

Decision No. 12382.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of Application)
of HUNTINGTON BEACH TELEPHONE)
COMPANY, a Corporation, for au-)
thority to increase its rates)
for telephone service.)

ORIGINAL
Application No. 8701

Ernest Irwin, for Applicant.

I. W. Blodget, for City of Huntington Beach.

BY THE COMMISSION:

O P I N I O N

HUNTINGTON BEACH TELEPHONE COMPANY, hereinafter designated as applicant, applies for an order of the Commission authorizing it to file and place in effect a schedule of rates, marked Exhibit "D", filed with and made a part of its application.

Applicant operates a magneto type of telephone exchange in the City of Huntington Beach, and served as of April 25, 1923, three hundred and thirty-three business subscribers' stations and three hundred residence subscribers' stations, in addition to two private branch exchanges and one intercommunicating system having a total of twenty-four connected stations. Telephone service is furnished by applicant to the area enclosed within the limits of City of Huntington Beach and the territory immediately adjacent thereto. In addition to the service furnished by the lines of applicants in and in the vicinity of Huntington Beach, applicant also shares in providing so-called free switching with Smeltzer Home Telephone and Telegraph Company, by which subscribers of either company may obtain telephonic communications with subscribers of the other without the payment of inter-exchange charges. The Smeltzer

Home Company furnishes telephone service to the community of Smeltzer and territory to the north and west of applicant's territory.

A public hearing was held in this proceeding at Huntington Beach on May 3, 1923, before Examiner Williams. It was stipulated by applicant that the Commission fix just and reasonable rates for telephone service furnished in Huntington Beach as an amendment to the request as contained in its application.

Applicant submitted an inventory and appraisal of its properties, as of September 30, 1922, the work of the American Appraisal Company, Milwaukee, Wisconsin. The inventory of this report was checked by Mr. Casal, Assistant Engineer of the Commission, and was found to be substantially correct. A peculiar arrangement has been followed in the setting up of the applicant's appraisal, which has resulted in some delay in the checking of this report by the Commission. Applicant was unable to submit evidence as to the unit prices used, other than to state that the appraisal was prepared in Milwaukee and that no details except as shown in the appraisal were available.

At the time of the hearing Mr. Casal was preparing an appraisal of applicant's property, and it was stipulated that his report be received in evidence when completed and that ten days be allowed for the filing of briefs relative thereto. This appraisal was filed June 16, 1923, and no briefs being filed the matter was submitted and is now ready for decision.

The historical reproduction cost new of applicant's properties as of September 30, 1922, found by the American Appraisal Company, totalled \$59,629.18, of which \$5,420.84 represented intangible capital. Mr. Casal in his report found this value less intangible capital to be \$56,339. Mr. Casal's result is

a somewhat higher total than that of the American Appraisal Company, the difference, as nearly as can be determined, being due to the unit prices used by that company, which apparently were other prices than those as set forth in the vouchers of applicant.

Applicant is now constructing a central office building and is installing a common battery type of switchboard to replace the present magneto board, which is necessary to render satisfactory service to the City of Huntington Beach. A considerable part of the work planned has already been completed and it was stated by applicant that the common battery service would be provided on or about August 1, 1923. The installation of this switchboard and other changes made by applicant will result in a much improved service to the subscribers and these improvements, as stated by the City of Huntington Beach, satisfy its complaint relative to exchange service in Case No. 1865, decided this day.

In this proceeding the Commission will determine a rate base for the period from June 30, 1923, to June 30, 1924, and fix reasonable rates for this period.

Table No. 1 is the Commission's determination of the historical reproduction cost new of applicant's properties as of September 30, 1922, together with additions and betterments up to June 30, 1923, and valuation as of this date. Applicant submitted no evidence as to the details of the amount included in its report for intangible capital. The Commission has allowed the sum of \$1000 as a reasonable amount for organization costs.

TABLE NO. 1
COMMISSION'S DETERMINATION OF VALUATION OF
TELEPHONE PROPERTIES.

| | Valuation as of Sept. 30, 1922 | Additions and Betterments Sept. 30, 1922 to June 30, 1923 | Valuation as of June 30, 1923 |
|---------------------------|--------------------------------------|--|-------------------------------------|
| 220 Organization | \$1,000 | - - - - | \$1,000 |
| 210 Lands & Buildings | - - - | \$9,000 | 9,000 |
| 220 Central Office Equip. | 2,141 | 1,215 | 3,356 |
| 230 Station Equipment | 11,350 | 697 | 12,047 |
| 240 Exchange Lines | 35,705 | 8,161 | 43,866 |
| 250 General Equipment | 3,160 | 1,079 | 4,239 |
| Total Capital | \$53,356 | \$20,152 | \$73,508 |

The rate base as found reasonable for the year period from June 30, 1923 to June 30, 1924 is \$80,118.00, determined as shown in Table II.

TABLE NO. II

RATE BASE

June 30, 1923 - June 30, 1924

| | |
|---|-------------------|
| Valuation as of June 30, 1923 | \$73,508.00 ✓ |
| Average additions and betterments June 30, 1923 to June 30, 1924 | <u>2,000.00 ✓</u> |
| Total | \$75,508.00 |
| Materials and supplies | 3,000.00 ✓ |
| Working cash capital | <u>1,610.00 ✓</u> |
| Rate Base | \$80,118.00 ✓ |

Applicant in its annual report to the Commission shows, for the calendar year 1922, a total revenue of \$21,433.83, and a total expense of \$19,366.91, leaving a net operating revenue of \$2,066.92. Deducting taxes amounting to \$798.41, results in a net for interest of \$1,268.51, which is less than a fair return.

Applicant requests that the rates as set forth in the following Table No. III be authorized by this Commission.

TABLE NO. III

BUSINESS-UNLIMITED SERVICE.

| | |
|--|---------|
| Main line, wall equipment, per month | \$ 4.75 |
| Four-party line, wall equipment, per month | 3.50 |
| Suburban, wall equipment, per month | 3.75 |

RESIDENCE-UNLIMITED SERVICE.

| | |
|--|------|
| Main line, wall equipment, per month | 3.75 |
| Four-party line, wall equipment, per month | 2.50 |
| Suburban line, wall equipment, per month | 2.75 |

PRIVATE BRANCH EXCHANGE SERVICE.

| | |
|--|------|
| First two-way trunk line, per month | 6.25 |
| Each additional two-way trunk line 75% of rate of first trunk | |
| Trunk line, receiving only, per month, 80% of rate of first two-way trunk. | |

All rental is due and payable on the first day of the month in advance. If payment is made on or before the tenth day of the month a discount of Twenty-five (25) cents is allowed.

Desk equipment Twenty-five (25) cents per month additional on all the above classes of service.

AUXILIARY APPARATUS.

| | |
|---|---------|
| Wall Extensions, per month | \$ 1.00 |
| Outside Extensions, wall, per month | 1.50 |
| Desk Extensions, per month | 1.25 |
| Extension Bells, per month | .25 |
| Extension Gongs, Maintenance charge only, per mo. | .75 |

PRIVATE EXCHANGE STATIONS

| | |
|--|--------|
| Stations not owned by Company, per month | \$.75 |
| Intercommunicating, 10 line, per month | 1.25 |

DIRECTORY LISTING

| | |
|---|------|
| Member of same firm, same business, per month | .25 |
| Joint user, per month | 1.50 |

Main and four-party line rates are based on a primary rate area, as per map filed herewith marked Exhibit "E". Beyond the primary rate area the following mileage rates apply:

Main line, fifty cents (50) per month per quarter mile or fraction thereof.

Four-party, fifty cents (50) per month per quarter mile or fraction thereof.

Applying the above rates as proposed by applicant to the estimated business for the year's period ending June 30, 1924, and assuming no regrading of service, would result in total revenue of approximately \$39,200. Deducting operating expenses, taxes, uncollectible bills and depreciation as found reasonable in Table IV following, for the year in question, will result in a net amount for interest of \$15,177, equivalent to 19% on the rate base, an amount far in excess of a fair return.

The revenue resulting from the application of the rates determined by the Commission as set forth in Exhibit "A" following the order herein, together with the toll and other miscellaneous revenue, should result in total amount of \$30,496, which should be sufficient to give applicant a reasonable return of 8% on the rate base herein found.

TABLE NO. IV
REVENUE AND OPERATING EXPENSES
 July 1, 1923 - June 30, 1924

REVENUES

Total Revenues \$30,496.00 ✓

EXPENSES

Maintenance \$4,200.00 ✓

Traffic 8,640.00 ✓

Commercial and General 6,504.00 ✓

Taxes 1,320.00 ✓

Uncollectible bills 120.00 ✓

Total Expenses \$ 20,784.00 ✓

Net for Interest and Depreciation \$9,712.00 ✓

Depreciation 3,239.00 ✓

Net for Return \$6,473.00 ✓

The rates of Exhibit "A" assume a ten per cent increase in number of stations, and also assume that some regrading will result due to this change in rate structure.

O R D E R

The Huntington Beach Telephone Company having made application requesting the Railroad Commission to authorize certain rates for telephone service as set forth in its application or such other rates as the Railroad Commission may find just and reasonable, a public hearing having been held and the matter having been submitted and now ready for decision,

The Railroad Commission hereby finds as a fact that the rates now charged for telephone service are insufficient to

provide applicant with an adequate return, and insofar as the present rates differ from the rates herein established for common battery service are not just and reasonable rates and that the rates herein established are just and reasonable rates for such service.

Basing its order on the foregoing finding of fact and upon other findings of fact contained in the opinion which precedes this order,

IT IS HEREBY ORDERED that the Huntington Beach Telephone Company be and it is hereby authorized to establish and file with the Railroad Commission the rates for telephone service as set forth in Exhibit "A" attached hereto, effective for common battery exchange service rendered on and after August 1, 1923, providing said rates are filed with the Railroad Commission on or before August 1, 1923, and further providing that a primary rate area is established in accordance with that primary rate area, as set forth in applicant's Exhibit "E" in this proceeding.

IT IS HEREBY FURTHER ORDERED that Huntington Beach Telephone Company be and it is hereby directed to continue in effect for magneto service the present rates until such time as the subscribers are changed to common battery service.

Dated at San Francisco, California, this 21st day of July 1923.

C. L. Seaver
H. B. Baudin
Robert S. Lane
Commissioners

Exhibit "A"

EXCHANGE SERVICE - SCHEDULE No. A-1.

GENERAL SERVICE

Applicable to individual and party line flat rate service within the Primary Rate Area.

RATE

Rate per month per station

| <u>Class of Service</u> | <u>Business</u> | <u>Service</u> | <u>Residence</u> | <u>Service</u> |
|----------------------------------|-----------------|-----------------|------------------|-----------------|
| | <u>Wall Set</u> | <u>Desk Set</u> | <u>Wall Set</u> | <u>Desk Set</u> |
| Individual Line Station | 3.50* | 3.75* | 2.75* | 3.00* |
| Two Party Line Station | 3.00* | 3.25* | - | - |
| Four Party Line Station | 2.50* | 2.75* | 2.00* | 2.25* |
| Extension (with or without bell) | 1.00 | 1.25 | 1.00 | 1.25 |

Conditions:

(a) For service outside Primary Rate Area see Mileage Rates, Schedule No. A-3.

(b) A discount of \$0.25 is allowed on rates marked with an (*) if payment is made on or before the tenth of the month.

EXCHANGE SERVICE - SCHEDULE NO. A-2

Suburban Service

Applicable to suburban party line service of not more than 10 parties per circuit within the exchange area outside the Primary Rate Area.

RATE

| <u>Class of Service</u> | <u>Rate per Month per Station</u> | | | |
|-------------------------|-----------------------------------|-----------------|--------------------------|-----------------|
| | <u>Business Service</u> | | <u>Residence Service</u> | |
| | <u>Wall Set</u> | <u>Desk Set</u> | <u>Wall Set</u> | <u>Desk Set</u> |
| Suburban Service | \$3.75 | \$4.00 | \$2.75 | \$3.00 |

Conditions

(a) Suburban circuits will be constructed, installed, owned and maintained entirely at the expense of the Company, providing the farthest service to be rendered is located within a distance of five miles (air line distance) from the nearest point on the Primary Rate Area boundary, and further providing that each circuit shall average not less than two subscribers per mile with a minimum of five subscribers per circuit.

(b) A discount of \$0.25 is allowed on rate for suburban service if payment is made on or before the tenth of the month.

EXCHANGE SERVICE - SCHEDULE NO. A-3.

Mileage Rates

Applicable to general and Private Branch Exchange Service inside and outside the Primary Rate Area.

RATE

A - Outside Primary Rate Area.

Business and Residence Service

Monthly Rate
per 1/4 mile
or fraction
thereof (Air
line distance)

- | | | |
|-----|--|-----------------|
| (a) | Individual line, including trunk lines for Private Branch Exchange and Inter-communicating systems | \$0.50 per line |
| (b) | Two Party Line | .35 per Station |
| (c) | Four " " | .25 " " |

B - Inside or Outside Primary Rate Area.

Business Service

Monthly Rate
per 1/4 mile
or fraction
thereof (Cir-
cuit Mileage)

For Extension Stations and Private Branch Exchange Stations outside premises on which primary station or Private Branch Exchange is located

\$0.50 per station

Residence Service

Monthly Rate

For extension stations outside building in which primary station is located but on same premises and at a distance not exceeding three hundred (300) feet from Primary station

\$0.50 per station

Conditions

(a) The charge for service under Rate A above "Outside Primary Rate Area", is in addition to the regular flat rate charges.

(b) The charge for service under Rate B above "Inside or Outside Primary Rate Area" is in addition to the regular extension or Private Branch Exchange Station rates.

EXCHANGE SERVICE - SCHEDULE NO. A-4.

Private Branch Exchange Service.

Applicable to business commercial flat rate service requiring a private branch exchange inside or outside Primary Rate Area.

RATE A

| | <u>Rate per Month.</u> |
|---|------------------------|
| (a) Switchboard, cord, with battery power, ringing power, and switchboard telephone for each position | \$5.00 |
| (b) First bothway trunk line | 5.50 |
| Each additional bothway trunk line | 4.00 |
| (c) Each incoming trunk line | 2.80 |
| (d) Each station, primary or extension wall set (See Mileage Rates, Schedule No. A-3) | 1.00 |
| (e) Each station, primary or extension, desk set (See Mileage Rates, Schedule No. A-3) | 1.25 |

RATE B

| | |
|---|------------|
| (a) Switchboard, no battery or ringing power - | No Charge. |
| (b) First bothway trunk line | 5.50 |
| Each additional bothway trunk line | 4.00 |
| (c) Each incoming trunk line | 2.80 |
| (d) Each station, primary or extension wall or desk set | .75 |

Conditions:

- (a) Rate A is applicable to Company-owned equipment.
- (b) Rate B is applicable to subscriber-owned and subscriber-maintained equipment.
- (c) Rates quoted under A and B are effective inside Primary Rate Area. For service outside Primary Rate Area see Mileage Rates, Schedule No. A-3.
- (d) Minimum installation per switchboard under Rate A; Two (2) trunk lines and four (4) stations excluding switchboard telephones.
- (e) A discount of \$0.25 is allowed on the rate for the first bothway trunk line if payment is made on or before the tenth of the month. No discounts are allowed on additional trunks or other equipment.

EXCHANGE SERVICE - SCHEDULE NO. A-5.

INTERCOMMUNICATING SERVICE

Applicable to business flat rate service requiring an intercommunicating system inside or outside Primary Rate Area.

RATE

Rate per Month.

| | |
|--|--------|
| A - Receiving Station, wall or desk set, with switching device: | |
| (a) 10 line switching device | \$2.00 |
| (b) 20 " " " | 2.25 |
| (c) 30 " " " | 2.50 |
| B - Each station, wall or desk set, with switching device, in premises in which receiving station is located: | |
| (a) 10 line switching device | 1.25 |
| (b) 20 " " " | 1.50 |
| (c) 30 " " " | 1.75 |
| C - Each station, wall or desk set, with switching device, outside premises in which receiving station is located but not exceeding 300 feet from receiving station: | |
| (a) 10 line switching device | 2.00 |
| (b) 20 " " " | 2.25 |
| (c) 30 " " " | 2.50 |
| D - First bothway trunk line | 5.50 |
| Each additional bothway trunk line | 4.00 |
| E - Each incoming trunk line | 2.80 |

CONDITIONS

- (a) Rates are effective inside Primary Rate Area. For service outside Primary Rate Area, see Mileage Rates, Schedule No. A-3.
- (b) Minimum installation per intercommunicating system: Two (2) trunk lines and four (4) stations, including receiving station.
- (c) A discount of \$0.25 is allowed on the rate for the first bothway trunk line if payment is made on or before the tenth of the month. No discounts are allowed on additional trunks or other equipment.

EXCHANGE SERVICE - SCHEDULE NO. A-6.

SUPPLEMENTAL EQUIPMENT.

Rates for extra equipment requested by subscriber.

RATE

| | <u>Installation charge</u> | <u>Rate per month</u> |
|--|--------------------------------|---------------------------|
| (A) Extension bells - 2½" | \$1.25 | \$0.25 |
| (B) Extension bells - 6" (loud ringing) | 1.50 | .75 |
| (C) 1 Buzzer, battery and 50 feet of wiring | 1.50 | .25 |
| Each additional push button | .35 | .05 |
| Each additional buzzer | .35 | .10 |
| Each additional 50 feet, or less, of wire | .50 | .10 |

EXCHANGE SERVICE - SCHEDULE NO. A-7.

PUBLIC PAY STATION SERVICE

Service from Company's non-listed public telephone station.

RATE

Each exchange message

\$0.05

EXCHANGE SERVICE - SCHEDULE NO. A-8.

Directory Listing

Charges for directory listing in addition to that which subscriber is entitled under the regular rates for service.

Rate

- (A) Each subscriber is entitled without charge to one (1) listing in the telephone directory.

Private Branch Exchange subscribers are entitled without charge to one (1) listing for each trunk line.

- (B) Each listing in addition to that specified under (A) above shall be at the following rate:

| | <u>Rate per Month</u> |
|--|-----------------------|
| (a) Member of same firm, same business | \$0.25 |
| (b) Joint user, unlimited business serv. | 1.50 |
| (c) Any individual residing at a residence, listed at the residence | .25 |
| (d) Listing for guest of hotel | .50 |
| (e) Subscribers desiring to convey additional information in the directory may arrange for either of the following insertions under the regular insertion: | |
| After Call | .25 |
| Office hours ... to ..., ... to ... | .25 |
| (f) Reference listing where the same name of a subscriber or an additional listed person appears in a different alphabetical list in the same directory | .25 |
| (g) Listing for a subscriber whose name may be spelled in two ways | .25 |

Conditions:

- (A) Joint user means individual not connected with the firm or business who is the subscriber of record.
- (B) Requests for additional listing shall be made by the subscriber or record.