

LEEM

Decision No. 13461

**ORIGINAL**

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 DELTA TELEPHONE AND TELEGRAPH COMPANY, )  
 a corporation, for authority to issue ) Application No. 13461  
 common stock. )

In the Matter of the Application of )  
 DELTA TELEPHONE AND TELEGRAPH COMPANY, )  
 a corporation, for authority to revise ) Application No. 13462  
 exchange areas and to adjust rates )  
 for toll and exchange service. )

A. N. Johns, and Devlin and Devlin,  
 by A. I. Diepenbrock, for applicant.  
 Louis S. Wetmore, for Libby, McNeil and Libby and  
 Ivan K. Pemberton.  
 J.J. Deuel and Edison Abel, for California Farm  
 Bureau Federation, protestant.  
 Ernest Erwin, for California Independent Telephone  
 Association.

BY THE COMMISSION:

O P I N I O N

The above entitled applications were consolidated for hearing and decision.

In Application No. 13461 Delta Telephone and Telegraph Company asks permission to issue and sell 500 shares (\$50,000. par value) of its common capital stock at not less than \$85.00 per share and use the proceeds for the purposes hereinafter stated.

In Application No. 13462 Delta Telephone and Telegraph Company asks permission to revise its exchange areas and to make such adjustments and changes in its rate schedules as will accord with the proposed changes in operating methods, and will yield applicant a reasonable return upon the fair value of the property devoted to public use.

Public hearings were held in these matters before Examiner Fankhauser at Sacramento on March 24th, August 23rd and August 24, 1927.

Delta Telephone and Telegraph Company hereinafter sometimes referred to as applicant, or the company, is engaged in the business of furnishing telephone and telegraph service to subscribers located along the Sacramento River from a point about three miles south of the southerly limits of the City of Sacramento to approximately 28 miles southerly thereof, including the towns or communities of Courtland, Walnut Grove, Isleton, Freeport, Clarksburg, Hood, Paintersville, Ryde and Vorden. Applicant has central offices located at Courtland and Isleton. Its lines connect with those of The Pacific Telephone and Telegraph Company at Sacramento and with those of the Rio Vista Telephone Company at Rio Vista.

The company is operating under a peculiar rate schedule. For exchange telephone service it makes a monthly charge of \$1.75 for business or residence service. This monthly rental entitles the subscriber to the following:-

- (a) Free calls, unlimited, between stations on the same line.
- (b) Fifteen messages, each of three minutes or less duration, to any of the company's subscribers not on the same line, all excesses over the three minute limit to be paid for at the overtime rate shown in (c) below.
- (c) All messages to company's stations in excess of the fifteen allotted in paragraph (b) above, except as provided in paragraph (a) above, shall be paid for at the rate of ten cents for the first three minutes or fraction thereof, and five cents for each additional minute or fraction thereof.

The toll rates now in effect provide for a charge of thirty cents for the first three minutes and ten cents for each additional minute or fraction thereof for messages between Sacramento and Courtland and Sacramento and Isleton. The initial rate between Sacramento and Rio Vista is five cents higher. Toll rates for service between Rio Vista and points on applicant's system, except Sacramento, are fifteen cents for the first three minutes and five cents for each additional minute or fraction thereof.

To satisfy the increasing demand for telephone service throughout its territory and particularly at Walnut Grove, applicant proposes to establish a new exchange area, with a central office at Walnut Grove, and operate its system on the plan of three separate exchanges; one at Courtland, one at Isleton and one at Walnut Grove, with toll rates effective between any two. It plans to install automatic equipment at both Walnut Grove and Isleton because of the difficulty of securing and retaining the services of experienced operators. All toll business would be handled by operators at the Courtland central office where the company proposes no change.

In its Exhibits No. 4 and No. 6 applicant submitted its proposed rates for exchange flat rate service in the Walnut Grove and Isleton exchange areas and for toll and telegraph service for inter-exchange communications over its entire system. Flat rate schedules were designed to apply in connection with primary rate areas to be established for Walnut Grove and Isleton exchanges, although applicant submitted no map showing the extent of such areas. No change in either service or exchange rates is suggested by applicant for its Courtland Exchange.

We are unable to agree with applicant that the present rates and present type of service should be continued at Courtland, while an entirely different rate schedule and type of service is proposed by applicant for both Isleton and Walnut Grove. We believe that the same rate schedule should be in effect throughout the territory served by applicant. It appears that the demand for telephone service at Walnut Grove justifies the installation of an automatic central office at that point, and the replacement of the present central office equipment at Isleton with automatic. Inasmuch as the personnel of the operating force which is required to complete toll messages at Courtland can also act as local operators, there is no need for installing automatic equipment at Courtland. We do believe,

however, that applicant's patrons in Courtland should be given common battery service, and the order will provide for such changes as may be necessary to furnish common battery service to all subscribers located in the primary rate area of the Courtland exchange.

It is our opinion that the gross cost of the installation of the automatic exchange at Walnut Grove and Isleton, the proposed change at Courtland and the installation of other necessary changes and additions and betterments for a period of one year, should not exceed \$43,177.00, while the net cost should not be more than \$32,750.00.

Estimates of the historical cost of applicant's properties as of August 31, 1926, were submitted, both by the company and by the engineering department of the Commission. The former estimates the historical cost of its properties at \$218,232.00, the latter at \$197,061.00 including materials and supplies. Reproduction cost new of the properties is reported by the company at \$262,855.00 and the reproduction cost new less depreciation at \$217,928.00. The engineering department of the Commission did not submit an estimate of the reproduction cost new of the properties. The difference in the historical cost estimate between those submitted by the company and that of the Commission's engineering department is due in general to using different unit prices and allowances for overhead, and the exclusion by the Commission's engineers of \$2,000. representing the value of land which, in their opinion, is non-operative. Neither estimate includes any allowance for going concern value. It is of record that from September 1, 1926, to June 30, 1927, the company expended for additions and betterments the net amount of \$4,548.00. Assuming that the company will install the improvements to which reference has been made and giving due consideration to the evidence submitted, we find the average rate base

for the period March 1, 1927 to February 28, 1928 to be as follows;-

Operative property less materials and supplies, as of August 31, 1926 . . . . .	\$197,346.00
Additions and betterments, Sept. 1, 1926 to June 30, 1927 . . . . .	4,548.00
Estimated additions and betterments . . . . .	32,700.00
Materials and supplies and working cash capital . . . . .	<u>7,000.00</u>
Total.....	<u>\$241,594.00</u>

The record shows that applicant during 1926 had operating revenues of \$59,003.23 and that its operating expenses, exclusive of taxes, amounted to \$41,308.63. Considering the taxes (\$5,406.72) as part of the operating expenses, applicant for 1926 had a net operating revenue of \$12,287.70. The operating expenses include \$8,318.00 for general expenses which we believe is excessive. Such expenses should, in our opinion, not have exceeded \$5,300.00. Giving effect to this adjustment, we find that applicant during 1926 realized a fair return on its properties.

Applicant urges that for 1927 it should be allowed \$54,000. for operating expenses including depreciation and taxes and \$19,680. for a fair return, or a total revenue of \$73,680.00. F.M. Casal, an assistant engineer for the Commission, estimates that if applicant's proposed rates and service were in effect for the year ending February 28, 1928, its operating revenue would amount to \$76,200. The estimated operating expenses of \$54,000.00 are segregated by applicant as follows;-

Maintenance expenses, including \$11,000. for depreciation . . . . .	\$19,755.00
Traffic expenses . . . . .	11,400.00
Commercial expenses . . . . .	3,940.00
General expenses . . . . .	8,800.00
Uncollectible accounts . . . . .	170.00
Taxes (State \$4,000., Federal \$2,200.) . . . . .	6,200.00
Rent for poles . . . . .	44.00
Amortized over a period of five years estimated cost of this proceeding (\$15,000.) and certain extraordinary losses . . . . .	<u>5,600.00</u>
Total.....	<u>\$53,909.00</u>

The general expenses in the estimate are substantially the same as the actual reported for 1926. No evidence was submitted to justify a general expense of \$8,300.00, neither was any testimony offered to show the actual cost of this proceeding. Should such cost equal the estimate, we find the same to be excessive and that its total amortization should not be allowed by charges to operating expenses. Our estimate of operating expenses provides for the amortization of what we consider to be a reasonable cost of this proceeding. The Commission's engineers in their estimate of operating expenses did not allow anything to cover the loss sustained by the company in conducting a boarding house for its operators at Courtland. The record shows that during the past year two and sometimes three of its operators patronized the company's boarding house. R.E.Mart, assistant manager of applicant, testified that if the company were to cease the operation of the boarding house, the wages of all operators would have to be increased.

After giving due consideration to the evidence submitted, we find the following to be a reasonable allowance for operating expenses;-

Maintenance expenses, including \$9,530. for depreciation annuity, 5 percent sinking fund basis . . . . .	\$19,370.00
Traffic expenses . . . . .	10,790.00
Commercial expenses . . . . .	3,820.00
General expenses . . . . .	5,810.00
Taxes assignable to operation . . . . .	5,580.00
Rent for pole lines . . . . .	40.00
Uncollectible revenue . . . . .	<u>170.00</u>
Total.....	<u>\$45,380.00</u>

The rate schedule attached to the order herein as "Exhibit A" we believe will produce an operating revenue of \$62,300.00, which is sufficient to cover the estimated operating expenses and yield a return of slightly more than seven per cent on a rate base of \$241,594.

There is also attached to the order herein as "Exhibit B" maps showing the primary rate areas of the Courtland, Isleton and Walnut Grove exchanges and as "Exhibit C" the exchange areas boundary of each of the exchanges.

In Application No. 13461 the Delta Telephone and Telegraph Company asks permission to issue and sell \$50,000.00 of stock at 85 percent of its par value and use the proceeds to pay the cost of the improvements set forth in Exhibit "D" filed in said application. The total cost of the improvements which the company contemplated to install is reported at \$40,000.00. As it appears, however, from this opinion, the Commission believes that the company should make other changes than those set forth in Exhibit "D". It is our opinion that the total cost of the improvements which the company will be required to make as a condition precedent to the effective date of the rates herein authorized to be charged will not exceed \$43,127.00 and that the net cost of such improvements should not exceed \$32,750.00. It occurs to us that the retirement of properties should in part at least be financed through charges to the company's depreciation reserve and not through the issue of stock. The order herein will authorize the company to issue \$40,000.00 of common stock at not less than ninety percent of its par value, for the purpose of paying for the improvements referred to in this opinion.

#### ORDER

Delta Telephone and Telegraph Company having requested permission to issue stock and for permission to revise its exchange areas and establish a new exchange at Walnut Grove and to make such adjustments in its rate schedules as will accord with the proposed

changes, public hearings having been held and the matter having been submitted and the Commission being of the opinion that the money, property or labor to be procured and paid for by the issue of \$40,000.00 of common stock is reasonably required by the company, and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income, and that in the opinion of the Commission public convenience and necessity require Delta Telephone and Telegraph Company to establish an exchange at Walnut Grove with a corresponding revision in its exchange areas and to publish, file and place in effect rates as hereinafter provided, and basing its order on the foregoing finding of fact and other findings of fact which are set forth preceding this order, the Commission hereby orders as follows;-

1. The Delta Telephone and Telegraph Company, after a proper showing to the Railroad Commission that it has completed construction and rearrangements necessary to the rendering of common battery exchange telephone service within the primary rate areas of the Courtland, Isleton and Walnut Grove exchanges, as set forth in the opinion preceding this order, and upon a supplemental order from the Railroad Commission may:

- (a) Render exchange and toll and telegraph service from a central office at Walnut Grove.
- (b) Establish primary rate areas in Courtland, Isleton and Walnut Grove exchanges, as set forth in Exhibit "B" attached hereto.
- (c) Establish exchange areas for Courtland, Isleton, and Walnut Grove Exchanges, as set forth in Exhibit "C" attached hereto.
- (d) File with the Railroad Commission and make effective the rates set forth in Exhibit "A" attached hereto.
- (e) File with the Railroad Commission maps showing the primary rate areas and exchange areas for Courtland, Isleton and Walnut Grove exchanges, as set forth in Exhibits "B" and "C" attached hereto.



2. Delta Telephone and Telegraph Company may issue and sell for not less than 90 percent of its par value \$40,000 par value of its common capital stock and use the proceeds to pay in whole or in part the cost of installing improvements, to which reference is made in the foregoing opinion.
3. Except as otherwise provided in this order, the authority herein granted shall become effective twenty (20) days after the date hereof.
4. Delta Telephone and Telegraph Company shall keep such record of the issue, sale and delivery of the stock herein authorized and of the disposition of the proceeds as will enable it to file, on or before the 25th day of each month, a verified report, as required by the Railroad Commission's General Order No. 24, which order, insofar as applicable, is made a part of this order.
5. Application No. 13461 insofar as it involves the issue of \$10,000. of stock be, and the same is hereby, dismissed without prejudice.

DATED at San Francisco, California, this 25<sup>th</sup>  
day of October, 1927.

Ernest D. [Signature]

[Signature]

Thos. J. [Signature]

W. J. [Signature]

Commissioners.

EXHIBIT "A"

RATES

EXCHANGE SERVICE SCHEDULE NO. A-1.

GENERAL SERVICE:

Applicable to individual and party-line business and residence flat rate service furnished within the primary rate areas of the Courtland, Isleton and Walnut Grove Exchanges.

RATES:

	Rate per Month			
	Business		Residence	
	Wall Set	Desk Set	Wall Set	Desk Set
Each individual line station,	\$3.25	\$3.50	\$2.75	\$3.00
Each two-party line station,	2.50	2.75	2.25	2.50
Each four-party line station,	-	-	2.00	2.25
Each Extension station,	1.00	1.25	.75	1.00

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

Mileage rates applicable throughout the Suburban Areas of the Courtland, Isleton and Walnut Grove Exchanges.

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,	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

SERVICE:

Applicable to suburban service furnished within the suburban areas of the Courtland, Isleton and Walnut Grove Exchanges.

RATE:

	Rate per month	
	<u>Wall Set</u>	<u>Desk Set</u>
Each business primary station,	\$3.00	\$3.25
Each residence primary station,	2.50	2.75
Each business extension station,	1.00	1.25
Each residence extension station,	.75	1.00

CONDITIONS:

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

EXCHANGE SERVICE SCHEDULE NO. A-11.

PAY STATION SERVICE:

Applicable to service from Company's non-listed public telephone stations throughout the territory served.

RATE:

Each exchange message, . . . . . \$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.

EXCHANGE SERVICE SCHEDULE NO. 1-13.

SUPPLEMENTAL EQUIPMENT

SERVICE:

Rates applicable to Supplemental Equipment furnished by the Company throughout the entire territory served.

RATE:

<u>Supplemental Equipment</u>	<u>Installation Charge</u>	<u>Rate per Month</u>
Ordinary extension bell,	\$1.25	\$0.25
Loud ringing gong,	1.50	.50

CONDITIONS:

The equipment covered by the above rates is owned and maintained by the Company.

TOLL SERVICE - SCHEDULE NO. E-1.

GENERAL SERVICE:

Applicable to Station-to-Station, Person-to-Person and Appointment and Messenger interexchange toll telephone service over the lines of Delta Telephone and Telegraph Company.

RATE:

(A) Base Rates: Station-to-Station Day Service initial rates between any two of the following points:

and	<u>Court- land</u>	<u>Isle- ton</u>	Between: <u>Rio Vista</u>	<u>Sacra- mento</u>	<u>Walnut Grove</u>
Courtland,	-	\$0.10	\$0.15	\$0.15	\$0.10
Isleton,	\$0.10	-	.10	.25	.10
Rio Vista,	.15	.10	-	.25	.10
Sacramento,	.15	.25	.25	-	.25
Walnut Grove,	.10	.10	.10	.25	-

Initial Period and Overtime Period, Station-to-Station Day Service:

<u>Where the initial rate is:</u>	<u>The initial period is:</u>	<u>The overtime period is:</u>
\$0.10	5 minutes	3 minutes
.15	5 "	2 "
.20	5 "	2 "
.25	5 "	1 "

Overtime Rate, Station-to-Station Day Service:

<u>Where the initial rate is:</u>	<u>The overtime rate is:</u>
\$0.10	\$0.05
.15	.05
.20	.05
.25	.05

(B) Person-to-Person and Appointment and Messenger Rate.



TOLL SERVICE - SCHEDULE NO. B-1 (CONTINUED)

and Report Charge:

Rate for Initial Period of 3 minutes or less:

Where the Station-to-Station Day Service initial rate is:	The Corresponding Completed Person-to-Person rate is:	The Corresponding Completed Appointment and Messenger rate is:	The Corresponding Report Charge is:
\$0.10	\$0.15	\$0.20	\$0.05
.15	.20	.25	.10
.20	.25	.30	.10
.25	.30	.35	.10

Rate for Periods in excess of the Initial 3 minute period.

Where the initial rate is:	The overtime period is:	The overtime rate is:
\$0.15	1 minute	\$0.05
.20	1 "	.05
.25	1 "	.05
.30	1 "	.10
.35	1 "	.10

(C) Station-to-Station Night Rates:

Where the Station-to-Station Day Initial Rate is \$0.25 or less, Station-to-Station Night Rates are the same as Station-to-Station Day Rates.

(D) Toll Rates for Service to Connecting Company Points:

The charge applicable to toll telephone service between any point on the lines of Delta Telephone and Telegraph Company, other than connecting points, and a point on the lines of a connecting company is the sum of the Delta Company's charges between the point on the Delta Company's lines and the connecting point, and the charges of the connecting company or companies effective between the point of connection with the Delta Company's lines and the point on the connecting company's lines.

TELEGRAPH SERVICE - SCHEDULE NO. C-1

GENERAL SERVICE:

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

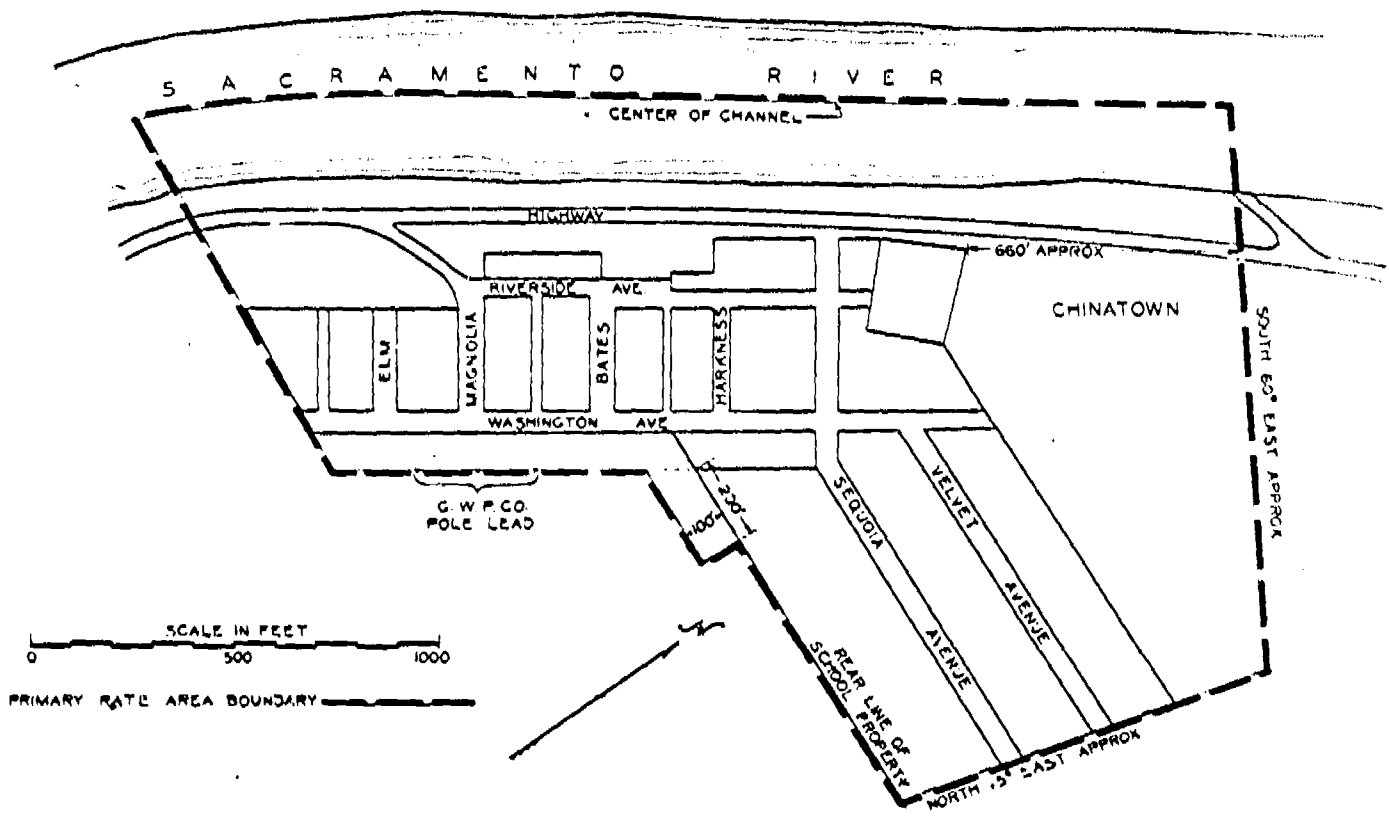
RATE:

<u>Telegrams</u>		
Between Sacramento and	<u>First ten words or less</u>	<u>Each additional Word</u>
Courtland,	\$0.30	\$0.025
Isleton,	.30	.025
Rio Vista,	.30	.025
Walnut Grove,	.30	.025
<u>Day Letters</u>		
Between Sacramento and any point on Company's lines,	<u>50 words or less</u>	<u>Each additional 10 words or less</u>
	\$0.45	\$0.09
<u>Night Letters</u>		
Between Sacramento and any point on Company's lines,	<u>50 words or less</u>	<u>Each additional 10 words or less</u>
	\$0.30	\$0.06

The charge applicable to telegraph messages between any point on the lines of connecting companies and a point on the lines of the Delta Telephone and Telegraph Company is the sum of the connecting company's or companies' rates between the distant point and Sacramento and the rates of the Delta Company applicable as shown above.

Exhibit B

CALIFORNIA RAILROAD COMMISSION  
MAP SHOWING  
PRIMARY RATE AREA BOUNDARY  
OF  
COURTLAND EXCHANGE  
DELTA TELEPHONE AND TELEGRAPH COMPANY

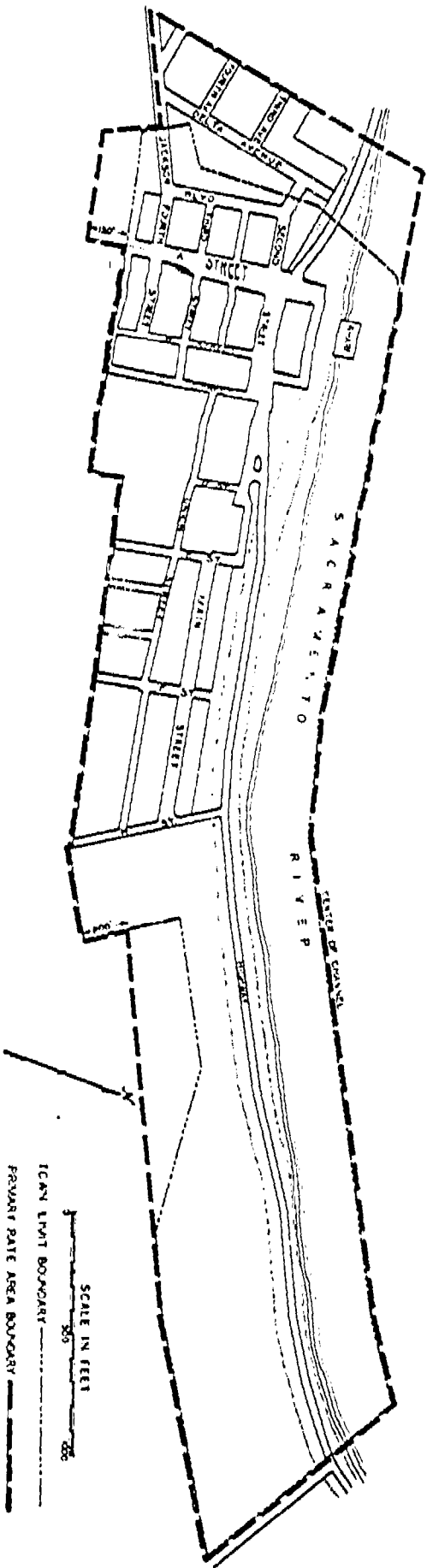


Ex B.

CALIFORNIA RAILROAD COMMISSION

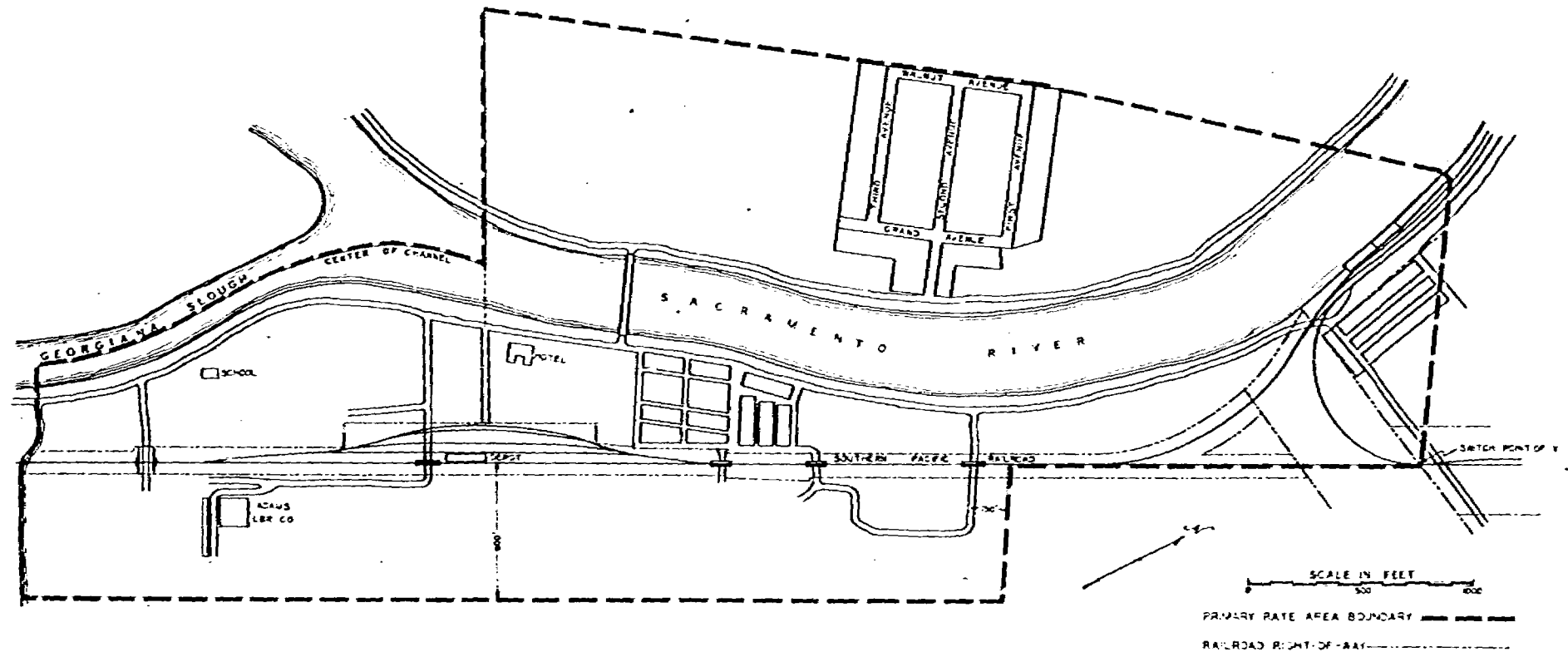
MAP SHOWING

PRIMARY RATE AREA BOUNDARY  
OF  
ISLETON EXCHANGE  
DELTA TELEPHONE AND TELEGRAPH COMPANY



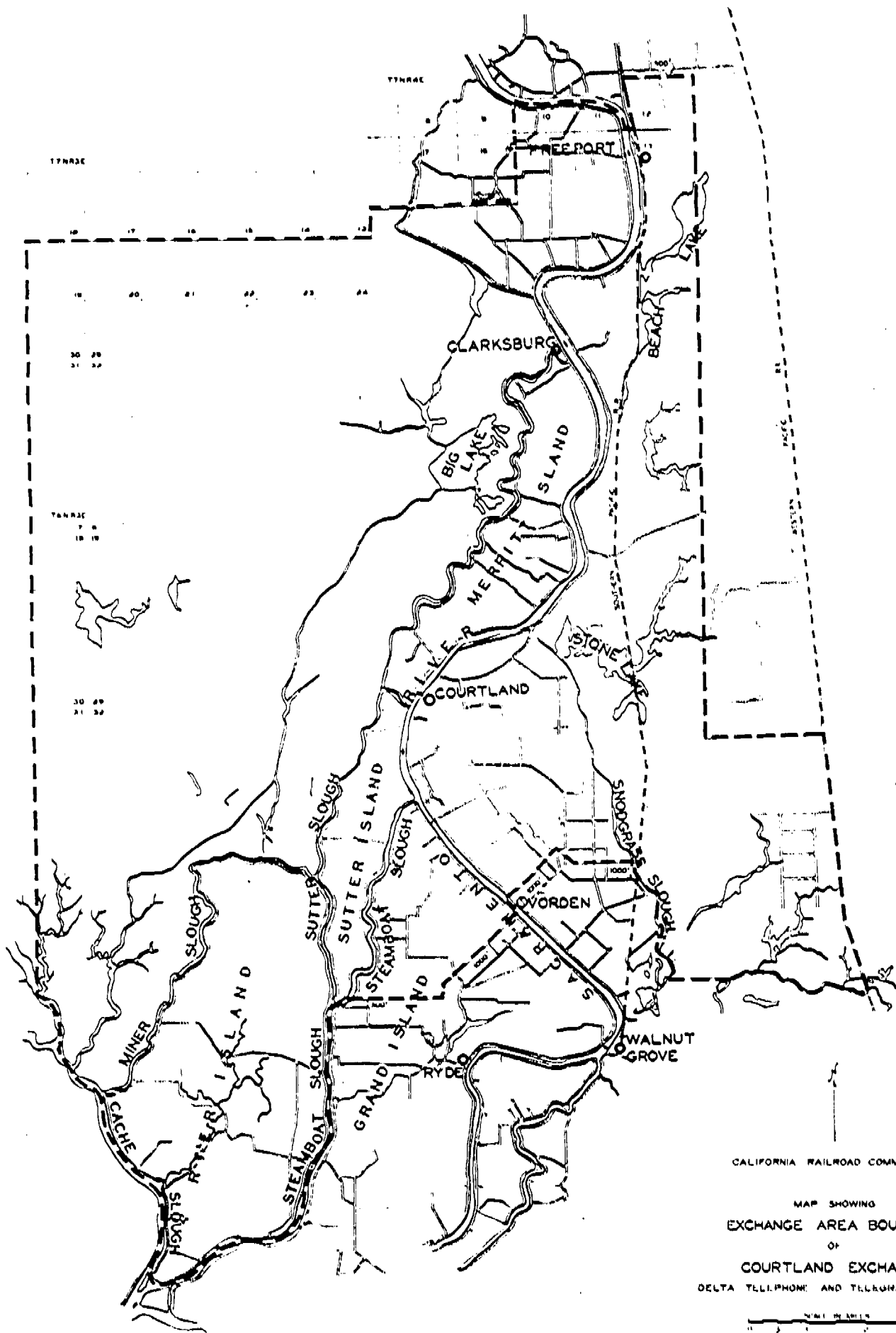
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CALIFORNIA RAILROAD COMMISSION  
MAP SHOWING  
PRIMARY RATE AREA BOUNDARY  
OF  
WALNUT GROVE EXCHANGE  
DELTA TELEPHONE AND TELEGRAPH COMPANY



Ex 10

Exhibit C.



CALIFORNIA RAILROAD COMMISSION

MAP SHOWING  
EXCHANGE AREA BOUNDARY

OF  
COURTLAND EXCHANGE

DELTA TELEPHONE AND TELEGRAPH COMPANY

