the surplus fell from \$44,140.00 in 1913 to \$16,500.00 in 1916. Mr. J. C. Nowell, General Manager of the Pacific Company, testified that this reduction in the total reserve for depreciation and surplus was due in part to the fact that an account of <sup>\$15,000.00</sup> ~~the same amount~~ under the head of "franchises" was charged off during this period.

It will also be observed from Table II that while the total gross revenue increased 64.84 per cent during this period and the operating expenses, including depreciation, 72.01 per cent, the plant investment increased 125.6 per cent. Mr. Nowell



testified that the cause for the disproportional increase in plant investment was due to the fact that when the Pacific Company commenced operating the property of the Imperial company, it found the property in very poor condition and that the Pacific Company has advanced large sums of money to the Imperial Company for the purpose of improving and extending the service.

#### 4. VALUE OF PROPERTY.

Petitioners reported that it was impossible to ascertain the original cost to date of the property of the Imperial Company.

Petitioners filed herein as Exhibit "A", attached to the petition in Application No. 2246, an inventory and appraisal of the "Structural Value" of the tangible property, including materials and supplies, of the Imperial Company as of February 29, 1916. Petitioners also submitted an estimate of the reproduction cost new of said property.

The Railroad Commission's engineering department introduced as Railroad Commission's Exhibit No. 1, an inventory and appraisal of the same property as of the same date, showing both estimated reproduction cost new and estimated reproduction cost new less accrued depreciation.

Table III shows, by accounts, the estimated reproduction cost new of the property as estimated by the Pacific Company and by the Railroad Commission's engineering department, as of February 29, 1916, together with the difference between said estimates.

Table III

ESTIMATED REPRODUCTION COST NEW - TANGIBLE PROPERTY OF IMPERIAL  
TELEPHONE COMPANY, THE PACIFIC TELEPHONE AND TELEGRAPH  
COMPANY AND RAILROAD COMMISSION'S ENGINEERING DEPARTMENT -  
FEBRUARY 29, 1916.

ACCOUNT	REPRODUCTION COST		
	: By Pacific Company	: By Engineer- ing Depart- ment of Rail- road Commission:	: Difference
207 - Right of Way	112.79	111.30	1.49
211 - Land	2 921.65	2 250.00	671.65
212 - Buildings	288.10	288.10	-
221 - Central Office Telephone Equipment	19 942.47	19 486.07	456.40
222 - Other Equipment of Central Offices	796.21	811.84	*15.63
231 - Station Apparatus	14 673.53	14 606.00	67.53
232 - Station Installations	5 123.78	5 122.00	1.78
234 - Private Branch Exchanges	709.48	696.00	13.48
235 - Booths and Special Fittings	1 087.87	1 107.00	*19.13
241 - Exchange Pole Lines	38 707.33	41 360.00	*2652.67
242 - Exchange Aerial Cable	13 275.84	13 787.00	*511.16
243 - Exchange Aerial Wire	23 179.23	22 672.00	507.23
244 - Exchange Underground Conduits	2 225.12	2 196.00	29.12
245 - Exchange Underground Cable	2 976.99	3 073.00	*96.01
251 - Toll Pole Lines	21 743.48	22 562.00	*818.52
253 - Toll Aerial Wire	10 841.03	10 888.00	*46.97
254 - Toll Underground Conduit	42.43	25.00	17.43
261 - Office Furniture and Fixtures	2 196.23	2 261.25	*65.02
262 - General Shop Equipment	8.94	9.11	*.17
264 - General Stable and Garage Equipment	1 423.93	1 451.93	*28.00
265 - General Tools and Implements	517.95	528.33	*10.38
268 - Interest during Construction	753.78	-	753.78
- - Materials and Supplies on hand for use in California	6 661.34	6 030.40	630.94
<b>GRAND TOTAL</b>	<b>170 209.50</b>	<b>171 322.33</b>	<b>*1 112.83</b>

Note: Star indicates Engineering Department of Railroad Commission in excess of Pacific Company.

In said Exhibit "A", attached to the petition in Application No. 2246, herein, the Pacific Company claims a "Structural Value" of the tangible property of the Imperial Company amounting to \$156,347.91.

In Exhibit No. 1 of the Railroad Commission, the Railroad Commission's engineering department estimates a reproduction cost new less accrued depreciation of said property amounting to \$133,145.21.

It is unnecessary to determine herein the exact "fair value" of the property of the Imperial Company for the purpose of transfer. The property has such value as inheres therein from just and reasonable rates. In Application No. 1870, being application of the Pacific Company for an order establishing the rates to be charged by it in all its local exchanges in the State of California, the Railroad Commission will definitely establish just and reasonable rates to be charged by the Pacific Company in its local exchanges in Imperial County, as well as elsewhere throughout the State.

#### 5. FRANCHISES.

The Imperial Company reports that it has no franchises other than such rights as it may have under Section 536 of the Civil Code of California.

Exhibit No. 6(A) of Petitioners herein contains copies of certain indentures from various land companies granting to Imperial Telephone Company the right to construct and operate a telephone system over the streets and alleys of certain towns, as laid out by said land companies. These indentures are as follows:

1. Deed dated June 20, 1904, from Holton Town Company to Imperial Telephone Company - Holtville.
2. Deed dated January 14, 1904, from Blue Lake Town Company to Imperial Telephone Company - Silsbee.
3. Deed dated January 14, 1904, from Imperial Land Company to Imperial Telephone Company - Imperial.
4. Deed dated October 29, 1901, from Imperial Land Company to W. F. Holt, and deed dated September 28, 1904, from W. F. Holt to Imperial Telephone Company-Imperial Settlements.

In view of the fact that no franchises have been granted by public authorities to the Imperial Company apart from such rights as the company may have under Section 536 of the Civil Code and of the admitted fact that nothing was paid for such rights as may have been granted by Section 536 of the Civil Code, the order herein will contain the condition that the Pacific Company will never claim in any proceeding of any character any value by reason of any franchises owned or claimed by the Imperial Company.

#### 6. PROPOSED CONSOLIDATION.

Petitioners desire to effect the proposed consolidation by having the Imperial Company convey to the Pacific Company all its property with the exception of its corporate franchise and by having the Mountain States Company convey to the Pacific Company the entire capital stock of the Imperial Company. The Pacific Company then proposes to transfer the property of the Imperial Company to the Pacific Company's books and disincorporate the Imperial Company.

In response to an inquiry from the presiding Commissioners as to how the Pacific Company intended to show this transaction on its books, the Pacific Company represented that it desired to add to the assets of the Pacific Company on its books the full

total of the assets of the Imperial Company as shown on the Imperial Company's books, just as though the Pacific Company had, all along, owned the entire property of the Imperial Company. The desire of the Pacific Company in this respect and the reasons in justification thereof were <sup>not</sup> fully and satisfactorily explained at the hearing. The order herein will contain a condition to the effect that the authorization of the Railroad Commission shall not become effective until the Pacific Company has submitted to the Railroad Commission book entries satisfactory to the Railroad Commission, to be made by the Pacific Company in the consummation of the proposed consolidation.

7. EFFECT OF CONSOLIDATION ON RATES AND SERVICE.

The local exchange rates of the Imperial Company, applicable to service within the various local exchange areas of that company, are on file with the Railroad Commission. Those rates include rates for six and ten-party business and residence service. The Imperial Company, however, has no subscribers under ten-party rates. The Pacific Company proposes to discontinue the present ten-party rates, for both business and residence service and also the six-party residence rate, but to continue the six-party business rate. The company proposes to substitute for the present six-party residence service at \$2.00 per month, a four-party residence service at \$1.50 per month. This change will result in a better class of service at a lower rate than that now in effect for the six-party residence service. As far as the local exchange rates are concerned, there will be no increase in rates resulting from the transfer of the property to the Pacific Company.

The rates of the Imperial Company for service between its various exchanges appear in Exhibit No. 7 of Petitioners, which appears herein as Table IV.

TABLE IV

RATES BETWEEN VARIOUS EXCHANGES OF IMPERIAL  
TELEPHONE COMPANY.

TO	FROM												
	Calipatria	Rockwood	Brawley	Alamorio	Imperial	El Centro	Seeley	Dixie	Silsbee	Holtville	Heber	Calxico	
Calipatria	0	05	10	15	15	20	25	30	35	20	25	25	
Rockwood			05	10	10	15	20	25	30	15	20	20	
Brawley				05	05	10	15	20	25	10	15	15	
Alamorio					10	15	20	25	30	15	20	20	
Imperial						05	10	15	25	05	10	10	
El Centro							05	10	15	05	05	05	
Seeley								05	25	10	10	10	
Dixie									15	15	15	20	
Silsbee										25	25	25	
Holtville											10	10	
Heber												10	
Calxico													0

The rates shown in Table IV are for conversations of two minutes or less. The overtime rate in each instance is 50 per cent of the initial rate for each additional minute or fraction thereof.

The Imperial Company has two sets of interexchange rates, one set of rates being applicable to its subscribers and the other to members of the public who are not its subscribers but who desire to telephone between exchanges of the Imperial Company.

The rates shown in Table IV are available only to subscribers of the Imperial Company. Non-subscribers, desiring to avail themselves of the interexchange service of the Imperial Company, are charged 25 cents for a conversation of three minutes or less, ten cents for the first minute<sup>of</sup> overtime or fraction thereof, ten cents for the second minute of overtime or fraction thereof and five cents for the third minute of overtime or fraction thereof. The overtime rates are repeated as indicated for each succeeding three minute overtime period. The rates thus stated are applicable to non-subscribers with two exceptions, the one exception being a rate of 15 cents for three minutes and five cents for each additional minute or fraction thereof, applicable between El Centro and Imperial, and the other being a rate of 10 cents for two minutes and five cents for each additional minute or fraction thereof, applicable between Rockwood and Brawley.

In so far as long distance service between points on the system of the Imperial Company and points on the system of the Pacific Company are concerned, the rates now quoted apply uniformly to all points on the system of the Imperial Company with the exception of the Imperial Exchange, which takes a different rate.

The Pacific Company intends to apply to the interexchange service between the various exchanges of the Imperial Company and to the long distance business between points on the system of the

Imperial Company and points on the system of the Pacific Company, the long distance rates which have heretofore been established by the Railroad Commission for the Pacific Company and which are charged by the Pacific Company for its entire long distance business in the State of California. The Pacific Company proposes to apply its standard long distance rates both to subscribers of the Imperial Company and non-subscribers alike, so as to remove the present discrimination between the rates charged to subscribers and to non-subscribers on the system of the Imperial Company.

The effect of the application of the standard long distance rates of the Pacific Company to the interexchange business of the Imperial Company would be to reduce <sup>all</sup> the rates now charged to non-subscribers, with the exception of one rate, which would remain the same as before.

Considering only the initial rates as a basis, the result of the application of the Pacific Company's standard long distance rates between the exchanges of the Imperial Company would increase 28 rates, or 12.7 per cent of the total, decrease 149 rates or 67.7 per cent of the total and leave 43 rates or 19.5 per cent of the total unchanged. Taking both initial and overtime rates as a basis, 28 rates or 12.7 per cent would be increased, 164 rates or 74.5 per cent would be reduced and 28 rates, or 12.7 per cent would remain unchanged. Taking only the rates heretofore charged to subscribers as a basis, both initial and overtime, 28 rates or 25.4 per cent would be increased, 56 <sup>rates</sup> or 50.9 per cent would be reduced and 26 rates or 23.6 per cent would remain unchanged.

The effect in revenue of the application of the Pacific Company's standard long distance rates to the interexchange business of the Imperial Company is difficult to forecast, because of the uncertainty as to the amount of this business which will continue to move between the various exchanges of the Imperial Company.



The difficulty in the forecast arises from the fact that ~~about~~ ~~at~~ the five cent rates now obtaining between various exchanges of the Imperial Company are to be increased to 10 cents, as provided in the standard long distance rates of the Pacific Company. Assuming that 75 per cent of the traffic over five cent routes continues, there would be an increase in gross revenue amounting to \$2,790.80. Assuming that 62 1/2 per cent of the traffic continues over the five cent routes, there would be an increase in gross revenue amounting to \$411.90. Assuming that only 50 per cent of the traffic continues over the five cent routes, there would be a loss in gross revenue of \$1967.05.

The application of the standard long distance rates of the Pacific Company to the business which moved during the year ending April 20, 1916, between points on the system of the Imperial Company and points on the system of the Pacific Company, would result in an increase in gross revenue of \$78.84, being less than one per cent of the total gross revenue.

Prima facie, it would seem entirely reasonable to permit the Pacific Company to apply to the interexchange business of the Imperial Company and to the long distance business over points on the system of the Imperial Company and points on the system of the Pacific Company the standard long distance rates established by the Railroad Commission after exhaustive investigation and applicable to all other portions of the Pacific Company's system. If, for any reason, the application of these rates should in any respect prove unjust or unreasonable, the matter may hereafter be drawn to the attention of the Railroad Commission.

The Pacific Company proposes to operate the property of the Imperial Company as it has heretofore been operated and to continue to give first class telephone service.

After careful consideration, we are of the opinion

that the petitions herein should be granted, subject to the conditions contained in the order herein.

We submit the following form of order:

O R D E R.

IMPERIAL TELEPHONE COMPANY and THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY having filed their petitions for orders of the Railroad Commission as specified in the opinion which precedes this order, and a public hearing having been held thereon and these proceedings having been submitted and being now ready for decision,

IT IS HEREBY ORDERED that Imperial Telephone Company be and the same is hereby authorized to sell and convey to The Pacific Telephone and Telegraph Company the entire property of Imperial Telephone Company, except its corporate franchise, for the sum of Ten (\$10.00) Dollars, and The Pacific Telephone and Telegraph Company is hereby authorized to acquire from The Mountain States Telephone and Telegraph Company the entire capital stock of Imperial Telephone Company, being capital stock of the par value of \$25,000.00 upon the following conditions and not otherwise, to-wit:

1. Before the authority herein granted shall become effective, The Pacific Telephone and Telegraph Company shall have secured from the Railroad Commission a supplemental order herein reciting:

(a) That The Pacific Telephone and Telegraph Company has filed herein a stipulation, duly authorized by its Board of Directors, agreeing for itself, its successors and assigns, that it and they will never claim before the Railroad Commission or any other public authority in any proceeding of any character whatsoever, any value on account

of any franchises or permits granted by any public authority to Imperial Telephone Company and assigned by said company to The Pacific Telephone and Telegraph Company.

(b) That The Pacific Telephone and Telegraph Company has submitted to the Railroad Commission entries, satisfactory to the Railroad Commission, to be made on the books of The Pacific Telephone and Telegraph Company in connection with the proposed acquisition by said company of the property and the capital stock of Imperial Telephone Company.

2. The price to be paid by The Pacific Telephone and Telegraph Company for the property and the capital stock, or either, of Imperial Telephone Company shall never be claimed by The Pacific Telephone and Telegraph Company to represent for rate making or any other purpose the fair value of the property or of the capital stock of Imperial Telephone Company.

3. Within thirty (30) days from the execution of deed of conveyance from Imperial Telephone Company to The Pacific Telephone and Telegraph Company, The Pacific Telephone and Telegraph Company shall file herein a certified copy of said deed of conveyance.

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 <sup>27</sup> 27 day  
of January, 1917.

Mar. Thelem  
H. J. Stewart  
Rev. H. J. Stewart  
Edwin J. Colver  
Frank D. Wain  
Commissioners.