

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application :  
of JONATHAN GRANT KIRKMAN to lease :  
Central Telephone & Telegraph Com- : Application No. 447.  
pany, at Exeter, California, to :  
John Alles. :

Jonathan Grant Kirkman, for applicant;  
H. A. Johnson, representing The Pacific Telephone  
& Telegraph Company.

LOVELAND, Commissioner.

O P I N I O N.

This is an application of Jonathan Grant Kirkman, of Exeter, Tulare County, California, to lease a telephone plant now owned by him and conducted as a public utility in and about said town of Exeter, Tulare County, California, to John Alles.

A financial statement was filed by each of said parties and made a part of the application. The statement of Jonathan Grant Kirkman shows him to be a man of considerable means, his total assets being about \$45,000.00 and total indebtedness \$3,700.00. The statement of John Alles shows that his means are somewhat limited, his total assets being \$4,000.00, consisting of half interest in a nursery at Exeter, such half interest being valued at \$500.00, fifty acres of timber land valued at \$1,300.00, half interest in twenty-two acres of farm land, such half interest being valued at \$500.00, and house and lot in Exeter valued at \$1,700.00, mortgaged for \$500.00. Mr. Alles was not present at the hearing; therefore, could not be questioned as to these values or the incumbrance on his property, but it will readily be seen that it will be difficult to realize upon assets of this character part of which are encumbered and subject to homestead.

The earnings of the telephone exchange which applicant desires to lease to said Alles, for the last fiscal year, were

\$2,970.00, while the total expenses were \$930.00, thus indicating a net revenue of \$2,040.00. The lease is to run for five years at a monthly rental of \$110.00 per month. Under the lease, the lessee obligates himself to take care of all repairs and extensions and installation of plant and new phones, as required by public necessity.

It is apparent that, under the conditions of this lease, after paying expenses of \$930.00 and \$110.00 per month, or \$1,320.00 per year rental, but a small sum, namely: \$720.00, will remain to the lessee out of the total earnings of \$2,970.00, and that with his limited means it would clearly be impossible for him to make extensions, should the public necessity demand it, of which necessity there seems to be no doubt, as Exeter is a populous, growing community. This was developed at the hearing and applicant was informed that the Commission was not disposed to permit him to turn over his public utility without the Commission receiving assurance that the interests of the public would be served by the making of such extensions and improvements as were found necessary. Applicant, thereupon, stipulated that he would make all extensions and improvements considered necessary from time to time and that the Commission should be the judge of such necessity.

The lease also provided that the lessee was to receive 15% of all tolls collected at or through this exchange over long distance lines belonging to The Pacific Telephone & Telegraph Company. The Commission objected to this provision in the lease as <sup>considered</sup> it had already ~~the~~ the matter of what per cent of the toll charges small exchanges like this should receive and had arrived at an understanding with The Pacific Telephone & Telegraph Company that such per cent should be 30% instead of 15%.

Mr. H. A. Johnson, representing The Pacific Telephone & Telegraph Company, was in attendance at the hearing and testified that, as a result of negotiations and correspondence between the

Commission and The Pacific Telephone & Telegraph Company, that company had agreed to increase the per cent of toll charges allowed to smaller companies throughout the state to 30%, but that instead of figuring it at 30% The Pacific Telephone & Telegraph Company preferred to allow the small exchanges the 15% and give them an additional sum on incoming messages on which, in the past, small exchanges have received nothing. This plan, Mr. Johnson testified, resulted in the equivalent of 30%. The additional sum which it is proposed to give to the small exchanges is 5 cents on each incoming message and a statement covering the business done at the office of the telephone exchange comprehended in this application, filed with this Commission by The Pacific Telephone & Telegraph Company since the hearing of this application, and covering a period of 6 months, which statement Mr. Johnson, while testifying, agreed to file, shows that such additional sum of 5 cents on each incoming message, plus the 15% which small exchanges now receive on toll charges, makes the full equivalent of 30%, while this plan has the additional advantage of satisfying the small exchanges inasmuch as it gives them something on the incoming messages, whereas, to allow them straight 30%, they still might have the idea that they were doing something for which they were getting nothing.

Upon the stipulation of applicant that he will, at once, upon request of this Commission, make such extensions and improvements as the Commission thinks necessary, I recommend the approval of a lease embodying said stipulation and containing the provision also that, in addition to the 15% of toll charges, applicant is to receive 5 cents on each incoming message, thus equaling the 30% agreed upon between the Commission and The Pacific Telephone & Telegraph Company.

I recommend the following Order:-

ORDER.

Application having been made by Jonathan Grant Kirkman

to lease Central Telephone & Telegraph Company, at Exeter, California, to John Alles; and it appearing that while the proposed transaction involving a public utility devoted to telephone service in and about said town of Exeter, Tulare County, California, was not satisfactory to the Commission, inasmuch as it contemplated the lease of said public utility by a man possessed of ample means to make extensions and improvements, when necessary, to a man who might not be able to make such improvements and extensions, it being evident that the net returns from the Central Telephone & Telegraph Company would not enable him to make such improvements and extensions; and the lessor having stipulated with the Commission that he would, during the life of the lease, make all necessary extensions and improvements, allowing the Commission to be the judge of such necessity;

IT IS HEREBY ORDERED: That said JONATHAN GRANT KIRKMAN, owner of the Central Telephone & Telegraph Company, of Exeter, Tulare County, California, be and he is hereby authorized to lease said Central Telephone & Telegraph Company, of Exeter, Tulare County, California, to John Alles, for a period of five years, from the first day of December, 1912, at a monthly rental of \$110.00 per month, said lease to contain the provision that any allowance made by The Pacific Telephone & Telegraph Company, in addition to the 15% of toll charges to said Central Telephone & Telegraph Company, of Exeter, shall be paid to and belong to said lessee, John Alles; and a further provision that said lessor, Jonathan Grant Kirkman, will make all necessary extensions and improvements at his own proper cost when the necessity for such improvements or extensions arises, and that the Railroad Commission of the State of California shall, if necessary, finally pass upon such necessity.

Under the conditions above set forth, IT IS FURTHER ORDERED: that the said JOHN ALLES be authorized to enter into said lease and to take over said telephone exchange.

The foregoing Opinion and Order are hereby approved  
and ordered filed as the Opinion and Order of the Railroad Com-  
mission of the State of California.

Dated at San Francisco, California, this 10<sup>th</sup>  
day of April, 1913.

John McFarlane  
W. S. Cleveland  
Geo. A. ...  
Max Thelen

Commissioners.