

ORIGINAL

Decision No. 18543.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of Raymond Telephone Company, unincorporated, for an Order of the Railroad Commission of the State of California authorizing the adjustment and revision of service, rates, rules and regulations, and the filing of schedules providing therefor.

Application No. 11592.

Ernest Irwin, for applicant.
H. K. Taylor, for The Pacific Telephone and Telegraph Company.

BY THE COMMISSION:

O P I N I O N

In this application, Raymond Telephone Company, hereinafter referred to as the applicant, asks authority to generally increase its rates for exchange telephone service and to establish new toll rates not previously exacted.

A public hearing was held in this matter before Examiner Satterwhite in Raymond on April 6, 1927.

Applicant company is owned by Mr. A. C. Shaw, who operates the property under the fictitious name and style of Raymond Telephone Company.

Applicant is engaged in a general telephone and telegraph business in Raymond and vicinity in Madera County, California. A telephone switchboard is operated in the town of Raymond from which telephone lines radiate to the various points served by applicant.

The principal points served, together with the air line distance of each from Raymond, are: Ahwahnee, fifteen (15) miles; Ben Hur, eleven (11) miles; Coarse Gold, fourteen (14) miles; Grub Gulch, eleven (11) miles; and Wawona, twenty-seven (27) miles. The entire territory in which exchange service is rendered is, in general, a triangular area containing approximately five hundred (500) square miles. In addition to its exchange service, applicant also provides interexchange service between Raymond and Madera over a toll telephone line owned and operated by it. At Madera, connection is made with the lines of The Pacific Telephone and Telegraph Company, giving applicant's subscribers access to all points on the system of that company and its connecting companies.

At the present time, as in the past, the entire exchange service area of applicant is served from one central office located in Raymond and all subscribers, that is, those who pay a regular monthly flat rate for service, receive so-called free switching over the entire area. For example, a subscriber paying \$1.50 per month for suburban exchange service, located at "The Pines" in the extreme eastern portion of the territory served by applicant, has unlimited service to a telephone user near Copper Mountain, in the extreme western portion of the territory for no charge other than his regular rental rate. Likewise, any subscriber located in any part of the exchange service area may converse with a person in Madera for no charge other than that exacted for every message from Raymond to Madera and without consideration of the distance of the subscriber from Raymond. The practice of applicant with reference to non-subscribers, who pay no regular rental charges, has been different, however, a schedule of toll rates being in effect which provides for charges to such users of the service, based, generally, on the length of circuit used in the desired telephone connections. For example,

a non-subscriber using the facilities from the Raymond pay station to Madera will be charged at the regular rate for the use of the toll line, while a non-subscriber talking from Ahwahnee to Madera will pay a charge greater than the Raymond-Madera charge as in this case the distance from Raymond to Ahwahnee is given consideration in fixing the charges. It is evident that, although applicant is operating its territory as one exchange area as far as its regular subscribers are concerned, there is, in fact, at present a division of the territory into several areas for determining charges against non-subscribers.

The present rates and charges of applicant are objectionable, due to actual discrimination or the possibility of such discrimination between subscribers in various parts of the territory and between subscribers and non-subscribers in the same portion of the area served, and, according to applicant's contention, they are inadequate and non-compensatory. It appears that applicant is justified in its contention from the evidence introduced at the hearing both by it and the Commission's engineer. Applicant proposes to remove the objectional features of its present rate schedule and, at the same time, establish a rate schedule which should produce a greater revenue by dividing its territory into five distinct areas and by making charges to subscribers and non-subscribers for use of the service from one of these areas to another. The boundary lines between the areas or zones proposed by applicant are, in general, so located that all subscribers' stations within a particular zone are connected to lines to which no stations in any other zone are connected; however, due to the present arrangement of a few of the lines and stations, it was not possible to locate all of the zone boundaries to meet the above condition. Such re-arrangements and changes as may be necessary to comply with these conditions should be made by applicant before a change is made in its rate structure

and the order following will so provide.

Service is now furnished by applicant to stations on what are called "farmer lines" at a lesser monthly rental rate than is exacted from applicant's suburban subscribers. The so-called "farmer lines" are not constructed in accordance with the generally accepted conception of this term. With one exception, these "farmer lines," are subscriber-owned lines connected at some convenient point on one of applicant's suburban lines instead of being connected at the primary rate area boundary or some point near applicant's central office. In the proposal introduced at the hearing in this matter, applicant plans to change the present "farmer line" subscribers in all zones except Raymond on the same basis as its suburban subscribers and acquire ownership in the now subscriber-owned lines for no other compensation to the owners for the wire lines than that of an agreement to maintain them thereafter. While it appears that the acquisition of the now subscriber-owned telephone lines would be in the interest of other subscribers served by suburban lines to which such "farmer lines" are connected, we cannot agree that applicant should expect to have such lines donated to it, and under the condition of an enforced increase in rates. Although Mr. A. C. Shaw testified that applicant would be willing to purchase the telephone instruments now owned by subscribers, he did not indicate willingness in any degree to compensate the present owners for wires or supports for such wires. We believe that applicant should compensate the present owners of telephone lines and equipment used in providing telephone service in a fair and reasonable amount before collecting from them rental charges based on the non-owner rate.

It is suggested that negotiations be opened between applicant and subscribers now owning telephone lines and equipment for the purchase by applicant of such lines and equipment at a price to be mutually satisfactory and, in the event that an agreement cannot be reached, the matter should be submitted to this Commission for adjust-

ment and settlement. Mr. Shaw stated that there was one "farmer line" extending from Cold Springs in the Ahwahnee Zone to Wawona which applicant did not desire to purchase for the reason that it is not possible, except by a heavy expenditure, for applicant to maintain a line to Wawona during the winter and that service is rendered over this subscriber-owned, subscriber-maintained line. If this be a fact, it would appear that applicant should seek seasonal abandonment of its line to a specified point as it did in connection with other lines of its system (19 C.R.C. 59). Applicant has submitted at two different times, for the consideration of this Commission, different schedules of proposed rates. The first, submitted with the application in this matter, contemplated drastic increases in flat rate charges to all subscribers as well as the institution of inter-zone rates as heretofore described. In our opinion, if this schedule of rates were made effective, the increases in charges to the users of the service would so greatly curtail the use and usefulness of the service that the purpose of providing a greater revenue by means of increased rates would be defeated. Applicant evidently reached this conclusion before the hearing in this proceeding for it submitted in evidence at such hearing, a second schedule of rates setting forth a lower flat rate charge to the majority of subscribers than was contained in the first schedule. It is to be noted that in the second schedule of rates a higher flat rate for suburban service is shown for Ahwahnee Zone than is indicated for similar service in other zones, except Raymond Zone. There are a greater number of connected stations in this zone than in the other outlying zones and hence the service is more valuable; while this may be true to some extent, it appears that the number of stations per lines in the Ahwahnee Zone degrades the service to an extent which more than offsets the greater availability of subscribers' stations. We believe that suburban service rates in the Ahwahnee Zone should be the same as those in the other

service zones of applicant, except Raymond Zone.

Applicant's proposed toll service schedule shows that the same initial charge is made for toll telephone or telegraph service between any point within a certain zone and some point outside that zone, except the toll point at Wawona. Although the initial rate for toll telephone service between Raymond and Ahwahnee, for example is shown as twenty (20) cents, the initial rate for similar service between Raymond and Wawona is thirty (30)cents; this difference is made although Wawona is located within the same zone as Ahwahnee and is served by the same lines. It appears that in connection with such an arrangement discriminatory practices would be likely to exist, and that such differential rates should not be fixed; accordingly, the order following will provide for equal initial toll telephone and telegraph rates between any point within a specified zone and any particular point outside that zone.

A charge of fifteen (15) cents for three (3) minutes' conversation, applicable to non-subscribers only, is proposed by applicant for service between two stations within any zone, such charge to be made only when telephone connection is obtained with the desired party. It appears that, in order to avoid difficulties in administration and operation as well as possible discrimination, a rate for such service should apply only to messages originating at designated pay stations and should be without time limit, except as all exchange messages are limited by the application of reasonable rules and regulations.

A reasonable Rate Base to be used in this proceeding has been determined from the estimates made by Mr. F. M. Casal, an assistant engineer of the Commission. Mr. Casal made a spot check of the inventory submitted by applicant and found it to be substantially correct. From this inventory an appraisal was prepared by Mr. Casal, the total of which, less Materials and Supplies,

amounted to Twenty-Nine Thousand Twenty-Five (29,025) Dollars.

This figure, although somewhat less than that shown in the appraisal submitted in evidence by applicant, was accepted at the hearing by applicant as a reasonable historical reproduction cost new of its telephone properties. The rate base found reasonable in this proceeding for the year period October 1, 1926, to September 30, 1927, is Thirty-One Thousand Seven Hundred (31,700) Dollars, composed of the following:

Appraisal of Property as of December 31, 1924,	\$ 29,000.
Additions and Betterments, January 1, 1925, to March 31, 1927,	\$ 1,500.
Materials and Supplies and Working Capital,	\$ 1,200.

The Operating Expenses less depreciation annuity found to be reasonable for the year period October 1, 1926, to September 30, 1927, were \$5,900. The amount of operating expenses herein found reasonable is somewhat greater than an estimate submitted by applicant which contemplated curtailment of service by closing the office for regular service at 9:00 P.M. on week days instead of at 10:00 P.M. as at present. We find no good reason for reducing the regular hours of service and the amount allowed for expenses will provide for the same hours of service as at present. Operating Expenses of \$6,980.00, including an allowance of \$1,080.00 for depreciation annuity, were found reasonable.

The evidence in this proceeding indicates that, under present rates, the maximum net amount for interest that can be expected by applicant is something less than \$600; or about 1.9% of the rate base found reasonable herein; there appears no doubt that applicant is entitled to an increase in rates. It is estimated that the rates set forth in Exhibit "A", attached hereto, will produce an annual gross revenue of \$9,330; deducting operating expenses, and an amount of \$450. estimated for taxes and uncollectibles, leaves a net for return of \$1,900.

No one at the hearing in this matter stated any objections

to the increase in rates for service as proposed by applicant.

The map of the territory served by applicant, which was submitted with the application as Exhibit "F", was checked in the field by Mr. Casal and found to contain several errors in locations of the various boundary lines. A map showing territorial and zone boundaries, submitted at the hearing by applicant as Exhibit No.2, shows these boundaries in locations, with minor changes, as suggested by Mr. Casal. One of the changes in the territorial boundary set forth in the revised map involved the transfer of Sections 2 and 11, T. 7 S., R. 18 E., from the Exchange Area of The Pacific Telephone and Telegraph Company's Le Grand Exchange to the territory of applicant. Mr. H. K. Taylor, who appeared at the hearing for The Pacific Telephone and Telegraph Company, stated that such transfer met with the approval of The Pacific Company. A map of the territory and zones of applicant is attached hereto as Exhibit "B".

Map of Primary Rate Area, Raymond Exchange, Exhibit "C", attached, is substituted for the circle of one-half mile radius submitted by applicant for the reason, as stated at the hearing by the Commission's witness, that it can be much more readily located in the field. It is estimated that this substitution will have practically no effect on the revenue of applicant.

O R D E R

Raymond Telephone Company, applicant in this proceeding, having requested the Railroad Commission to make its order authorizing applicant to establish separate exchange service areas and to file and make effective schedules of rates for exchange telephone service and for toll telephone and telegraph service, and rules and regulations relating thereto, a public hearing having been held and

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 for telephone service are insufficient to provide applicant with an adequate return and, in so far as the present rates differ from the rates herein established, are not just and reasonable rates and that the rates herein established are just and reasonable rates for the telephone and telegraph service rendered by applicant.

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 Raymond Telephone Company, after a showing to the Railroad Commission that it has so rearranged its telephone circuits that none of its lines have connected subscribers' stations in more than one of the zones as set forth in Exhibit "B", attached hereto and, upon supplemental order from the Railroad Commission, may file and make effective rates for service in accordance with the schedules and maps shown in Exhibits "A", "B", and "C", attached hereto, together with rules and regulations governing service 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 27th day of ~~April~~^{June}, 1927.

[Signature]
[Signature]
[Signature]
[Signature]
[Signature]

Commissioners.

EXHIBIT "A"

RATES

EXCHANGE SERVICE - SCHEDULE NO. A-1.

SERVICE :

Applicable to individual and party-line business and residence flat rate service furnished within the primary rate area of the Raymond Zone.

RATE:

	Rate per month			
	Business		Residence	
	Wall Set	Desk Set	Wall Set	Desk Set
Each individual line station	\$3.50	\$3.75	\$3.00	\$3.25
Each two-party line station	3.00	3.25	2.50	2.75
Each four-party line station	2.50	2.75	2.00	2.25
Each extension station	1.00	1.25	1.00	1.25

CONDITIONS:

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

(2) Extension sets at the above rates will be installed on the same premises as the primary station.

EXCHANGE SERVICE - SCHEDULE NO. A-4.

MILEAGE RATES - RAYMOND

Mileage rates applicable throughout the Suburban Area
of the Raymond Zone.

RATE:

Rate per each one-quarter
mile or fraction thereof
per month

Each individual line primary station	\$0.50
Each two-party line primary station	0.35
Each four-party line primary station	0.25

The above rates are based on the 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 applicable to a service located outside the primary rate area but within the exchange area in addition to the base rates for similar service furnished within the primary rate area.

EXCHANGE SERVICE - SCHEDULE NO. A-5.

Suburban Service - Raymond.

SERVICE:

Applicable to suburban service furnished within the Suburban Area of the Raymond Zone.

RATE:

	Rate per month	
	Wall Set	Desk Set
Each business station,	\$3.00	\$3.25
Each residence station,	2.25	2.50

CONDITIONS:

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

EXCHANGE SERVICE - SCHEDULE NO. A-5.

Suburban Service - Ahwahnee, Ben Hur,
Coarse Gold and Grub Gulch Zones.

SERVICE:

Applicable to suburban service furnished at any point
in the entire territory served outside of Raymond Zone.

RATE:

	Rate per month.	
	Wall Set	Desk Set
Each business station	\$2.50	\$2.75
Each residence station	1.50	1.75

CONDITIONS:

(1) Suburban lines outside the Raymond Zone are not
limited as to number of stations on each line.

(2) Subscribers to flat rate suburban service in
any zone will receive service to all stations located within
that zone for no additional charge.

EXCHANGE SERVICE - SCHEDULE NO. A-6.

Farmer Line Service - Raymond.

SERVICE:

Applicable to Farmer Line Service outside the primary rate area but within the suburban area of Raymond Zone.

RATE:

	<u>Rate per month</u>
Each farmer line station	\$1.00

The minimum charge is \$3.50 per circuit per month.

CONDITIONS:

(1) The Company installs, owns and maintains at its expense the necessary central office equipment and service and line facilities to the primary rate area boundary.

(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, station protection and battery.

EXCHANGE SERVICE - SCHEDULE NO. A-11.

PAY STATION SERVICE:

Applicable to non-subscriber use of the service
between two points in any one zone.

RATE:

Each message

\$0.10

EXCHANGE SERVICE - SCHEDULE NO. A-14.

Directory Listings Entire territory.

Applicable to listings in telephone directory of Raymond Telephone Company.

Subscribers are entitled, without charge, to listings in the alphabetical section of the telephone directory as follows:

Individual line service	- 1 listing
Party line service, each primary station	- 1 listing
Suburban service, each primary station	- 1 listing

Additional listings in the directory and joint use of service by others than members of the subscriber's firm or family are available in accordance with the following rates:

	<u>Rate per month</u>
Each additional listing, member of same firm or family	\$0.25
Each joint user service, including directory listing	1.00

EXCHANGE SERVICE-SCHEDULE NO. A-18

Vacation Rate Service

Subscribers to residence service, while temporarily absent from their residences may be granted a discount of 50% on the regular rate for their primary telephone and extensions, under the following conditions:

That the subscriber shall have had residence service continuously for a period of not less than one year, and that his account is paid in full to date of application for discount.

That the exchange service charge, at the vacation rate, for the entire period of suspension be paid at the time the application for the vacation rate service is accepted by the company.

Service at the vacation rate may begin on any day of the month, and may be granted for any period of not less than one month and not more than four months. Subscribers shall be allowed but one suspension of service at the vacation rate in each calendar year.

Service furnished during the period of suspension will consist of outgoing service only. Persons calling for the telephone number in question will be advised by the operator that the telephone has been "temporarily disconnected." In the event the subscriber desires incoming service restored in advance of the last day of the period of suspension such restoration will be made upon application to the company. The subscriber will then be billed at the regular rate from and including the date following that on which service is restored, and the payment previously made for such period at the vacation rate will be credited to the subscriber as a payment on account.

TOLL SERVICE-SCHEDULE NO. B-1

GENERAL SERVICE:

The following listed initial rates are effective for Long Distance Toll Telephone Service over the lines of Raymond Telephone Company:

<u>RATES</u>	<u>BETWEEN</u>						
<u>and</u>	<u>Ahwahnee</u>	<u>Ben Hur</u>	<u>Coarse Gold</u>	<u>Grub Gulch</u>	<u>Madera</u>	<u>Raymond</u>	
Ben Hur	\$0.20						
Coarse Gold	.20	\$0.20					
Grub Gulch	.15	.15	\$0.15				
Madera	.50	.40	.45	\$0.40			
Raymond	.25	.15	.20	.15	\$0.25		
Wawona	-	.20	.20	.15	.50	\$0.25	

The above rates are for "Person to Person" service; they apply to toll telephone messages over the Company's lines without reference to the class of toll service which may be requested or which may be offered or furnished by connecting companies.

INITIAL PERIOD AND OVERTIME PERIOD.

The toll telephone rates herein listed are for an initial period of three (3) minutes and an overtime period of one (1) minute.

OVERTIME RATES AND REPORT CHARGES.

Overtime Rates and Report Charges are effective as follows:

<u>When the Initial Rate is</u>	<u>The Overtime Rate is</u>	<u>The Report Charge is</u>
\$0.15	\$0.05	-
.20	.05	-
.25	.05	\$0.10
.40	.10	.10
.45	.15	.10
.50	.15	.10

The charge applicable to toll service between any point on the lines of the Company, other than Madera and any point on the lines

of connecting companies beyond Madera is the sum of the rate quoted by the connecting companies for the use of their lines between Madera and the point on the connecting lines plus the above listed rate applying between Madera and the point on this Company's line.

LIST OF STATIONS.

Following is a list of stations, exclusive of toll stations and exchanges, served by the lines of the Raymond Telephone Company, together with information indicating the rate to be used on inter-zone and inter-company toll telephone and telegraph traffic:

<u>STATION</u>	<u>USE RATE TO</u>
Buchanan	Raymond
Fresno Flats	Coarse Gold
Knowles	Raymond
Miami Lodge	Ahwahnee
Mist	Grub Gulch
Sugar Pine	Ahwahnee
Summit House	Raymond
The Pines	Coarse Gold

TELEGRAPH SERVICE-SCHEDULE NO. C-1

GENERAL SERVICE:

Applicable to Telegraph Service between any two points on the Company's lines as listed below:

TELEGRAMS - RATE:

	<u>First ten words or less</u>	<u>Each additional word</u>
Between Madera and Ahwahnee	\$0.60	\$0.035
Ben Hur	.42	.025
Coarse Gold	.48	.035
Grub Gulch	.42	.025
Raymond	.30	.025
Wawona	.60	.035
Between any two points on Company's lines, other than Madera	.30	.025

DAY LETTERS AND NIGHT LETTERS - RATE:

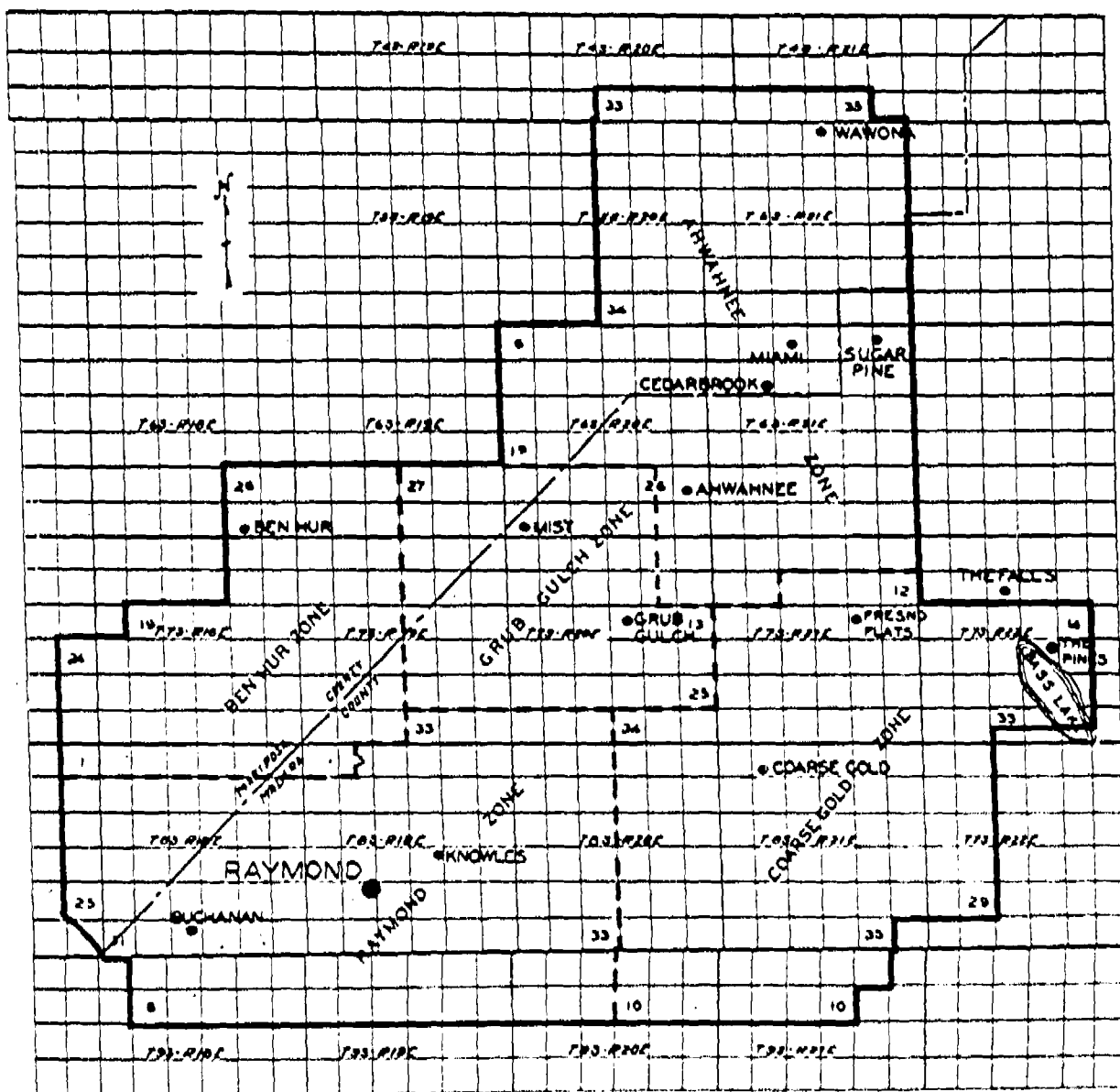
<u>When the telegraph rate is</u>	<u>The Day Letter Rate is</u>		<u>The Night Letter Rate is</u>	
	<u>50 words or less</u>	<u>:Each add. :10 words :or less</u>	<u>50 words or less</u>	<u>:Each add. :10 words :or less</u>
\$0.30	\$0.45	\$0.09	\$0.30	\$0.06
.42	.63	.126	.42	.084
.48	.72	.144	.48	.096
.60	.90	.18	.60	.12

EXHIBIT "B"

MAP SHOWING TERRITORY SERVED

AND ZONES.

CALIFORNIA RAILROAD COMMISSION
 MAP SHOWING
 TERRITORY SERVED AND ZONES
 RAYMOND TELEPHONE COMPANY
 APPLICATION 11592



TERRITORIAL BOUNDARY ———

ZONE BOUNDARY - - - - -

SCALE
 0 1 2 3
 MILES

EXHIBIT "C"

MAP SHOWING PRIMARY RATE AREA

RAYMOND EXCHANGE

CALIFORNIA RAILROAD COMMISSION
PRIMARY RATE AREA
OF
RAYMOND EXCHANGE
RAYMOND TELEPHONE COMPANY
APPLICATION NO. 11592

