

ORIGINAL

Decision No. 19618.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application
of CORCORAN TELEPHONE EXCHANGE,
a corporation, for an order
increasing rates.

Application No. 14146.

Garfield R. Jones, for Applicant.
Ernest Irwin, for California Inde-
pendent Telephone Association.

BY THE COMMISSION:

O P I N I O N

Corcoran Telephone Exchange, a corporation, applicant in this proceeding, requests the Railroad Commission to issue its order fixing rates which will permit applicant to earn a return on its investment after making certain improvements in service which have been requested by applicant's patrons.

A public hearing in this matter was held before Examiner Gannon at Corcoran on February 28, 1928, at which time evidence was taken and the matter submitted.

Applicant furnishes exchange telephone service in the City of Corcoran, Kings County, and vicinity, in Kings and Tulare Counties, California. Connection is made at Corcoran with the lines of The Pacific Telephone and Telegraph Company by which toll telephone and telegraph service to other points is made available to applicant's patrons. Service through applicant's central office is available from 7 A.M. to 10 P.M.,

daily, and, up to the present time, no exchange service has been rendered between the hours of 10 P.M. and 7 A.M. Lack of service between the hours of 10 P.M. and 7 A.M. has failed to meet the needs of a considerable number of applicant's patrons, according to the testimony of several witnesses. All those making requests for continuous hours of service in Corcoran were under the impression that the cost of such additional service would of necessity be borne by the subscribers of applicant in the form of increased rates for service, and no one appeared to offer any objection to the proposed change. Applicant signified its desire to render service as desired by its patrons and asked that rates be fixed to provide an adequate revenue therefor. Although, generally speaking, the cost of continuous service in a community the size of Corcoran will be relatively high per subscriber station served, and such service is seldom furnished in exchanges of similar size, the record in this particular proceeding indicates a persistent demand for such service at a reasonable rate and there appears no good reason why continuous service should not be rendered by applicant. Rates will be fixed in the Order following on condition that continuous service be made available by applicant before such rates may be made effective.

A valuation of its property submitted by applicant showed an appraised value on the reproduction cost new basis, undepreciated, of \$20,101.00, including materials and supplies. This valuation was made by H. N. Kalb and was based on an inventory taken as of March 7, 1927. The Commission's engineer, F. M. Casal, attempted to check this inventory in the field, but due to wholesale changes, which had been made in the plant since the early part of the year 1927, he found such procedure to be

impracticable. A new inventory of this plant was made by the Commission's Engineer with the assistance of applicant and an appraisal based on this inventory was put in evidence by Mr. Casal and showed a total valuation of applicant's operative telephone properties, including materials and supplies, on the undepreciated historical reproduction cost basis, as of February 1, 1928, of \$14,303.00. Materials and Supplies were estimated at a total value of \$233.00. The valuation submitted by Mr. Casal was not contested by applicant.

It appears that applicant's cable plant is being utilized to its capacity and that in order to provide service to new patrons considerable reinforcement of the outside plant will be necessary. This will be reflected in the amount of capital which applicant will require in conducting its business in the future, and a reasonable amount will be included in the rate base for this purpose. The rate base found reasonable in this proceeding is as follows:

Valuation as of February 1, 1928, less Materials and Supplies,	\$14,070.00
Estimated Additions and Betterments, February 1, 1928, to July 31, 1928,	2,100.00
Estimated Amount for Materials and Supplies and Working Cash,	<u>780.00</u>
Reasonable Rate Base for the period Feb- ruary 1, 1928, to January 31, 1929,	\$16,950.00

Applicant submitted with its application an Income Statement for the period January 1, 1927, to October 1, 1927, purporting to show that its operations over that period resulted in a loss in excess of \$400. The Commission's engineer introduced an operating statement, which was not questioned by applicant, showing that under applicant's present rates and service an estimated net profit of over \$1,000. would be realized during the year period, February 1, 1928, to January 31,

1929. While it appears that some reasonable doubt might exist as to the necessity of a substantial increase in applicant's rates under the present conditions of operation, it is evident that when applicant's expenses are increased by approximately \$1,400. per annum, which the evidence shows will be required to provide continuous exchange service, additional revenue will be requisite to provide a return on the investment. It appears, however, in view of expected future growth, that rates as high as proposed by applicant will not be required to provide a fair return on applicant's investment. Further modification of applicant's proposed schedule should be made with reference to the rate for "farmer line" service. Applicant suggests that this rate be left as at present, namely \$7.50 per year per station with no minimum charge per circuit. Although the present rate per station may be adequate, it appears that the furnishing by applicant of the equivalent of individual line wire and switchboard facilities when only one station is served, at the rate for one station, is not equitable, considering exchange rates effective within the primary rate area. Schedules of reasonable rates, under the conditions of service which applicant will be expected to meet, are set forth in the Order following.

Estimated results of operations under the rates shown in the Order, which is a part of this decision, assuming such rates to be in effect over the entire period February 1, 1928, to January 31, 1929, are set forth in the table following:

Exchange Revenue,	\$6,165.00	
Toll Revenue,	<u>3,450.00</u>	
Total Revenue,		\$9,615.00
Maintenance Expenses less depreciation annuity,	\$ 900.00	
Depreciation Annuity,	935.00	
Traffic Expense,	3,650.00	
Commercial and General Exp.,	<u>2,400.00</u>	
Total Expenses,		<u>7,885.00</u>
Net Telephone Operating Revenue,		\$1,730.00
Uncollectible Operating Revenue,	\$50.00	
Taxes,	<u>490.00</u>	
Total Deductions from Net Telephone Operating Revenue,		<u>540.00</u>
AVAILABLE FOR RETURN,		<u><u>\$1,190.00</u></u>

In the above estimates allowance has been made for additional expenses in connection with twenty-four hour operation and the maintenance of applicant's books of account.

O R D E R

Corcoran Telephone Exchange having made application to the Railroad Commission for an order authorizing the revision of its rates for telephone service, a public hearing having been held, the matter having been submitted, and being now ready for decision,

The Railroad Commission of the State of California hereby finds as a fact that the rates now charged by Corcoran Telephone Exchange would be unjust and unreasonable in the event that continuous exchange service be established and that the rates hereinafter set forth will be just and reasonable under said conditions.

Basing its order on the foregoing findings of fact and on such other findings of fact as are set forth in the Opinion preceding this Order,

IT IS HEREBY ORDERED that Corcoran Telephone Exchange, after a showing to the Railroad Commission that it has made available to its patrons continuous twenty-four hour exchange telephone service, and upon Supplemental Order from the Railroad Commission, may file and make effective rates for service in accordance with the schedules and map shown in Exhibits "A" and "B", attached hereto.

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 17th day of April, 1928.

Leon White
C. Leary
Thos. J. Lovett
M. J. Carr
Commissioners.

EXHIBIT "A"

EXCHANGE RATES

EXCHANGE SERVICE SCHEDULE NO. A-1.

GENERAL SERVICE:

Applicable to business and residence flat rate service within the Primary Rate Area.

RATE:

	Rate Per Month	
	<u>Business Service</u>	<u>Residence Service</u>
Each Individual Line Station, desk set,	\$3.50	\$3.00
Each Two-Party Line Station, desk set,	2.75	-
Each Four-Party Line Station, desk set,	-	2.00
Each Extension Station, desk set, (with or without bell),	1.25	1.00

CONDITIONS:

(1) Well set equipment is furnished at the above rates less 25¢ per month.

(2) Extension stations at the above rates will be provided on the premises on which the primary station is located.

(3) Service will be provided outside the Primary Rate Area but within the Exchange Area at the above rates plus a mileage charge.

EXCHANGE SERVICE SCHEDULE NO. A-4.MILEAGE RATES:

Applicable to individual and party line service furnished outside the Primary Rate Area.

RATE:

	<u>Rate per one-quarter ($\frac{1}{4}$) mile, or fraction thereof, per month.</u>
Individual line, per line,	\$0.50
Two-party line, per primary station,	.35
Four-party line, per primary station,	.25

CONDITIONS:

(1) Mileage charges are in addition to charges applicable under Schedule No. A-1, General Service.

(2) The above rates are based on air line mileage measured between the subscriber's premises and the nearest point on the boundary of the Primary Rate Area.

EXCHANGE SERVICE SCHEDULE NO. A-6.FARMER LINE SERVICE:

Applicable to rural service furnished partially over subscriber-owned equipment outside the Primary Rate Area but within the Exchange Area.

RATE:

	<u>Rate per Station per Year</u>	
	<u>Business Service</u>	<u>Residence Service</u>
Farmer Line Service,	\$6.00	\$3.00

MINIMUM CHARGE:

The minimum charge is \$15.00 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 city limits of the City of Corcoran, one listing in the telephone directory per station, and a code ringing card per station.

(2) The subscriber installs, owns and maintains at his expense the necessary facilities from the Company line at the City Limits to the subscriber's instrument, also the complete telephone instrument and battery.

(3) New subscribers to this service will be billed from the date of connection to the end of the calendar year, and annually in advance thereafter.

EXCHANGE SERVICE SCHEDULE NO. A-13.PUBLIC PAY STATION SERVICE:

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

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. A-15.SUPPLEMENTAL EQUIPMENT:

Applicable to supplemental equipment furnished at the request of the subscriber.

	<u>Installation Charge</u>	<u>Rate per Month</u>
Each Extension Bell,	\$1.50	\$0.50
Each Extension Gong, 6"	1.50	.75

EXCHANGE SERVICE SCHEDULE NO. A-21.

Applicable to the permanent connection together of two or more telephone lines at the request of subscriber.

RATE:Rate per Month

Each business primary station - Individual Line Bus. Rate

Each residence primary station- Individual Line Res. Rate

CONDITIONS:

(1) All stations connected under this schedule must be applied for by the same subscriber of record, and shall be for the use of such subscriber.

(2) Under the above rates signaling, in accordance with the Company's standards, for the several stations, will be performed as requested by the subscriber.

(3) In no case will more than four (4) stations be permanently connected under this schedule.

(4) In cases where actual or obvious use indicates that the station for which connection to a business primary station is requested is a business extension station, this schedule does not apply, but the regular business extension rate does apply.

EXHIBIT "B"

MAP OF PRIMARY RATE AREA

CALIFORNIA RAILROAD COMMISSION
MAP SHOWING
CORCORAN PRIMARY RATE AREA
CORCORAN TELEPHONE EXCHANGE

