

Decision No. 44976

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 HEALDSBURG AND
 ALEXANDER VALLEY TELEPHONE COMPANY, a
 corporation, to sell certain telephone
 facilities to The Pacific Telephone and
 Telegraph Company, and for the
 Healdsburg and Alexander Valley
 Telephone Company to withdraw from
 public service.

Application No. 31688

Dudley A. Zinke, for The Pacific Telephone
 and Telegraph Company; Francis Passalacqua,
 for Healdsburg and Alexander Valley
 Telephone Company; J. J. Deuel and Edson
Abel for California Farm Bureau Federation,
 an interested party.

O P I N I O N

By this application the Healdsburg and Alexander Valley Telephone Company, a California corporation, seeks authority to sell its public utility telephone system and withdraw from public service, and The Pacific Telephone and Telegraph Company, a California corporation, seeks authority to purchase said system and business and apply thereto its presently effective Healdsburg exchange rates.

A public hearing in this proceeding was held before Examiner Emerson on October 11, 1950, at Healdsburg.

In the application, filed August 18, 1950, applicants indicated that all of seller's system was within buyer's Healdsburg exchange area. During subsequent field examination, however, it was discovered that portions of two of seller's telephone lines were outside of said area. Applicants, therefore, amended their

application at the hearing so as to include all of seller's facilities within said Healdsburg exchange area. The area, as amended, is shown in Exhibit No. 3 in this proceeding.

Seller's system consists of overhead lines, connected to buyer's lines at a point on the state highway north of Healdsburg at the edge of buyer's base rate area, and station facilities which serve approximately 133 subscribers in the area north and east of Healdsburg, such area including Lytton, Jim Town, Guilford, Alexander, and Maacama. Seller's president testified that said system is over 40 years old, that no book records as to the system costs are available, and that the system is considerably deteriorated. It appears that only the poorest of service is presently possible and that past and present revenues are insufficient to maintain and operate the plant necessary to render adequate service. Testimony of witnesses disclosed that about 92% of all service is residential, that 80% of the telephone instruments are wall telephones, that 10 business telephones are served, that 57 subscribers furnish a portion of the facilities, and that several party lines have in excess of 15 subscribers per line.

Tariff schedules of the seller provide that the farmer line rates applicable in the buyer's Healdsburg exchange apply in addition to rates quoted in the seller's tariffs. The buyer

proposes to apply its filed tariff rates,^{1/} rules and regulations applicable within the Healdsburg exchange to subscribers now served by seller, and the buyer also proposes to apply the wall set differential of 25 cents per month to all subscribers of the seller having wall sets as of the effective date of the property transfer. In addition to the changes in basic rates which result under the proposed rate and service arrangements, changes would also result in the charges for extension stations and line extensions.

^{1/} A comparison of the rates of the Healdsburg and Alexander Valley Telephone Company and The Pacific Telephone and Telegraph Company for the principal classes of service is as follows:

	: Healdsburg and Alexander:			
	: Valley Telephone Company: The :			
	: Station: Switching: Total : Pacific:			
Wall or Desk Set Station	: Rate :	Rate ^a :	Charge:	Company:
<u>Residence</u>				
One-party	\$ -	\$ -	\$ -	\$3.75 ^b
Two-party	-	-	-	3.25 ^b
Four-party	-	-	-	2.75 ^b
Suburban	1.00	0.70	1.70 ^c	3.25
Suburban, subscriber-owned equipment	.50	.70	1.20 ^d	-
Suburban, company stockholders	-	.70	.70 ^e	-
<u>Business</u>				
One-party	-	-	-	5.75 ^b
Two-party	-	-	-	4.75 ^b
Suburban	1.00	1.25	2.25 ^c	4.25
Suburban, subscriber-owned equipment	.50	1.25	1.75 ^d	-
Suburban, company stockholder	-	1.25	1.25 ^e	-

Notes

- a. The Pacific Telephone and Telegraph Company's rate for farmer line service in the Healdsburg exchange.
- b. Subject to mileage charges.
- c. Healdsburg and Alexander Valley Telephone Company provides all facilities.
- d. Subscriber provides and maintains station equipment and portion of lead useful only for serving subscriber.
- e. Applicable only to stockholders of Healdsburg and Alexander Valley Telephone Company.

In the aggregate, the estimated effect of applying buyer's rates to seller's subscribers will be a monthly increase of about \$285. Such increases were clearly indicated at the hearing and no objection thereto was entered. To the contrary, seller's president stated that all were aware of such situation and it was his opinion that all subscribers favored granting of this application because adequate telephone service would thereby become available to the area.

At seller's request, buyer made a survey of all facilities to be transferred and determined an inventory and appraisal which indicates a "structural value," as of December 31, 1949, and on the basis of buyer's costs for similar items of plant, of \$4,610. Such sum is the sale price agreed upon by the parties. The action taken herein, however, is not to be construed as a finding of the value of the property herein authorized to be transferred.

A witness for the buyer testified that upon assumption of the responsibility to provide telephone service in the area now served by the seller, a commercial survey would be undertaken to determine current and future demands for service. Buyer proposes to engineer and construct telephone plant and equipment necessary to serve waiting applicants. The buyer estimates that its expenditures in the reconstruction and rehabilitation of the system to be acquired will be approximately \$52,000 and that such work will require about 11 months following completion of the property transfer.

A review of the evidence indicates that the proposed sale and transfer will not be adverse to the public interest. The application will be granted.

O R D E R

The above-entitled application having been considered, a public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED as follows:

1. Healdsburg and Alexander Valley Telephone Company may, on or after the effective date hereof and on or before June 30, 1951, sell and transfer the herein described public utility property to The Pacific Telephone and Telegraph Company pursuant to the agreement of sale and purchase embodied in the said application. If the authority herein granted is exercised, the buyer shall, within thirty (30) days thereafter, notify this Commission in writing of the date of such completion of the property transfer herein authorized.
2. 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, Healdsburg and Alexander Valley Telephone Company is relieved of its public utility obligation to furnish telephone service and may cancel its rates, rules and regulations.
3. 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 Healdsburg exchange to the territory now served by the seller and the boundaries of the Healdsburg exchange area shall be modified to conform with Exhibit No. 3 filed in this proceeding. 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. The company is authorized to continue service on lines having in excess of 10 customers until facilities are available to reduce the number of customers per line to not more than 10 and to furnish wall set service at 25 cents less than the rates for desk or hand set service to customers having wall sets as of the date of transfer.
4. On or before the date of actual transfer, Healdsburg and Alexander Valley Telephone Company shall refund all deposits which customers are entitled to have refunded; and that any unrefunded deposits shall be transferred to and become the obligation for refund of The Pacific Telephone and Telegraph Company.
5. 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.

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

Dated at San Francisco, California, this 8th day of November, 1950.

A. E. Anderson
James J. Caswell
Robert Powell
Harold P. Hule
Fremont T. Totten
 Commissioners.