

ORIGINAL

Decision No. 14871.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of
Lake County Telephone Association
for permission to increase rentals
of phones and toll service.

Application No. 10115.

H. W. Bemis, for Applicant.
G. L. Hildebrand, for Subscribers on
Kelseyville - Lower Lake Telephone
Line, Protestants.

BY THE COMMISSION:

O P I N I O N.

Lake County Telephone Association, a corporation, applicant in this proceeding, owns and operates a telephone system, consisting of a switchboard and wire lines, located in Kelseyville, Lake County, and adjacent territory. Two of Applicant's lines, one of which is a metallic circuit, extend to the switchboard of the Lakeport and Blue Lakes Telephone Association in Lakeport and are used as combination subscribers' lines and toll lines. In addition to service furnished over its own lines applicant also furnishes switching service to some thirty-seven subscribers who own and maintain their telephone instruments and lines from their instruments to applicant's central office.

Applicant does not own or maintain any telephone instruments in operation except those in its central office.

In this proceeding applicant asks that this Commission issue an order authorizing it to make effective certain increases in rates and charges for telephone service. Applicant desires to increase rates for switching service furnished to subscribers who own and maintain their lines from \$.25 and \$.50 per month per station to \$1.00 per month per station. Increases are also asked in connection with certain toll rates and compensation as agent of California Telephone and Light Company. A public hearing was held before Examiner Satterwhite at Lakeport, September 3, 1924.

An inventory and appraisal of applicant's telephone property as of October 1, 1922, was made by Mr. F. M. Casal, Assistant Engineer. This appraisal was brought down to the date of September 1, 1924, by adjusting for additions and betterments and plant removed from service during the period October 1, 1922, to September 1, 1924. Mr. Casal also made a study of the available books of applicant. The results of these studies of operating revenue and expenses for year March 1, 1924, to February 28, 1925, and rate base as of September 1, 1924, which has been assumed as an average for the foregoing year period, are shown in Tables Nos. I and II following:

TABLE NO. I
RATE BASE

Historical Reproduction Cost un- depreciated of Plant as of Oct. 1, 1922 (less Materials and Supplies)	\$2,055.00
Additions and Betterments from Oct. 1, 1922 to Sept. 1, 1924.	540.00
Total	<u>\$2,595.00</u>
Plant Removals from Oct. 1, 1922, to Sept. 1, 1924	154.00
Historical Reproduction Cost, Un- depreciated, as of Sept. 1, 1924 (less Material and Supplies)	<u>\$2,441.00</u>
Material and Supplies	159.00
Working Cash Capital	<u>132.00</u>
Rate Base as of Sept. 1, 1924.	<u>\$2,732.00</u>

TABLE NO. II

ESTIMATED OPERATING REVENUES AND EXPENSES
FOR YEAR MARCH 1, 1924 TO FEBRUARY 28, 1925.

REVENUES

Exchange Revenue, present rates	\$1,773.00	
Toll Revenue, present rates	<u>388.69</u>	
Total Revenue		\$2,161.69

EXPENSES.

Maintenance	442.00	
Depreciation	93.00	
Traffic	1,028.00	
Commercial and General	186.50	
Taxes	65.44	
Uncollectible bills	<u>11.00</u>	
Total Expenses		<u>1,825.94</u>
Balance for interest		\$ 335.75

The results as shown in Table No. II do not indicate that applicant is entitled to or needs relief in the form of increased rates. It is doubtful, however, whether applicant realizes, even approximately, an amount in actual cash as is indicated by this table, for the reason that it has employed in the past an ineffective bookkeeping system. It appears that applicant is only partially fulfilling its obligations to the public in the telephone service furnished. Co-operation between the users and the telephone utility is necessary in making satisfactory telephone service possible. We do not believe, however, that the cooperation on the part of the user to the extent of supplying and maintaining his own telephone instrument is either necessary or desirable in the case of installations where all other equipment and plant are owned and maintained by the utility. The plan of subscriber-owned telephone instruments followed by applicant results in divided responsibility for the service rendered and leads to poor transmission complaints which applicant is unable to adjust except by advising the subscriber at fault to make the necessary repairs or replacements. This

condition should be removed by the applicant acquiring ownership and assuming the maintenance of all telephone instruments served by its lines. Exception is made in the case of the telephone instruments connected to so-called farmers' lines where the lines as well as the instrumentalities are owned by the subscribers.

The acquisition by applicant of all telephone instruments will result in increase in its operating expenses as well as in its capital invested. Applicant is entitled to revenue sufficient to earn a fair return after reasonable expenses have been paid. The order following will provide for certain rate increases contingent upon the acquisition by applicant of all telephone instruments connected to its lines, excluding such instruments as may be connected to farmers' lines.

The rates now being charged by applicant, together with those which it herein proposed, are shown in Table No. III.

TABLE NO. III
EXCHANGE TELEPHONE SERVICE.

	<u>Present Rates</u> Rate per Mo. per Station	<u>Applicant's</u> Proposed rates Rate per mo. per Station
(1) <u>Subscriber's Business or Residence Service.</u>		
Individual Line service, instrument owned and maintained by subscriber,	\$2.50	\$2.50
Party Line service to renters, instrument owned and maintained by subscriber	1.75	1.75
Party line service to stockholders, instrument owned and maintained by subscriber,	1.50	1.50
Farmer line service, line and instrument owned and maintained by subscriber, except Seigler Springs Line,	.50	1.00
Farmer Line service, line and instrument owned and maintained by subscriber, Seigler Springs Line	.25	1.00

(2) Public Telephone Service.

Each exchange message	\$.10	\$.10
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The above message rate is applied to service to any local line to non-subscribers only, when the call is placed from applicant's central office.

(3) Public Toll Telephone Service.

Kelseyville to Lakeport, unlimited time, per message	.10	.15
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The above message rate is applied to service rendered non-subscribers only, when call is placed from applicant's central office.

In addition to the increases in rates shown in Table No. III above, applicant asks permission to make other charges which would, in effect, increase the rates and charges for service offered by other utilities. Applicant's request for such increases in charges may not be considered as properly a part of this proceeding.

In applicant's present and proposed rates a different rate is made for stockholders and non-stockholders who receive the same grade of service. We believe that this differential should not exist. Applicant is also granting certain rate concessions in service furnished. All concessions in rates should be carefully limited by applicant to those who may receive such concessions as defined by law. The practice of applicant of charging a different rate to non-subscribers and subscribers for messages originating at the public telephone in its central office should be discontinued. Any preferential right which may accrue to an individual on account of his being a subscriber of applicant is associated only with the telephone instrument installed for his own use. All individuals should be charged alike for calls made from applicant's central office.

We believe that applicant's proposal with reference to the increase in rate asked for farmer line service is not justified either by service rendered or financial necessity. The rate for this service should be uniform to all subscribers and the order following will so provide. While it is true that farmer line subscribers receive the same service as other subscribers of applicant insofar as availability of inter-communication is concerned, they receive a very much less service with reference to line maintenance than other subscribers, as applicant need not assume any responsibility for the maintenance of farmer's lines. If, under certain conditions, it is found expedient for applicant to make repairs on farmer lines at the request of the owners of such lines, it appears that applicant should bill the owners for the cost of such work.

The estimated Rate Base and Operating Revenues and Expenses under plan of applicant's ownership of all facilities served by its lines and under the Commission's proposed rates as set forth in the order herein are shown in Table No. V.

TABLE NO. V.

Estimated Operating Revenues
and Expenses.

For year March 1, 1925, to February 28, 1926.

Average Rate Base	\$3,886.00
Operating Revenues	2,327.00
Operating Expenses	<u>2,015.00</u>
Balance for interest	\$ 312.00

From an examination of applicant's records it did not appear that a material increase in business might be expected in the near future and in making the computations shown in Table V above, no allowance has been made for an increase in applicant's business during the year period shown.

O R D E R

Lake County Telephone Association, having applied to the Railroad Commission for an order authorizing it to increase certain of its rates for telephone service, a public hearing having been held and the matter having been submitted and now ready for decision,

The Railroad Commission of the State of California hereby finds as a fact that under present conditions of operation of applicant's property, the rates now in effect are not unjust and unreasonable; that better telephone service would result to subscribers of applicant and to the public if applicant acquire ownership and assume responsibility for proper maintenance of all telephone instruments connected to its lines, and that under this latter condition of operation of applicant's property the rates now in effect are unjust and unreasonable in so far as they differ from the rates set forth in the order herein.

Basing its order on the foregoing findings of fact and on such other findings and statements of fact as are set forth in the opinion preceding this order,

IT IS HEREBY ORDERED that Lake County Telephone Association, after showing to the Railroad Commission that it has acquired ownership in and assumed the maintenance of all telephone instruments connected to its lines and upon supplemental order from the Railroad Commission, may modify its present rates for subscribers' service and toll rates between Kelseyville and Lakeport to the following:

EXCHANGE TELEPHONE SERVICE.

<u>(1) Subscriber's Business or Residence Service</u>	<u>Rate per Month per station.</u>
Individual Line Service, instrument owned and maintained by association	\$2.50
Party Line service to renters, instru- ment owned and maintained by association	1.75
Party Line service to stockholders, in- strument owned and maintained by association	1.75
Farmer Line service, line and instrument owned and maintained by subscriber, except Seigler Springs Line	.50
Farmer Line service, line and instrument owned and maintained by subscriber, Seigler Springs Line	.50
<u>(2) Public Telephone Service.</u>	
Each Exchange message	.10
The above message rate is applied to service to any local line, to subscribers or non- subscribers when the call is placed from Association's central office.	
<u>(3) Public Toll Telephone Service.</u>	
Kelseyville to Lakeport, unlimited time, per message	.15
The above message rate is applied to toll service rendered to subscribers or non- subscribers when call is placed from Association's central office.	

IT IS HEREBY FURTHER ORDERED that Lake County Tele-
phone Association shall file with the Railroad Commission, in
accordance with General Order No. 68, on or before July 1, 1925,
a schedule of rates and rules and regulations governing telephone
service as may be in effect as of June 1, 1925.

For all other purposes, the effective date of this

order shall be twenty (20) days from and after the date hereof.

Dated at San Francisco, California, this 30th day of April, 1925.

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_____ Commissioners