

Decision No. 3438N

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 PASO ROBLES AND SHANDON TELEPHONE
 COMPANY to sell, and LA RUE SMITH
 to purchase a rural telephone line
 operated Easterly from and through
 territory adjacent to and between
 the City of El Paso de Robles and
 the Town of Shandon, California.

Application No. 21785

ORIGINAL

Webster and Lyon, by Ray B. Lyon for
 Paso Robles and Shandon Telephone Company
 and La Rue Smith.

BY THE COMMISSION:

O P I N I O N

The Commission is asked in this proceeding to make an order authorizing Paso Robles and Shandon Telephone Company to sell all of its operative telephone property and La Rue Smith to purchase said property. A hearing in the matter was held before Examiner Fry in Paso Robles on April 15, 1938.

The Paso Robles and Shandon Company renders party-line service in territory east of Paso Robles by means of its own pole line facilities and telephone station equipment. This utility secures switching service for its subscribers from the Paso Robles exchange of The Pacific Telephone and Telegraph Company under that company's farmer line exchange service rate schedule. La Rue Smith furnishes party-line service under the fictitious name and title of Willow Creek Telephone Company in a portion of the suburban territory of the Paso Robles exchange southwest of Paso Robles, by means of his own pole line facilities and telephone station equipment. Switching service for

his subscribers is received from the Paso Robles exchange of The Pacific Telephone and Telegraph Company under that company's farmer line exchange service rate schedule.

The properties to be transferred are in Exhibit "A" said to consist of ninety-four telephone stations, 286.2 miles of wire, 2,286 telephone poles, together with equipment, machinery, tools and appliances. La Rue Smith has agreed to pay for the properties the sum of \$8,000, of which sum \$1,000 is payable in cash upon the execution of the agreement of sale and the balance in equal semiannual installments over a period of five years with interest at the rate of four per cent per annum, payable semiannually. Inasmuch as the payments extend over a period of more than one year, the agreement of sale, we feel, constitutes an evidence of indebtedness, the execution of which should be authorized by the Commission. La Rue Smith will be required to pay the twenty-five (25) dollar minimum fee mentioned in Section 57 of the Public Utilities Act.

The evidence shows that the original cost of the property, some of which was built in 1905, can not be determined.

Neither the buyer nor the seller submitted any testimony as to the historical cost of the properties or the accrued depreciation.

The last report of Paso Robles and Shandon Telephone Company shows the cost of its properties at \$6,218.31 and a depreciation reserve of \$3,609.16. The company reports \$3,373.94 of cash on deposit in a bank.

Applicants allege that \$2,000 of the sale price represents the value of operative rights. The testimony shows that such rights and privileges as the Paso Robles and Shandon Telephone Company may possess were secured without cost to it and

that the amount named is entirely arbitrary. There is no justification for including the \$2,000 in the cost of the telephone plant and equipment. La Rue Smith should not charge to telephone plant accounts a sum in excess of the amount charged to such accounts by the vendor. He should also show in his records an appropriate depreciation reserve.

The owners of the Paso Robles and Shandon Company desire to dispose of the property and discontinue telephone operations as almost all of them are men of advanced age. La Rue Smith has had telephone experience in his management of the Willow Creek Telephone Company, and the service to the Public should not be impaired by the transfer nor would the charges for service be increased thereby.

O R D E R

The Commission, having considered the request of applicants and a public hearing having been held, is of the opinion that the granting of the application, subject to the conditions of this Order, is in the public interest and should be granted, therefore,

IT IS HEREBY ORDERED that Paso Robles and Shandon Telephone Company and La Rue Smith be, and they are, hereby authorized to execute, after the effective date hereof and prior to December 31, 1938, an agreement in form the same or substantially the same as the agreement filed in this proceeding as Exhibit "A," under the terms of which the former may sell and the latter buy and operate the telephone properties described in said agreement.

IT IS HEREBY FURTHER ORDERED that Paso Robles and Shandon Telephone Company shall, concurrently with the date of

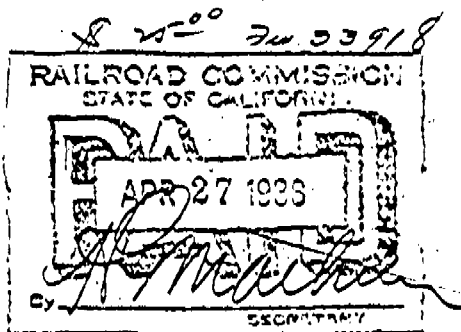
the sale and transfer of the aforesaid properties, discontinue all of its telephone service.

IT IS HEREBY FURTHER ORDERED that within thirty (30) days after the transfer of the properties herein authorized La Rue Smith shall file with the Railroad Commission a certified copy of the bill of sale under which he acquires title to said properties.

IT IS HEREBY FURTHER ORDERED that the authority herein granted is subject to the condition that the consideration for which the telephone properties is herein authorized to be transferred shall not be urged before this Commission or any other public body as a measure of value of such properties for any purpose other than this transfer.

IT IS HEREBY FURTHER ORDERED that the authority herein granted will not become effective until La Rue Smith has paid the minimum fee prescribed by Section 57 of the Public Utilities Act, which minimum fee is twenty-five (25) dollars, nor until he has filed with the Commission his acceptance of the rate schedules now on file by Paso Robles and Shandon Telephone Company for telephone service.

Dated at San Francisco, California, this 24th day of April, 1938.



Walter S. ...
Leon ...
Joseph ...
Robert ...

Commissioners