

Decision No. 17689

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application  
of WILLARD F. SMITH for authority  
to increase rates, and establish  
other sources of revenue.

ORIGINAL

Application No. 12,833.

Willard F. Smith in propria persona.

BY THE COMMISSION:

O P I N I O N

Willard F. Smith, applicant in this proceeding, asks that the Railroad Commission make its order authorizing certain increases in exchange telephone rates and the establishment of non-subscriber message charges and toll charges. Willard F. Smith, hereinafter referred to as the applicant, owns a telephone utility which he operates under the fictitious name and style of Capay Valley Telephone System, serving the communities of Capay, Cadanassa, Brooks, Tancred, Guinda and Rumsey, all in Yolo County, California. A central office is operated by applicant at Brooks, California, a post office approximately seven (7) miles northwest of Capay, and long distance telephone connection is made with the lines of The Pacific Telephone and Telegraph Company at Capay. The system, now owned by applicant, was formerly the property of L. N. Wood and was transferred to applicant under authority of this Commission's Decisions Nos. 14887 and 14920, in Application No. 10930.

A public hearing was held in the above entitled matter before Examiner Austin at Guinda, October 4, 1926.

Testimony was presented at the hearing by applicant purporting to show that since the purchase of the system from L. N. Wood

he had made many improvements in the outside line construction and contemplates further improvements and re-construction during the latter part of 1926 and the first nine months of 1927. Applicant stated that the investment in the line, and its operating expenses, at the present time were such that it was impossible to continue to furnish exchange telephone service at the rate of \$1.00 per month per station without incurring a loss, and that an increase was also justified on his showing of the re-construction of the lines with consequent improvement in service to date and that further rate increases would be necessary as further improvements in the lines and service were made.

Applicant asks, among other things, for an increase in the present rate of \$1.00 per month for residence service with wall telephone on a grounded line; to \$1.25 per month, effective upon completion of his proposed 1926 construction program and for a later increase to \$1.50 per month upon completion of his 1927 construction program, due September 30, 1927. Applicant further proposes to establish a metallic toll line extending from Brooks to Capay and requests authority to establish a toll charge for station-to-station service of ten cents (10¢) for the first five minutes and five cents (5¢) for each additional three minute period together with corresponding person-to-person service rate, appointment and messenger service rate, report charge, and telegraph service rates for the use of this line. Applicant testified that considerable annoyance has been caused to his subscribers and an unreasonable burden has been placed upon his operators by certain persons, who are not subscribers, making use of subscribers' telephones for local exchange calls within the Brooks Exchange Area. He asks to be permitted to make a charge of ten cents (10¢) for each message so placed from a telephone by other than the subscriber.

An examination of applicant's books and records and out-

side plant was made by Mr. F. M. Casal, Assistant Engineer of the Railroad Commission. The total expenses for the period September 1, 1925, to August 31, 1926, as shown by such examination, were \$685.90, segregated as follows:

Maintenance Expenses,	\$231.41
Traffic Expense,	415.35
Comml. & Genl. Expense,	11.00
Taxes,	<u>28.14</u>
Total	\$685.90

It is to be noted that the total expense figure of \$685.90 does not include any salary for superintendence of the system, or for rent of that portion of the building in which the switchboard is located, or any allowance for depreciation or uncollectible accounts. We believe that a fair amount should be allowed in applicant's expenses to cover these items. The Commission's Engineer has estimated that a figure representing applicant's expenses, in which allowances have been made for the above mentioned items, for a period of one year ending August 31, 1927, is \$1,032.00, segregated as follows:

Maintenance Expense,	\$217.00
Traffic Expense,	415.00
Comml. & Genl. Expense,	167.00
Taxes & Uncollectibles,	44.00
Depreciation,	<u>189.00</u>
Total	\$1,032.00

Applicant's total revenue for the same period, under present rates, is estimated to be \$732.00, consisting of:

Exchange Revenue,	\$552.00
Toll Revenue,	<u>180.00</u>
Total	\$732.00

Applicant presented no valuation of his telephone property other than that of \$2,624.59, as shown in his Exhibit "A", attached to his application, which indicated the value of the plant as of May 1, 1926. This figure is based upon the amounts actually paid by applicant to the former owner of the system, which, testimony

showed, does not indicate the true historical value of the system. In the proceeding in Application No. 5972 of Mr. L. N. Wood, former owner of the system, the Railroad Commission fixed the value for the system at \$2,646.00, as of January 1, 1921, on the historical reproduction basis, less Materials and Supplies. Applicant's testimony indicated that, to his knowledge, practically no changes were made in the Capay Valley Telephone System from January 1, 1921, the date of the Commission's appraisal, to the time he acquired possession and, as he was able to supply information as to the retirements of plant and Additions and Betterments since the latter date up to the present time, a more accurate appraisal of his system may be obtained by making the proper net additions to the appraised value as of January 1, 1921. The total value of the plant, less Materials and Supplies, according to the above and including applicant's estimate of additions which will probably be made before March 1, 1927, was found to be \$4,221.00.

It appears that a rate base for applicant for the period September 1, 1926 to August 31, 1927 should include reasonable amounts for Materials and Supplies and Working Cash Capital and rate base of \$4,371.00, in which allowance has been made for Materials and Supplies and Working Cash Capital, has been found to be reasonable for this period.

The evidence in this proceeding clearly shows that applicant is entitled to an increase in rates for telephone service. We do not believe, however, that a full return upon the investment should be allowed him until improvements in his outside plant are fully completed; the order following will provide some increase in revenue necessary at this time and the further increase which will be required when applicant's proposed construction program is completed may be authorized by supplemental order.

#### O R D E R

Willard F. Smith having made application to the Railroad 62

Commission requesting authority to increase rates for exchange service and to establish certain other rates in connection with the operation of his telephone system in Yolo County, California, a public hearing having been held, and the matter having been submitted and ready for decision:

The Railroad Commission hereby finds as a fact that the rates at present in effect for the above described utility are inadequate, non-compensatory, unjust and unreasonable and that the rates contained in this Order for the conditions of operation of this utility are just and reasonable. Basing its Order on the foregoing finding of fact and other findings of fact contained in the Opinion which precedes this Order:

IT IS HEREBY ORDERED that Willard F. Smith is authorized to charge and collect rates for exchange telephone service as set forth in Exhibit "A", attached hereto, for service rendered on and after January 1, 1927, provided that he file with the Railroad Commission on or before December 1, 1926, the rates set forth in Exhibit "A", attached hereto.

IT IS HEREBY FURTHER ORDERED that Willard F. Smith, after making a proper showing to the Railroad Commission that he has completed work necessary in metallicizing the toll line between Brooks and Capay and in the re-construction of subscribers' lines over his entire system and upon supplemental order from the Railroad Commission may change his then effective rates to those shown in Exhibit "B", attached hereto, provided that the necessary re-construction, as above noted, has been completed and that request for supplemental

order is made by applicant on or before December 31, 1928.

For all other purposes the effective date of this Order shall be twenty (20) days after the date hereof.

Dated at San Francisco, California, this 12<sup>th</sup> day of November, 1926.

H. B. Prudig

C. S. Jones

Wm. J. ...

James B. ...  
Commissioners.

EXHIBIT "A"

RATES AUTHORIZED TO BE MADE EFFECTIVE

ON AND AFTER JANUARY 1, 1927,

AS PROVIDED IN ORDER.

EXCHANGE SERVICE SCHEDULE NO. A-1

Service:

Applicable to party line flat rate service over single wire grounded line furnished within the exchange area of the Brooks Exchange.

Rate:

	<u>Rate per Month</u>	
	<u>Wall Set</u>	<u>Desk Set</u>
Business Service		
Each party line station	\$1.50	\$1.75
Residence Service		
Each party line station	1.25	1.50

Hand microphone sets are furnished at above wall set rates plus 50¢ per month per set.

Conditions:

All facilities in connection with the above service are maintained by Capay Valley Telephone System with the exception of subscribers' station battery replacements, which are made at the expense of the subscriber.



EXCHANGE SERVICE SCHEDULE NO. 4-2

Service:

Exchange telephone service furnished to other than regular exchange service subscribers.

Rate:

Each exchange message	\$0.05
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EXHIBIT "B"

RATES WHICH MAY BE MADE EFFECTIVE

BY SUPPLEMENTAL ORDER.

EXCHANGE SERVICE SCHEDULE NO. A-1

Service:

Applicable to party line flat rate service over single wire grounded line furnished within the exchange area of the Brooks Exchange.

Rate:

	Rate per Month	
	<u>Wall Set</u>	<u>Desk Set</u>
Business Service		
Each party line station	\$1.75	\$2.00
Residence Service		
Each party line station	1.50	1.75

Hand microphone sets are furnished at above wall set rates plus 50¢ per month, per set.

Conditions:

All facilities in connection with the above service are maintained by Capay Valley Telephone System including one replacement of subscribers' station battery per year.

EXCHANGE SERVICE SCHEDULE NO. A-2

Service:

Exchange telephone service furnished to other than regular exchange service subscribers.

Rate:

Each exchange message	\$0.05
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TOLL SERVICE SCHEDULE NO. B-1

Service:

The following listed rates are applicable, between Brooks and Capay, to Station-to-Station, Person-to-Person, and Appointment and Messenger toll telephone service over the metallic toll line of Capay Valley Telephone System, and are based on air-line distance in accordance with the terms and conditions of Order No. 2495, dated December 13, 1918 and Order No. 2797, dated February 17, 1919, amendatory thereto, of the Postmaster General of the United States.

<u>Rate:</u>	<u>Initial</u>	<u>Initial</u>	<u>Overtime</u>	<u>Overtime</u>
<u>Service</u>	<u>Rate</u>	<u>Period</u>	<u>Rate</u>	<u>Period</u>
		<u>Minutes</u>		<u>Minutes</u>
Station-to-Station	\$0.10	5	\$0.05	3
Person-to-Person	.15	3	.05	1
Appointment and Messenger	.20	3	.05	1
Report Charge	.05	-	-	-

The rates for any of the classes of Toll Service specified herein, between Brooks and toll points on the lines of connecting companies are in accordance with the schedules of connecting companies and are, in general, through rates, established under the terms and conditions of the Orders hereinabove referred to.

TELEGRAPH SERVICE SCHEDULE NO. C-1

Service:

The following listed rates are applicable to telegraph service, of the classes shown, between Brooks and Capay.

Rate:

Telegrams:

30¢ for ten (10) words or less,

2¢ for each additional word.

Day Letters:

45¢ for fifty (50) words or less,

9¢ for each additional ten (10) words or fraction.

Night Letters:

30¢ for fifty (50) words or less,

6¢ for each additional ten (10) words or fraction.

Messages of the above specified classes will be accepted for transmission to points on the lines of connecting companies. The charges applicable to messages between any such points and Brooks are the rates quoted by connecting companies from or to Capay in addition to the rates of the Capay Valley Telephone System as shown in the preceding paragraphs.