

Decision No. 55985

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
WEST SIDE TELEPHONE COMPANY, a corpora-)
tion, and THE PACIFIC TELEPHONE AND)
TELEGRAPH COMPANY, a corporation, for)
authority for the WEST SIDE TELEPHONE)
COMPANY to sell its telephone facilities)
and equipment to THE PACIFIC TELEPHONE)
AND TELEGRAPH COMPANY and to withdraw)
from public service as a telephone)
utility.)

Application No. 39339

Arthur T. George and Pillsbury, Madison &
Sutro, by Charles B. Renfrew, for The
Pacific Telephone and Telegraph Company.
J. A. Ratchford, for West Side Telephone
Company.
William W. Dunlop, for the Commission staff.

O P I N I O N

By the above-entitled application filed August 20, 1957,
West Side Telephone Company, a corporation,^{1/} asks the Commission for
authority to sell its telephone plant to The Pacific Telephone and
Telegraph Company, a corporation,^{2/} and thereafter to be relieved of
its public utility obligation. Buyer joins in the application and
asks that it be authorized to acquire Seller's telephone facilities
and after such acquisition to temporarily deviate from the provisions
of its filed tariffs with respect to furnishing suburban multi-party
line service to more than ten stations on certain lines.

After due notice a public hearing was held before Examiner
E. Ronald Foster at Healdsburg on October 17, 1957, at which time
evidence was presented by both Seller and Buyer. Although each of
Seller's subscribers had been mailed notice of the hearing, some of

^{1/} Sometimes hereinafter referred to as Seller.
^{2/} Sometimes hereinafter referred to as Buyer.

whom were in attendance, no opposition was manifested to the proposed transfer nor to the proposed application of Buyer's rates to present subscribers of Seller after the transfer. A Commission staff member appeared and questioned applicants' witnesses but offered no evidence.

Since about 1916 Seller has been providing telephone service in territory in Sonoma County located southwesterly from Healdsburg on the west side of the Russian River, which territory is included within the suburban area of Buyer's Healdsburg exchange as shown on the map filed as Exhibit No. 3. As of July 1957, Seller was providing service to 12 business and 88 residence subscribers by means of 12 lines operated on a farmer line basis out of Buyer's Healdsburg exchange central office. Such telephone service is presently furnished by means of manual magneto equipment.

Buyer plans to convert its Healdsburg exchange to dial operation during the second quarter of the year 1958. After such conversion Seller would be unable to continue to serve its subscribers because it does not now have nor does it desire to provide the funds necessary to reconstruct its telephone facilities to make them suitable for dial operation. However, Buyer is willing to provide telephone service to Seller's subscribers and to meet the future demands for telephone service in the territory presently served by Seller.

Exhibit No. 2 is an appraisal of Seller's plant prepared by Buyer based on a detailed inventory as of December 3, 1955. The appraisal shows the total current cost new of Seller's telephone facilities considered useful to Buyer to be \$7,007, which cost was reduced by about 65% for deterioration, leaving an amount of \$2,466 as representing the appraised structural value of the said useful facilities. The removal of Seller's plant which is considered not

useful to Buyer is estimated to cost \$6,558 with no salvage value, or an amount of \$4,092 more than the structural value of the useful plant.

As a result of negotiations between Buyer and Seller for more than four years, an agreement was made on June 4, 1957, covering transfer of all of Seller's telephone facilities to Buyer for the sum of one dollar, subject to certain terms and conditions, all as set forth in Exhibit No. 1 in this proceeding. Among other things, Seller is to acquire title to such parts of said facilities as are owned by individual subscribers to Seller's service and thereafter to transfer said facilities to Buyer. A witness for Seller testified that the program of acquiring these subscriber facilities is well under way on the basis of no consideration other than a quit claim being given. Seller's witness further testified that there are no subscriber deposits of any kind which are subject to refund.

A witness for Buyer testified that the acquisition, if and when approved by the Commission, will be accounted for on the Buyer's books in accordance with the requirements of the Uniform System of Accounts prescribed by the Federal Communications Commission for Class A telephone companies. The same witness stated that his company plans to replace the deteriorated and inadequate poles, replace most of the wire plant with cable and remove plant not useful in providing service. The estimated cost of constructing plant to serve subscribers in Seller's present territory is \$40,000. It is planned to complete the reconstruction and the new construction by the time of the cutover of the Healdsburg exchange to dial operation. In the meantime Buyer would use Seller's plant substantially as it now stands to provide generally the same service Seller's subscribers are now receiving and service interruptions will be handled in the same manner as elsewhere in the Healdsburg exchange.

Upon consummation of the transaction, another witness for Buyer testified that Buyer proposes to apply the Healdsburg exchange rates as set forth in the company's effective tariff schedules applicable in the suburban area of the exchange for service to be furnished within the territory now being served by Seller. Exhibit No. 4 shows Seller's rates for principal classifications of service and also Buyer's rates for principal classifications of exchange service in its Healdsburg exchange. Except for message toll telephone rates, it is evident that the application of Buyer's exchange tariffs will result in substantial increases in charges over those now paid by Seller's subscribers. Nevertheless, the evidence shows that interviews of said subscribers by Buyer's representatives resulted in 96 applications for Buyer's Healdsburg exchange service, while two plan to discontinue service and the remaining two had not yet been contacted.

There are two of Seller's lines each of which now serve twelve subscribers whereas Buyer's tariffs provide that a maximum of ten suburban subscribers may be served by one circuit. Until adequate facilities become available to enable the reduction of the number of subscribers on these two lines, which is planned to be accomplished at the time of the Healdsburg dial conversion, Buyer has requested authority to continue the present arrangements as temporary deviations from its filed tariffs.

Buyer also revealed that one S. E. Ballard, who is a subscriber to its Santa Rosa suburban flat-rate service at the regular Santa Rosa rate without any foreign exchange mileage charges, is physically located in the southern tip of the territory served by Seller. This service was established more than 17 years ago under circumstances of which there is no record. Said subscriber is not

connected to Seller's lines. Until such time as the subscriber chooses to change his service, Buyer proposes that this irregularity be continued and that authority be granted for it to file a deviation with the Commission for this service in view of its long standing.

Findings and Conclusions

We find from the evidence that the proposed transfer, including application of Buyer's Healdsburg exchange rates, rules and regulations to Seller's present subscribers following consummation of said transfer, as hereinafter provided, is not adverse to the public interest. We conclude, therefore, that the applicants should be authorized to sell and purchase the telephone facilities and equipment in accordance with and subject to the terms of their agreement and the provisions of the order which follows.

It further appears from the record that Buyer's requests are reasonable (1) to temporarily deviate from the provisions of its filed tariffs with respect to furnishing suburban multi-party line service to more than ten stations on certain lines, and (2) to file a deviation with respect to continuing service through its Santa Rosa exchange to an existing subscriber located in its Healdsburg exchange area. Said requests will be granted in the following order.

The authority herein granted is not to be construed as being indicative of amounts to be included in a future rate base of The Pacific Telephone and Telegraph Company for the purpose of determining just and reasonable rates, nor as a finding of the value of the properties herein authorized to be transferred.

We further find that the increases in rates and charges authorized herein are justified for the service to be rendered by Buyer and that present rates and charges, in so far as they differ from those authorized herein, are for the future unjust and unreasonable.

O R D E R

Application as above entitled having been filed, public hearing having been held thereon, evidence having been received and considered, the matter having been submitted for decision, the Commission now being fully advised in the premises and basing its order upon the findings and conclusions contained in the foregoing opinion,

IT IS ORDERED that:

1. On or after the effective date hereof, West Side Telephone Company, a corporation, may sell and transfer the telephone facilities and equipment referred to herein to The Pacific Telephone and Telegraph Company, a corporation, pursuant to the agreement for the sale and purchase of said property dated June 4, 1957, a copy of which was filed as Exhibit No. 1 in this proceeding, in accordance with and subject to the terms and conditions of said agreement.
2. On or before the date of actual transfer, West Side Telephone Company shall refund all subscribers' deposits and advances for construction which it is obligated to refund. Any such unrefunded deposits and advances shall be transferred to and become the obligation for refund of The Pacific Telephone and Telegraph Company.
3. The Pacific Telephone and Telegraph Company is authorized and directed to charge and apply, in the territory heretofore served by West Side Telephone Company, the rates applicable to its Healdsburg Exchange Tariff Area and the rules and regulations which it currently has on file with this Commission.
4. The Pacific Telephone and Telegraph Company, within thirty days after the date of actual transfer, shall revise its presently effective tariff schedules in accordance with the procedure prescribed by General Order No. 96, to provide for application of said tariff

schedules in the territory heretofore served by West Side Telephone Company. Such revised tariff schedules shall become effective upon five days' notice to the Commission and the public after filing as hereinabove provided.

5. On or before the date of actual transfer, West Side Telephone Company shall transfer and deliver to The Pacific Telephone and Telegraph Company and the latter shall receive and preserve all records, memoranda and papers pertaining to the construction and operation of the properties hereinabove authorized to be transferred.

6. If the authority herein granted is exercised, The Pacific Telephone and Telegraph Company, within thirty days thereafter, shall notify the Commission in writing of the date of completion of the transaction, and shall file, as executed, a certified copy of the bill of sale and other documents used in effectuating the transfer herein authorized. The authority herein granted shall expire unless exercised on or before August 1, 1958.

7. Upon due compliance with all of the foregoing provisions of this order, West Side Telephone Company shall stand relieved of all further public utility obligations with respect to the properties herein authorized to be transferred.

8. If the authority herein granted is exercised, The Pacific Telephone and Telegraph Company is authorized to temporarily deviate from the provisions of its filed tariffs with respect to furnishing suburban multi-party line service to more than ten stations on lines 1-F and 2-F in the territory heretofore served by West Side Telephone Company; provided, however, that such deviations shall terminate not later than the time when the Pacific Company's Healdsburg exchange is converted to dial operation.

9. The Pacific Telephone and Telegraph Company is authorized to file a deviation with respect to continuing to furnish suburban

flat-rate service, at the rate presently being charged, through its Santa Rosa exchange to S. E. Ballard, a subscriber of long standing located in the southern tip of the territory heretofore served by West Side Telephone Company, until such time as said subscriber chooses to change his service by connection to the company's Healdsburg exchange or otherwise.

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

Dated at San Francisco, California, this 16th day of December, 1957.

Walter E. Maxwell President
Paul L. ...
...
R. ...
E. ... Commissioners