

Decision No. 44795

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of CALIFORNIA ELECTRIC POWER COMPANY, a corporation, and INTERSTATE TELEGRAPH COMPANY, a corporation, for authority to merge facilities.

Application No. 31683

O P I N I O N

California Electric Power Company, a Delaware corporation, and Interstate Telegraph Company, a Nevada corporation, by the above entitled application filed August 16, 1950, request an order of the Commission authorizing Interstate Telegraph Company to transfer to California Electric Power Company all of the telephone and telegraph properties, rights, assets and business of Interstate Telegraph Company, and authorizing the discontinuance of public utility service by Interstate Telegraph Company and the assumption of that service by California Electric Power Company. Applicants state that ever since the year 1916, Interstate Telegraph Company has been a wholly owned subsidiary of California Electric Power Company and under the same general management.

Interstate Telegraph Company is a public utility telephone and telegraph corporation engaged in rendering communication service to the public in the counties of El Dorado, Alpine, Mono, Inyo, Kern, and San Bernardino, in California. California Electric Power Company is a public utility electric corporation engaged in the generation, transmission and distribution of electric energy to the public in the counties of Mono, Inyo, Kern, San Bernardino, Riverside, and Imperial in California. Each of these utilities also renders service in portions of the State of Nevada.

As of May 31, 1950, Interstate Telegraph Company reports its investment in telephone plant at \$4,937,918.87, and its reserves for depreciation at

\$514,159.94. It reports common stock of \$2,425,000, first mortgage bonds of \$986,000, and advances from California Electric Power Company of \$670,000. For the five months ending May 31, 1950, it reports operating revenues of \$424,438.18 and net income of \$42,574.99.

As of May 31, 1950, California Electric Power Company reported electric plant in service at \$41,164,393.83, capital stock at \$20,680,373.83, and long term debt at \$21,529,708.74. For the five months ending May 31, 1950, it reports operating revenue of \$3,582,262.92, and net income of \$697,222.82.

California Electric Power Company owns all the securities issued by Interstate Telegraph Company. These will be surrendered and cancelled. The conditions of the proposed transactions are more fully set forth in Exhibit A and Exhibit B attached to the application. All of the properties, assets, rights, and business of Interstate Telegraph Company will be conveyed and transferred to California Electric Power Company and become subject to the lien of that company's First Mortgage Indenture dated October 1, 1943, and subsequent indentures supplemental thereto. California Electric Power Company intends to execute an additional supplemental indenture designated as a Second Instrument of Further Assurance, in order to describe specifically said properties, assets, rights and business, and to subject them to the lien of its presently outstanding indentures.

Copies of the proposed deed and bill of sale and assignment covering this transaction are attached to the application and marked Exhibit E and Exhibit F, respectively. Applicants have filed a petition with the Federal Communications Commission, seeking authorization of that agency to carry out the proposed transfer.

No change of service, rates, or management is being contemplated as part of this transaction. California Electric Power Company plans to refile in its own name and to make effective on less than statutory notice and coincidentally with its acquisition, the same tariffs now on file by Interstate Telegraph Company.

The effect of this transaction will be to simplify the corporate structure, and facilitate management and operations. One board of directors will be

eliminated, and economies in accounting and tax expense will result. Therefore, it is concluded that applicants' proposal is not adverse to the public interest and should be permitted. However, the action taken herein shall not be construed to be a finding of the value of the properties herein authorized to be transferred.

O R D E R

The Commission having considered the request of applicants and being of the opinion that the application should be granted, subject to certain conditions, and that a public hearing is not necessary; therefore,

IT IS HEREBY ORDERED as follows:

1. Interstate Telegraph Company may transfer to California Electric Power Company its properties, rights, assets and business on or before December 31, 1950.
2. California Electric Power Company, upon acquiring said properties, rights, assets and business, shall render public utility telephone and telegraph service in the area now served by Interstate Telegraph Company.
3. The rates, rules and regulations of Interstate Telegraph Company now on file with this Commission shall be refiled by California Electric Power Company in its own name to be made effective coincidentally with the acquisition of said properties; said rate filing shall be made on not less than five (5) days' notice and shall be in conformity with General Order No. 96, or in lieu of such refileing, it may file a notice of adoption of said presently filed rates.
4. California Electric Power Company, after the effective date hereof and on or before December 31, 1950, may execute a Second Instrument of Further Assurance in, or substantially in, the same form as that filed in this proceeding as Exhibit C.
5. Until otherwise authorized by the Commission, California Electric Power Company, if it acquires the properties and assets of Interstate Telegraph Company, shall keep its books of account so as to show separately its investment in telephone and telegraph plant, the depreciation reserves applicable thereto and the revenues and expenses pertaining to the operation of said telephone and telegraph system.
6. Within thirty (30) days after the conveyance of the California assets of Interstate Telegraph Company to California Electric Power Company, California Electric Power Company shall file with the Commission a copy of the deed, and bill of sale and assignment executed under the authority herein granted and

under which it holds title to said assets of Interstate Telegraph Company, and a copy of the Second Instrument of Further Assurance as executed.

- 7. The authority herein granted will become effective twenty (20) days after the date hereof.

Dated at San Francisco, California, this 19th day of September, 1950.

A. B. Johnson
Justice J. Calver
Robert Lowell

Commissioners.