

Decision No. 5309S

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Joint Application of LOS GATOS TELEPHONE COMPANY, a California corporation, and THE INDEPENDENT TELEPHONE COMPANY, a California corporation, for an order authorizing The Independent Telephone Company to sell its telephone system serving Kenwood, Sonoma County, California, to Los Gatos Telephone Company.

Application
No. 37904

Orrick, Dahlquist, Herrington & Sutcliffe, by Warren A. Palmer, for Los Gatos Telephone Company; E. A. Hosmer, for The Independent Telephone Company; William W. Dunlop, for the Commission's staff.

O P I N I O N

This application was filed on April 5, 1956, for an order authorizing The Independent Telephone Company, a corporation, to sell its telephone plant at Kenwood, Sonoma County, to Los Gatos Telephone Company, a corporation.

A public hearing was held before Examiner Coleman in San Francisco on April 26, 1956, at which time the matter was taken under submission. The Commission has received no protests in the proceeding.

The record shows that the shareholders of The Independent Telephone Company desire to withdraw from the operation of the public utility telephone system and that they have made arrangements for the sale of the properties, exclusive of the exchange building and realty upon which it is located, to Los Gatos Telephone Company for the basic price of \$60,900, payable in cash, and for the lease of a portion of said building, which is owned by the shareholders personally, to Los Gatos Telephone Company for use as a telephone central office for

a term of two years, subject to renewal, at a rental of \$50 a month.

The telephone system at Kenwood at the close of 1955 had 273 stations attached to its lines. According to Exhibit C, its net book value as of February 29, 1956, amounted to \$54,358 and its operation in 1955 produced revenues of \$20,228, with net income of \$320. Recently, however, it has been converted to dial and it is asserted by applicants that the past results of operations are not indicative of the future.

Los Gatos Telephone Company presently operates a telephone system in Novato, a distance of 30 miles from Kenwood. It has 30 plant and maintenance employees at Novato and it reports that such employees, as well as the general office employees, will be available in connection with the Kenwood operation. The purchaser will station a maintenance man in Kenwood and will make provision for payment of subscribers' bills locally. It will adopt the rates presently applicable at Kenwood.

The record shows that Los Gatos Telephone Company is in a position to finance the cost of acquisition and to meet requirements for extensions of the Kenwood facilities and operations. It has been successful in disposing of its securities under favorable terms, and, as a larger corporation, it should be able to provide continuity of management, to command larger buying power, and to effect economies in general and administrative expenses. It is the purchaser's contention that the growth potential of the community as well as the benefits of consolidation with its existing operations warrant the purchase under the terms upon which it has agreed.

Upon review of the matter we are of the opinion, and so find, that the proposed transfer will not be adverse to the public interest and we will enter our order approving the transaction. Our action is not to be construed as a finding of value of the properties herein authorized to be transferred and the purchaser is placed upon notice that the Commission will not regard the purchase price as the basis upon which it will predicate rates, if it should be called on to review the Kenwood rates in the future.

ORDER

A public hearing having been held upon the above-entitled application and the Commission having considered the record and being fully advised in the premises,

IT IS HEREBY ORDERED as follows:

1. The Independent Telephone Company, on and after the effective date hereof and on or before August 31, 1956, may sell and convey its telephone properties and business to Los Gatos Telephone Company upon the terms and conditions set forth in the purchase agreement filed in this proceeding as Exhibit A. Los Gatos Telephone Company may acquire and operate said properties and business as a public utility.
2. Upon acquisition of the telephone properties and business by Los Gatos Telephone Company, The Independent Telephone Company may cease furnishing and supplying telephone service as a public utility in the community of Kenwood, Sonoma County, and adjacent areas.
3. The rates, rules and regulations of The Independent

Telephone Company now on file with the Commission shall be refiled within 30 days after the date of transfer under the name of Los Gatos Telephone Company, a corporation, in accordance with the procedure prescribed by General Order No. 96, or in lieu of such refiling, Los Gatos Telephone Company, a corporation, may file a notice of adoption of said presently filed rates, rules and regulations. No increase in the present rates shall be made unless authorized by the Commission.

4. On or before the date of actual transfer, The Independent Telephone Company shall refund all deposits which customers are entitled to have refunded. Any unrefunded deposits shall be transferred to and become the obligation for refund by Los Gatos Telephone Company.

5. The Independent Telephone Company shall transfer to Los Gatos Telephone Company all existing records relating to the cost of the tangible properties and to the computation of the depreciation reserve accrued thereon, or certified copies of such records.

6. This order will become effective on the date hereof.

Dated at San Francisco, California, this 22nd day of May, 1956.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners