

Decision No. 12479**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 THE PACIFIC TELEPHONE AND TELEGRAPH
 COMPANY, a corporation, for authority
 to purchase, and of the GUGLIELMETTI
 TELEPHONE COMPANY, for authority to
 sell certain telephone facilities to
 The Pacific Telephone and Telegraph
 Company, and for authority for The
 Pacific Telephone and Telegraph Company
 to serve, and for the Guglielmetti
 Telephone Company to withdraw from the
 territory it now serves.

Application No. 30471

James G. Marshall for The Pacific Telephone
 and Telegraph Company; Lerov Lounibos for
 Guglielmetti Telephone Company; J. J. Deuel
 and Eldon Dye for California Farm Bureau
 Federation; and Frank V. Rhodes for California
 Independent Telephone Association.

O P I N I O N

In this proceeding, William J. Guglielmetti and Robert P. Guglielmetti, brothers, doing business under the name and style of Guglielmetti Telephone Company, hereinafter sometimes referred to as Seller, seek authority to sell their telephone facilities located adjacent to Petaluma, Sonoma County, to The Pacific Telephone and Telegraph Company in accordance with the agreement of sale and modification thereof filed as Exhibits 3 and 4, respectively. The Pacific Telephone and Telegraph Company, hereinafter sometimes referred to as Buyer, seeks authority to purchase the telephone facilities of the Seller and to establish, maintain, and furnish Petaluma exchange telephone service in the territory now served by the Seller.

A public hearing in this matter was held before Examiner Wessells on July 28, 1949, at Petaluma, California.

The Seller is a public utility engaged in providing telephone service in certain territory located to the east, north, and west of the city of Petaluma, all within the suburban area of the Buyer's Petaluma exchange, as shown on the map filed as Exhibit 1. The Buyer now furnishes switching service to all subscribers of the Seller by means of the Buyer's central office facilities in its Petaluma exchange. The Seller owns and maintains the telephone instruments and the lines serving its subscribers from the subscribers' premises to the points of connection with the Buyer's facilities, either at the base rate area boundary of the Buyer's Petaluma exchange or at the Petaluma city limits.

The annual reports of the Guglielmetti Telephone Company on file with the Commission for the years 1947 and 1948 show revenues, expenses, telephone plant in service, and depreciation reserve as follows:

	<u>1947</u>	<u>1948</u>
Operating Revenues	\$15,818.21	\$18,042.53
Operating Expenses including Taxes and Depreciation	<u>14,315.89</u>	<u>14,999.58*</u>
Net Revenues	1,502.32	3,042.95
Telephone Plant in Service, Dec. 31	59,143.30	63,747.37
Depreciation Reserve, Dec. 31	38,449.79	38,449.79

* No depreciation expense shown for 1948

As of April 15, 1949, Seller was serving approximately 600 stations and was holding 275 applications for service. Seller indicates that due to the shortage of facilities, the company is not in a position to provide service to the waiting applicants and that the revenue which the company receives from the telephone business is insufficient to maintain and expand facilities to furnish an improved service. The record shows the Guglielmetti brothers have been engaged in the operation of their telephone company for over 40 years and that they are desirous of retiring from the business and wish to be

relieved of the responsibility for furnishing service, financing and operating a telephone utility.

The Buyer appraised the Seller's property at \$50,632 as of September 1, 1948, at current cost and in the condition found as of that date. This appraisal, filed as Exhibit 2, was designated "structural value." The amount which the Buyer has agreed to pay the Seller for its telephone facilities is the amount of the appraisal as of September 1, 1948, adjusted to reflect such net additions made by the Seller between September 1, 1948, and the effective date of the bill of sale, as are determined to be useful to the Buyer.

A witness for the Buyer testified that upon assumption of responsibility to provide telephone service in the area now served by the Seller, commercial surveys would be undertaken to determine the current and future demands for service, and, that upon completion of the surveys, consideration would be given to enlarging the base rate area of the Petaluma exchange. The Buyer proposes to engineer and construct telephone plant and equipment necessary to serve waiting applicants and plans to convert the Petaluma exchange to dial operation in the latter part of 1951 with full-selective ringing on four-party lines and semi-selective ringing on suburban lines. The Buyer estimates that its gross expenditures in the Petaluma exchange, to bring about these improvements, will amount to approximately \$1,500,000, of which \$400,000 will be required to improve and enlarge the outside plant facilities.

Tariff schedules of the Seller provide that the farmer line rate applicable in Buyer's Petaluma exchange apply in addition to the rate quoted in the Seller's tariffs. The Buyer proposes to apply its filed tariff rates,^{1/} rules and regulations applicable within the Petaluma exchange to the subscribers now served by Seller, and the Buyer also proposes to apply the wall set differentials of 25 cents per month to all subscribers of the Seller having wall sets as of the effective date of the bill of sale. In addition to the changes in basic rates, which result under the proposed rate and service arrangements, changes would also result in the rates and charges for moves and changes, service connections, line extensions, supplemental equipment, and for the restoration of service.

1/ A comparison of the rates of the Guglielmetti Telephone Company and The Pacific Telephone and Telegraph Company for the principal classes of service is as follows:

		Rate Per Month									
		Presently Filed Rates				Authorized in Decision No. 43145: Effective September 1, 1949					
		Guglielmetti Telephone Company				Guglielmetti Telephone Company					
		Station	Rate	Rate ^a	Charge	Pacific Company	Station	Rate	Rate ^a	Charge	Pacific Company
<u>Residence</u>											
1-Party	\$ -	\$ -	\$ -	\$3.75 ^b		\$ -	\$ -	\$ -	\$4.00 ^b		
2-Party	-	-	-	3.00 ^b		-	-	-	3.25 ^b		
4-Party	-	-	-	2.50 ^b		-	-	-	2.75 ^b		
Suburban	1.90	.60	2.50	3.00		1.90	.85	2.75	3.25		
Extension	1.00	-	1.00	1.00		1.00	-	1.00	1.00		
Farmer Line	-	-	-	.60		-	-	-	.85		
<u>Business</u>											
1-Party	.75	1.80	2.55 ^b	5.75 ^b		.75	2.55	3.30 ^b	6.50 ^b		
2-Party	-	-	-	4.75 ^b		-	-	-	5.25 ^b		
Suburban	2.05	1.00	3.05	4.25		2.05	1.50	3.55	4.50		
Extension	1.25	-	1.25	1.25		1.25	-	1.25	1.25		
Farmer Line	-	-	-	1.00		-	-	-	1.50		

- a. The Pacific Telephone and Telegraph Company's rate for farmer line service in its Petaluma exchange.
- b. Subject to mileage charges.

Application of Seller's filed rates, including switching charges, results in charges to subscribers amounting to \$18,972 on an annual basis. Seller's subscribers would experience an annual increase of \$4,960 under Buyer's presently filed rates and \$1,512 additional annual increase under Buyer's Petaluma exchange rates authorized in Decision No. 43145 to become effective on September 1, 1949.

The evidence shows that the books of the Seller, relating to the telephone utility operations, will be transferred to and be retained by the Buyer upon acquisition by it of Seller's property.

One of Seller's subscribers testified at the hearing to the effect that his telephone service was unreliable during inclement weather conditions and as a result he was without service for days at a time. He objected to paying increased rates for telephone service unless the service was improved and furnished on a continuous basis. With respect to the subscriber's complaint, a witness for the Buyer testified that his company would endeavor to improve facilities to provide virtually uninterrupted service to all Guglielmetti system subscribers regardless of climatic conditions.

The record shows that the elimination of divided responsibility in furnishing service that has existed for many years, the offering of expanded classifications of service, and the establishment of an orderly program for the provision of service to waiting applicants of Seller should result from the granting of this application.

At the hearing, Mr. Frank V. Rhodes, Secretary of the California Independent Telephone Association, stated that although the Association desired to maintain the position of the independent telephone companies, it favored the granting of the application. Mr. J. J. Deuel of the California Farm Bureau Federation endorsed the application. No one appeared in opposition to the granting of the application.

O R D E R

The Commission has considered this matter and is of the opinion that the application should be granted as herein provided, and finds that the increases in rates and charges, which will result from the granting of this application as discussed in the foregoing opinion, are justified; therefore,

IT IS HEREBY ORDERED as follows:

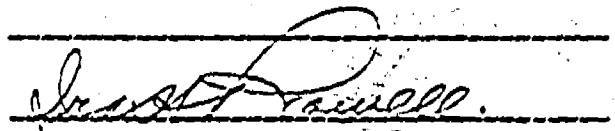
1. Guglielmetti Telephone Company after the effective date hereof and on or before December 31, 1949, may sell and transfer its telephone facilities described in Exhibit B on file in this application to The Pacific Telephone and Telegraph Company. Upon the acquisition of said telephone facilities and the furnishing of telephone service by The Pacific Telephone and Telegraph Company to the territory now served by the Seller, Guglielmetti Telephone Company is relieved of its public utility obligation to furnish telephone service and may cancel its rates, rules and regulations.
2. The Pacific Telephone and Telegraph Company, if it acquires the telephone facilities referred to herein, shall apply its filed tariff rates, rules and regulations applicable within the Petaluma exchange to the territory now served by the Seller. Necessary tariff schedule revisions, in accordance with General Order No. 96, shall be made after the effective date hereof and on not less than ten (10) days' notice to the Commission and to the public.
3. The Pacific Telephone and Telegraph Company shall within ninety (90) days after the acquisition of Seller's telephone facilities, file with the Commission a statement showing the amount paid for Seller's telephone facilities, and a copy of the journal entry or entries used in recording the acquisition of said telephone facilities on its accounting records.
4. The action taken herein shall not be construed to be a finding of the value of the telephone facilities herein authorized to be transferred.

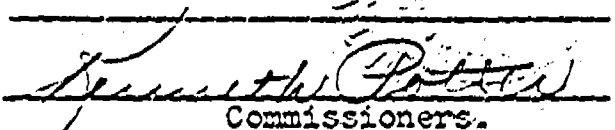
The effective date of this order shall be twenty (20) days after the date hereof.

Dated at San Francisco, California, this 9th day of

August, 1949.






Commissioners.