

ORIGINAL

Decision No. 17687.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of
MANTECA TELEPHONE COMPANY for an
order authorizing the increase of
telephone rates in the territory
served.

Application No. 12528.

Ernest Irwin, for Applicant.

BY THE COMMISSION:

O P I N I O N

In this proceeding, Manteca Telephone Company, a corporation, the applicant, asks the Railroad Commission for authority to increase its rates for telephone service.

Applicant is engaged in a public utility telephone business, serving the towns of Manteca and Lathrop, and contiguous territory, in San Joaquin County, California.

Public hearings in this application were held before Examiner Satterwhite in Manteca on April 26, 1926, and in San Francisco on October 25, 1926.

Applicant's testimony at the Manteca hearing purported to show that, due to a number of causes, the cost of rendering

telephone service had increased disproportionately to the revenue derived since the present effective rates were fixed in the year 1919. A gradual growth in the number of stations over the past six years and the addition of approximately twenty square miles of territory with the annexation of the territory of Lathrop and vicinity in 1925, have caused available facilities which were adequate in 1919 to become inadequate and have necessitated replacements and additions of considerably greater value than existed in the plant of earlier construction.

Applicant did not present, at the Manteca hearing, an inventory and appraisal of its property but did put in evidence figures showing investment based on book value. Reference was also made in the application to an appraisal which was made in 1921 for other purposes than for use in this proceeding. Some doubt as to the accuracy of these figures was expressed by some of applicant's subscribers present at the Manteca hearing.

Mr. F. M. Casal, Assistant Engineer on the Commission's staff, made an examination of applicant's books of account with particular reference to the book value of its investment and its revenue and expenses, generally. According to his report it was not possible to establish a figure which would accurately show the value of applicant's telephone plant by reference to its books of account alone, due to the method of carrying the capital accounts which was employed by applicant a number of years ago, and applicant was requested to submit to this Commission a new inventory

and appraisal of its property. A valuation based upon an inventory of applicant's property as of July 1, 1926 was then prepared by applicant and submitted in evidence at the San Francisco hearing. This inventory and appraisal was carefully checked by Mr. Casal and found to be sufficiently accurate for use in this proceeding.

The rate base, which is found to be reasonable for the purpose of this proceeding, is based upon the above mentioned valuation plus additions and betterments, as shown by applicant's books, from July 1, 1926 to September 30, 1926, and as estimated from September 30, 1926 to February 28, 1927 and is as follows:

Rate Base, September 1, 1926 - August 31, 1927.

| | |
|---|-----------------|
| Valuation of Property less Materials & Supplies as of July 1, 1926 | \$67,641.15 |
| Net Additions and Betterments, July 1, 1926 to Sept. 30, 1926 | 6,621.90 |
| Estimated Additions & Betterments, Sept. 30, 1926 to Feb. 28, 1927 | 1,300.00 |
| Materials and Supplies and Working Capital | <u>2,500.00</u> |
| Total- | \$78,063.05 |

Since the time of the hearing held at Manteca, applicant has installed and put in operation a new switchboard of the universal type. Applicant states its intention to cut over all individual, two-party and four-party lines to common battery service as rapidly as possible and the record shows that the estimated completion date of this work is December 1, 1926. Common battery operation of lines in Manteca will result in a much improved service to subscribers receiving the individual, two-party and four-party grades of service and in better supervision on the suburban lines. While it is not the intention of applicant to

convert the present magneto suburban service to common battery, it appears that applicant should consider means whereby suburban service may be improved by employing available multi-frequency ringing power in connection with the ringing of subscribers' stations on these lines.

Installation of common battery equipment will result not only in an added investment but in somewhat increased maintenance expenses inasmuch as employees capable of making adjustments and repairs to the more complicated equipment must be used and the outside plant must be kept in better condition. Expenses for a one-year period from September 1, 1926 to August 31, 1927, as estimated by the Commission's engineer and which appear to be reasonable are as follows:

| | |
|----------------------------|--------------------|
| Maintenance, not including | |
| Depreciation, | \$3,021.00 |
| Traffic, | 4,590.00 |
| Commercial and General, | 4,650.00 |
| Taxes, | 965.00 |
| Uncollectibles, | 131.00 |
| Depreciation, | 3,250.00 |
| Total, | <u>\$16,607.00</u> |

Applicant's net income available for return, found by applying present rates to the estimated average number of subscribers' stations for the period September 1, 1926 to August 31, 1927, amounts to \$1,329.00. Applicant has sought authorization for rates for exchange service which are in most cases fifty-cents (50¢) per month higher than those now in effect, but has requested permission to make a discount of twenty-five cents (25¢) on each monthly bill for individual, party line or suburban service so that the monthly increase in rates to those subscribers who make prompt settlement will, for the most part, amount to but twenty-five cents (25¢) for each primary telephone station. Substitution of applicant's proposed

rates for present rates in estimating the revenue for the one-year period used above shows that the annual revenue of applicant will be increased by approximately \$2,000.00.

In this proceeding applicant further requests permission to refile its map showing its primary rate area. Applicant's primary rate area, or area in which base rates for individual, two-party and four party rates, without mileage, apply, as at present on file with the Commission, consists of a square, the sides of which are five hundred feet (500') outside of the boundaries of the two-mile square formed by Sections 32 and 33 in T. 1 S., R. 7 E., and Sections 4 and 5 in T. 2 S., R. 7 E., M.D.B. and M. Applicant proposes to revise the primary rate area to a square, the sides of which are five hundred feet (500') inside the sides of the two-mile square referred to above. The manager of Applicant Company testified that this change would affect the charges for but one subscriber's service which would be increased twenty-five cents (25¢) per month. No one at the hearing objected to the proposed change in primary rate area and it appearing that the present area is greater in extent than is generally established for exchanges of similar size and character, we find no good reason why the request should not be granted and it will be so ordered.

While it may be considered that applicant's plant is overbuilt to some extent and that, for this reason, applicant should not be allowed a full return on its investment, as shown in the rate base above, and this fact has been given due consideration, it is apparent that, under present rates, a reasonable return on its capital invested in used and useful property may not be earned. It appears, therefore, applicant is entitled to an increase in rates; no increase shall be made effective, however, until all individual, two-party and four-party subscribers have been

served by means of common battery equipment and the order following will so provide.

O R D E R

Manteca Telephone Company, applicant in this proceeding, having asked the Railroad Commission to issue its order authorizing applicant to increase certain of its rates for telephone service, and to revise its primary rate area, public hearings having been held, the matter having been submitted and now being ready for decision:

The Railroad Commission of the State of California hereby finds as a fact that the rates now charged by applicant are unjust and unreasonable and that the rates and primary rate area herein established are not unjust and unreasonable for the service contemplated and as set forth in the Opinion preceding this Order.

Basing its order on the foregoing findings of fact and on such other findings of fact as may be contained in the Opinion preceding this order:

IT IS HEREBY ORDERED that Manteca Telephone Company be and it is hereby authorized to

(1) File with the Railroad Commission, effective as of January 1, 1927, the rates set forth in Exhibit "A" attached hereto.

(2) File with the Railroad Commission, effective as of January 1, 1927, a map showing the boundary of the primary rate area of the Manteca Exchange, as set forth in Exhibit "B" attached hereto, and

(3) File with the Railroad Commission, effective as

of January 1, 1927, definitions, rules and regulations governing telephone service similar to those definitions, rules and regulations contained in this Commission's Decision No. 13478, with modifications as may be approved by this Commission.

This authority is granted upon the following conditions and not otherwise:

(1) A satisfactory showing that all individual, two-party and four-party subscribers' stations served from Manteca Exchange have been cut over to common battery operation shall be made by Manteca Telephone Company to the Railroad Commission on or before December 20, 1926.

(2) The rates, map and definitions, rules and regulations referred to above, shall be submitted to the Railroad Commission for filing on or before December 31, 1926.

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 29th day of November, 1926.

H. B. ...
O. L. ...
Frank ...
Leon ...
Thomas ...
Commissioners.

EXHIBIT "A"

RATES

EXCHANGE SERVICE - SCHEDULE NO. A-1.

GENERAL SERVICE - MANTECA.

SERVICE:

Applicable to business and residence, individual, two-party and four-party line, flat rate service furnished within the primary rate area of the Manteca Exchange.

RATE:

| | <u>Rate per Month</u> | | |
|----------------------------------|-----------------------|-----------------|-----------------|
| | <u>Wall Set</u> | <u>Desk Set</u> | <u>Hand Set</u> |
| (1) Business Flat Rate Service: | | | |
| Each individual line station | \$3.25 | \$3.50 | \$3.75 |
| Each two-party line station | 2.75 | 3.00 | 3.25 |
| Each four-party line station | 2.50 | 2.75 | 3.00 |
| Each extension station | .75* | 1.00* | 1.25* |
| (2) Residence Flat Rate Service: | | | |
| Each individual line station | 2.75 | 3.00 | 3.25 |
| Each two-party line station | 2.25 | 2.50 | 2.75 |
| Each four-party line station | 2.00 | 2.25 | 2.50 |
| Each extension station | .75* | 1.00* | 1.25* |

CONDITIONS:

(1) A discount of twenty-five cents will be allowed on each of the above rates except those for extension station service, and which are marked with an (*), if payment is received by the Company on or before the tenth day of the current month.

(2) Individual and party line services will be provided outside the primary rate area and within the exchange area at the above rates plus mileage.

(3) Extension stations, at the above rates, will be installed on the same premises as the primary station.

EXCHANGE SERVICE - SCHEDULE NO. A-4

MILEAGE RATES:

Mileage rates applicable throughout the suburban area.

RATE:

| | <u>Rate per each one-quarter mile or fraction thereof per month</u> |
|--------------------------------------|---|
| Each individual line primary station | \$0.50 |
| Each two-party line primary station | .35 |
| Each four-party line primary station | .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. The above mileage rates are applicable to a service located outside the primary rate area but within the exchange area and are in addition to the base rate for similar service furnished within the primary rate area.

EXCHANGE SERVICE - SCHEDULE NO. A-5.

SUBURBAN SERVICE:

Applicable to suburban party line flat rate service furnished in the suburban area of the Manteca Exchange.

RATE:

| | <u>Rate per month per station</u> | |
|--------------------|-----------------------------------|-----------------|
| | <u>Wall Set</u> | <u>Desk Set</u> |
| Business Service, | \$2.25 | \$2.50 |
| Residence Service, | 2.00 | 2.25 |

CONDITIONS:

(1) A discount of twenty-five cents will be allowed on each of the above rates if payment is received by the Company on or before the tenth day of the current month.

(2) Suburban service is furnished outside the primary rate area but within the exchange area. In no case will the total number of stations connected to one circuit exceed ten (10) stations.

EXCHANGE SERVICE - SCHEDULE NO. A-6.

JOINT USER SERVICE:

SERVICE:

Applicable to joint user service furnished within the Manteca exchange area.

RATE:

Each joint user service in connection with flat rate business service, per month \$1.00

CONDITIONS:

(1) The applicability of joint user service is determined by the obvious or actual use made of the service.

(2) The rate for joint user service includes a listing in the telephone directory and applies in addition to the rates and charges for the facilities and all other service provided. Joint user service is furnished upon application of the subscriber as follows:

(a) Applications for the use of the subscriber's service by any individual, firm, company or association occupying jointly or in part the premises in which the primary station is located. The subscriber's facilities or service are not to be extended outside the premises to provide joint user service.

(b) Applications for the use of the subscriber's service for another business conducted by the subscriber and differing in character and subject to a different classification from that for which the facilities are provided.

(3) In the case of individuals, firms, companies and associations engaged in the same business or profession, utilizing a common reception room with offices opening thereon or adjoining thereto, one of the number may become the subscriber and the remainder joint users.

If the individuals or members of a firm, company or association file a joint income tax return, that will be accepted as sufficient evidence of a single business and joint user service is not applicable. Whenever any individual member of a firm, company or association does not substantially participate in the earnings of his fellow members of such firm, company, or association, then that fact shall be conclusive evidence that he is a joint user and the joint user rate is applicable.

(4) The minimum charge for joint user service shall be the monthly rate, provided that if the service is listed in the telephone directory it shall be paid for until the end of the directory period unless the subscriber's service is discontinued, or the joint user becomes a subscriber to business service in the Manteca Exchange.

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 | \$0.05 |
|-----------------------|--------|

EXCHANGE SERVICE - SCHEDULE NO. A-14.

DIRECTORY LISTINGS:

Applicable to listings in telephone directory of Manteca Telephone Company.

Listings in the alphabetical section of the telephone directory are intended solely for the purpose of identifying subscribers' telephone numbers as an aid to the use of telephone service. Telephone directories are furnished subscribers to facilitate the use of the service, and remain the property of the telephone company and may be collected upon issuance of new directories. Subscribers are entitled, without charge, to listings in the alphabetical section of the directory as follows:

| | |
|--|-----------|
| Individual line service, | 1 listing |
| Joint user service, | 1 listing |
| Party line service each primary station, | 1 listing |

RATE:

| | <u>Rate per month</u> |
|--|-----------------------|
| Additional listings in telephone directory, Member of same firm or business, each listing, | \$0.25 |
| Any individual residing at a residence, listed at the residence, each listing, | .25 |
| Any information in addition to a listing, each line, | .25 |

CONDITIONS:

(1) Business listings consist of a name, the address of the premises on which the primary station, switchboard or receiving station is located, and the telephone number. A designation descriptive of the business will be included if the name does not indicate the nature of the business.

(2) Business listings may be those of individuals engaged in a business, names of firms or members thereof, the names of corporations or the officers thereof, and the names of employees. A trade

name made up by adding a term, such as company, agency, shop, work, etc. to the name of a commodity will not be accepted as a listing unless the subscriber is authorized to do business under that name. Listings are not accepted which appear to be designed primarily to give publicity to a commodity or service.

(3) All additional listings in connection with a subscriber's service must bear the same address and telephone number as the primary listing.

(4) Residence listings consist of a name, an abbreviation indicating "residence," the address of the premises to which service is furnished, and the telephone number.

(5) Residence listings may be those of the subscriber or members of the subscriber's domestic establishment residing on the premises on which the subscriber's service is provided.

EXHIBIT "B"

PRIMARY RATE AREA BOUNDARY

The Primary Rate Area Boundary is described as follows:

Beginning at a point five hundred feet south of the center line of Louise Avenue and five hundred feet west of the center line of Cottage Avenue, thence in a southerly direction parallel to and five hundred feet west of the center line of Cottage Avenue to the point of intersection with a line parallel to and five hundred feet north of the southern boundary of Sec. 4, T.25., R. 7 E., M.D.B. and M.; thence in a westerly direction parallel to and five hundred feet north of the southern boundaries of Secs. 4 and 5 to the point of intersection with a line parallel to and five hundred feet east of the western boundary of Sec. 5; thence in a northerly direction parallel to and five hundred feet east of the western boundaries of Sec. 5, T. 25, R. 7 E., and Sec. 32, T. 1 S., R. 7 E., to the point of intersection with a line parallel to and five hundred feet south of the center line of Louise Avenue; thence in an easterly direction parallel to and five hundred feet south of the center line of Louise Avenue to the point of beginning.