

Decision No. 17227.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

ORIGINAL

In the Matter of the Application of  
BUTTE VALLEY TELEPHONE COMPANY for  
authority to Increase Rates.

Application No. 12,612.

J. H. Hessig, for Applicant.  
A. P. Heup, for Kesterson Lumber Co.,  
an Interested Party.

BY THE COMMISSION:

O P I N I O N

In this proceeding, Butte Valley Telephone Company, a corporation, asks that the Railroad Commission issue its order authorizing applicant to increase its rates for exchange telephone service rendered in Dorris and vicinity. The Butte Valley Telephone Company, hereinafter referred to as the applicant, owns and operates a telephone switchboard located in the town of Dorris and furnishes exchange telephone service in Dorris and tributary territory, all in Siskiyou County, California. Applicant owns no toll lines but provides connection at its switchboard with the toll telephone facilities of The Pacific Telephone and Telegraph Company and Klamath Telephone and Telegraph Company.

Public hearings were held in this matter before Examiner Austin on May 6 and May 7, 1926 in Dorris.

Applicant presented evidence at the hearing, through its witness, Mr. J. E. Hessig, purporting to show that for a number of years past it had not been earning a return on its investment and due to certain reconstruction work, including the metallicizing of lines in the town of Dorris, which was completed in 1925, its financial condition would be even worse in the future if it were not given relief in the form of an increase in rates for exchange telephone service.

Applicant submitted exhibits showing financial statement, schedules of present and proposed rates and an inventory and appraisal of its property in the Town of Dorris. A field inspection of applicant's property, including a check of the inventory that it submitted, and an examination of its books was made by F. M. Casal, Assistant Engineer of the Commission. A reconstructed statement of operating revenue and expenses and a valuation of applicant's telephone property in Dorris were estimated from the information thus obtained, which were filed subsequent to the hearings and made a part of the record in this matter as agreed at the hearing. A summary of the information contained in these exhibits showing operating revenue and expenses for the year 1925 together with the Company's valuation as of December 31, 1925, and Mr. Casal's valuation adjusted to account for poles jointly used is set forth in the following table:

<u>OPERATING REVENUE AND EXPENSES</u> <u>BUTTE VALLEY TELEPHONE COMPANY</u> <u>Jan. 1, 1925, to Dec. 31, 1925.</u>		
	Butte Valley Telephone Company Book Figures	Estimated Revenue un- der Present Rates and Reasonable expenses
Revenue	\$ 695.25	\$ 975.00
Expenses including taxes and un- collectibles less depreciation	<u>1,485.34</u>	<u>1,274.00</u>
Net for Interest and depreciation	<u>*790.09</u>	<u>*299.00</u>
Depreciation	<u>138.82</u>	<u>73.00</u>
Net for Interest	*928.91	*372.00
*Loss		

VALUATION OF TELEPHONE PROPERTIES  
OF BUTTE VALLEY TELEPHONE COMPANY  
IN THE TOWN OF DORRIS

Butte Valley Telephone Co.

Reproduction Cost, undepreciated, including material and supplies as of December 31, 1925	\$3,220.03
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Engineering Dept - Railroad Commission

(1) Historical Reproduction Cost, undepreciated, as of May 1, 1926	1,710.00
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(2) Historical Reproduction Cost, depreciated as of May 1, 1926	1,110.00
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It is to be noted that the valuations include only that property of applicant that is located within the town limits of Dorris although applicant owns and operates a suburban telephone line extending westerly from Dorris for a distance of about twenty miles. Applicant proposes to sell this line to the subscribers served by it and has already obtained the signed request of such subscribers to purchase it. This matter is being considered in another proceeding, Application No. 12923.

In determining the average rate base for the calendar year 1926 no allowance is made for additions and betterments from and after the date of the valuation for although expansion of business activities in Dorris appears to be probable it is believed that some time will elapse before such expansion is reflected in the business of applicant.

The reasonable rate base found in connection with this proceeding is as follows:

RATE BASE - BUTTE VALLEY TELEPHONE COMPANY, 1926

Operative property in town of Dorris as per C.R.C. exhibit (adjusted) as of May 1, 1926	\$1,690.00
Materials and Supplies and working capital	<u>160.00</u>
Rate Base, 1926	\$1,850.00

Considerable evidence was presented at the hearing tending to show that the service of applicant was unsatisfactory in <sup>the</sup> that daily period during which service was available was too short and that continuous, twenty-four hour, service should be furnished by applicant or that the hours of service should at least be extended to include the late hours of the evening.

It is apparent from the record in this proceeding that applicant is entitled to an increase in rates considering the present hours of service and resulting operating expenses. To extend the present hours of service would require additional operators which would result in an increase in operating expenses and if this were done it would appear reasonable to permit applicant to further increase its revenue at least by an amount not less than such increase in operating expenses. This could only be provided by a further increase in rates, which would be spread over the entire exchange and result in what appears to be an unwarranted charge to those subscribers who do not require additional service, as in a small town such as Dorris the necessity for extended hours of service is not felt equally by all subscribers.

Testimony was also introduced at the hearings to the effect that applicant had not provided certain of its patrons with service desired by them, to-wit: One party line business service. Applicant has neglected to file with this Commission heretofore a rate covering this class and grade of service and according to statements of applicant's witness, applicant has held in abeyance the installation of one-party line service pending the receipt of a decision in this proceeding. It is a fact that applicant has had but one rate filed with this Commission for telephone service that is, \$1.50 per month per station for party line stations. The rate schedule authorized herein will provide for individual and party line service.

After carefully considering the facts involved in this matter we are of the opinion that it would be difficult for appli-

cant to earn a fair return on its investment under existing conditions regardless of the magnitude of rates which might be applied to its service. It is anticipated that the rates set forth in the order following will enable applicant to obtain revenue sufficient to meet operating expenses, taxes and uncollectibles and at the same time permit of a margin for a return on its investment.

### O R D E R

Butte Valley Telephone Company having made application requesting the Railroad Commission to authorize certain rates and rules and regulations applicable to exchange telephone service in Dorris, California, public hearings 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 incapable of providing an adequate return and are not just and reasonable and that the rates herein established are not unjust and unreasonable for the operating conditions existing.

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 Butte Valley Telephone Company shall

(1) Charge and collect the rates for exchange telephone service set forth in Exhibit "A", attached hereto, for service rendered on and after October 1, 1926.

(2) Establish a Primary Rate Area and an Exchange Area for Dorris Exchange as set forth in Exhibit "B", attached hereto.

(3) File with the Railroad Commission on or before September 30, 1926, the rates set forth in Exhibit "A", attached hereto.

(4) File with the Railroad Commission on or before September 30, 1926, maps showing the Primary Rate Area and Exchange Area for the Dorris Exchange as set forth in Exhibit "B" attached hereto.

(5) File with the Railroad Commission on or before September 30, 1926, definitions, rules and regulations governing telephone service, similar to those definitions, rules and regulations contained in this Commission's Decision No. 13478, as may be approved by this Commission.

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 17<sup>th</sup> day of August, 1926.

H. B. Brundage

C. J. Leamy

Leon A. Whaley

Thos. J. Sullivan

Commissioners.

EXHIBIT "A"

EXCHANGE RATES.

EXCHANGE SERVICE SCHEDULE NO. A-1.

Service:

Applicable to individual and party line flat rate service furnished within the primary rate area of the Dorris Exchange.

Rate:

<u>Grade of Service</u>	<u>Rate per station per month</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>
Individual line	\$4.00	\$4.25	\$3.50	\$3.75
Four-party line	3.25	3.50	2.75	3.00
Ten-party line	2.75	3.00	2.25	2.50
Extension with bell or without bell	1.00	1.25	1.00	1.25

Conditions:

(1) Individual line and Four-party line service is furnished outside the primary rate area at the above rates plus mileage charges; Ten-party line service is not furnished outside the primary rate area at the above rates.

(2) Extension stations at the above rates are located on the same premises as the primary station.



EXCHANGE SERVICE SCHEDULE NO. A-4.

Mileage Rates.

Mileage rates applicable throughout the suburban area.

<u>Service</u>	Rate per each one-quarter mile or fraction thereof per month
Each individual line primary station	<u>\$0.50</u>
Each four-party line primary station	0.25

The above rates are based on air line distance measured between the subscriber's primary station and the nearest point on the boundary of the primary rate area. These rates are applied to the services listed above when subscriber's instrumentalities are located outside the primary rate area but within the exchange area, in addition to the other rates applying to those services.

EXCHANGE SERVICE SCHEDULE NO. A-6.

Farmer Line Service:

Applicable to farmer line service outside the primary rate area of the Dorris exchange.

Rate:

<u>Rate per station per year</u>	
<u>Business</u>	<u>Residence</u>
<u>Service</u>	<u>Service</u>
\$12.00	\$9.00

Minimum Charge

The minimum charge is \$39.00 per year per circuit.

Conditions:

(1) The Company installs, owns and maintains at its expense the necessary central office equipment and service, line facilities to the boundary of the primary rate area, listing in the directory and code ringing card.

(2) The subscriber installs, owns and maintains at his expense the necessary facilities from the Company's line at the boundary of the primary rate area to the subscriber's instrument and the complete telephone instrument, battery and sub-station protector.

EXCHANGE SERVICE SCHEDULE NO. A-13.

Public Pay Station Service.

Service:

Applicable to service from Company's non-listed public telephone stations.

Rate:

Each exchange message, completed over exchange lines to any point in the Dorris exchange area . . . . . \$0.05.

Conditions:

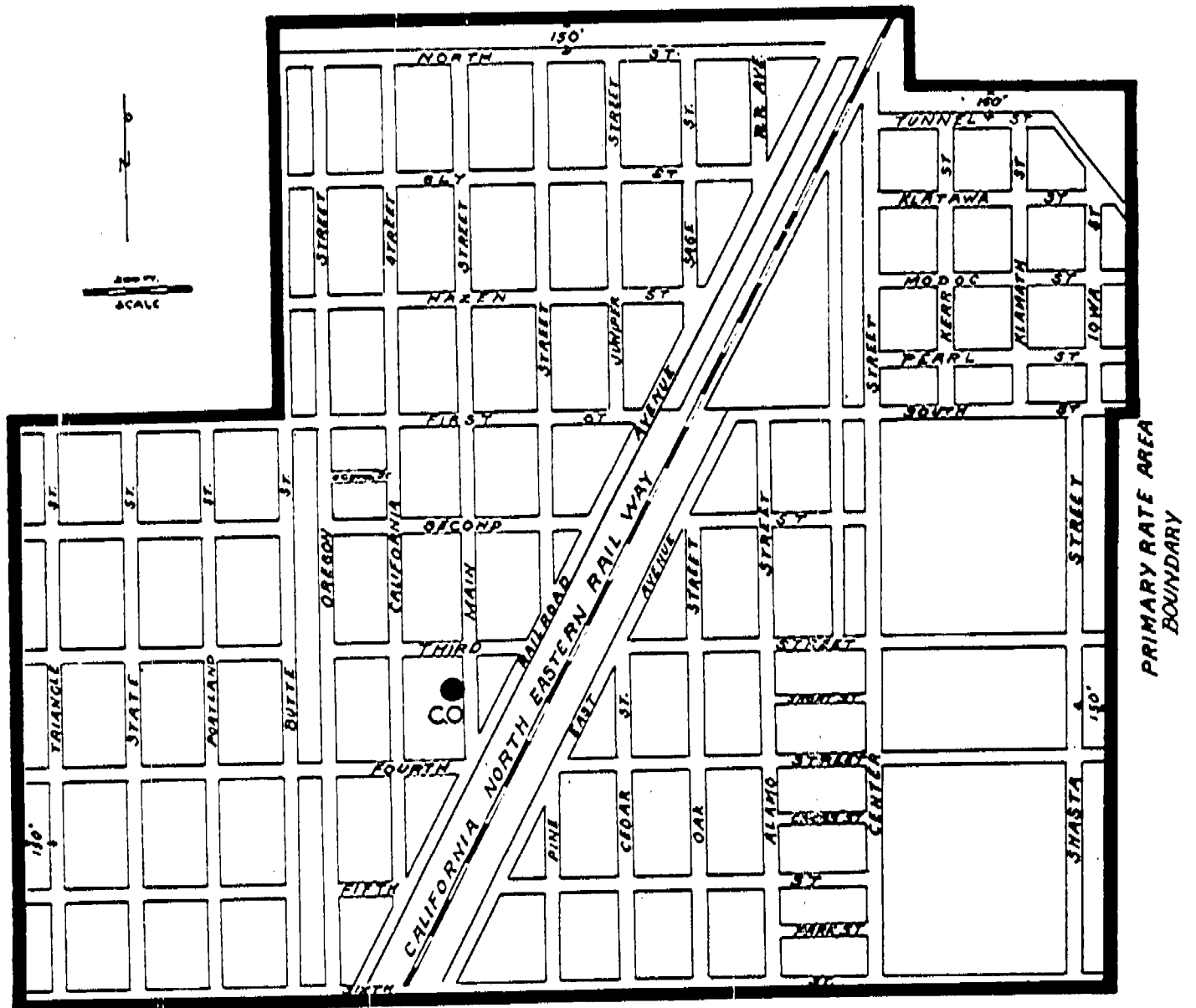
Public telephones will be installed by the Company at its discretion, in public locations, to meet the general and transient telephone requirements.

EXHIBIT "B"

MAPS SHOWING PRIMARY RATE AREA  
BOUNDARY AND EXCHANGE AREA  
BOUNDARY OF THE DORRIS EXCHANGE.

# CALIFORNIA RAILROAD COMMISSION

## PRIMARY RATE AREA OF DORRIS EXCHANGE BUTTE VALLEY TELEPHONE COMPANY



# CALIFORNIA RAILROAD COMMISSION

## EXCHANGE AREA OF DORRIS EXCHANGE BUTTE VALLEY TELEPHONE COMPANY

