

ORIGINALDecision No. 12795.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of
 Bass Telephone Lines, unincorporated,
 for an Order of the Railroad Com-
 mission of the State of California,
 authorizing the establishment of
 Exchange Service Areas, the adjust-
 ment of local Exchange Service and the
 adjustment of rates for Exchange, Toll
 and Telegraph Service within portions
 of Shasta County, California, and
 the filing of rates providing therefor.

Application No. 12786.

Geo. W. Johnstone and A. L. Wilson,
 for Applicant.

BY THE COMMISSION:

O P I N I O N

Bass Telephone Lines, applicant in this proceeding, hereinafter referred to as the applicant, asks that the Railroad Commission make its order authorizing applicant to establish Exchange Service Areas, to adjust its Exchange telephone service in accordance therewith and to file and make effective schedules of rates for Exchange and Toll Telephone and Telegraph service as set forth in its application.

A public hearing in this matter was held before Examiner Rowell at Montgomery Creek, Shasta County, on January 24th, and 25th, 1928.

Applicant furnishes telephone and telegraph service in an area in Shasta County, northeast of Redding, California, including communities and points known as Buckeye, Stillwater,

Bella Vista, Palo Cedro, Millville, Whitmore, Oak Run, Fern, Ingot, Round Mountain, Montgomery Creek, Burney, Wengler, Big Bend Hot Springs, and Pit No. 1, Power House of the Pacific Gas and Electric Company. Applicant's toll telephone line also extends to Fall River Mills, at which point connection is made with the lines of other utilities. Interconnections between lines of applicant are made at central offices located at Montgomery Creek, Burney and Ingot and at switching stations located at various other points. Exchange telephone lines serving Buckeye and Stillwater, which are detached from the remainder of applicant's system, have direct connection to the switchboard of The Pacific Telephone and Telegraph Company at Redding and all switching for such lines is performed by that company.

In so far as applicant's regular subscribers are concerned, the entire system is operated as two exchange areas; one, that area for which switching is performed by the Pacific Company, and the other, the remainder of the territory served. Certain subscribers, whose lines are connected to the central offices of applicant, have unlimited switching privileges, commonly called free service, in the major portion of applicant's system at the regular subscriber's rates. Charges at specified toll rates for service between points on the system are made to all those who are not regular subscribers. This method of operation results in discrimination. For example, a subscriber at Montgomery Creek may originate a message to Redding for no additional charge, whereas he or others would be required to pay the regular toll rate when calling his home in Montgomery Creek from a Pacific Company station in Redding. Thus the charge depends upon the originating point of the message.

Applicant proposes to increase its revenue and at the

time remove discrimination by dividing its territory into several exchange areas, each to be served from a central office, and by charging all its patrons alike for use of the toll service between any two of such areas. Applicant's territory is a mountainous country in which settled communities are widely separated. In such an area, the cost of rendering telephone service, per station served, will necessarily be higher than in more thickly populated areas, and it would appear that by the adoption of the proposed plan of dividing the system into several exchange areas, the applicant may, in a manner equitable to the subscribers served, obtain the increased revenue necessary for the proper conduct of its business. It seems certain, from the evidence presented at the hearing, that if an attempt were made to secure additional revenue by increasing subscribers' rates generally on the present basis of operation, many subscribers would be compelled for financial reasons to discontinue telephone service entirely, and the utility would receive a diminished rather than an increased return. In a sparsely settled territory, as that under consideration, it is particularly important that the charges to subscribers for exchange telephone service be kept as low as possible, for communication by telephone may, under such conditions, frequently be an absolute necessity. It would seem that in such a territory the maximum revenue to the utility would be obtained by adopting a rate schedule which will induce residents to avail themselves of exchange telephone service, and which will exact from the users of toll telephone service the charges which that portion of the business should properly bear.

Applicant submitted in evidence a valuation of its

properties on the historical reproduction cost basis prepared by Mr. A. L. Wilson, showing a total value of used and useful telephone property, including materials and supplies, of \$46,355.86. Mr. F. M. Casal, Assistant Engineer on the Commission's staff, presented a valuation of the telephone properties showing a total, on the historical reproduction cost basis, including materials and supplies, of \$27,573.00. Applicant did not contest either the valuation or estimated rate base figures submitted by the Commission's engineer. The evidence showed, however, that certain additions and betterments necessarily would be made if contemplated improvements in applicant's system were to be completed. An estimate of the necessary additions was made and submitted by Mr. Wilson, subsequent to the hearing, showing a total of \$2,178.54. Further additions also are contemplated in connection either with the purchase by applicant of certain subscriber-owned telephone instruments or replacement of such instruments by others owned by applicant. The rate base found reasonable in this proceeding for the period, April 1, 1928 to March 31, 1929, is as follows:

| | |
|---|---------------|
| Valuation as of November 1, 1925, less | |
| materials and supplies, | \$ 27,050.00 |
| Additions and Betterments, | |
| November 1, 1925 to April 1, 1928, | 530.00 |
| Estimated Additions and Betterments, | |
| April 1, 1928 to September 30, 1928 | 2,340.00 |
| Materials and Supplies and Working | |
| Cash | <u>870.00</u> |
| Total | \$ 30,790.00 |

Applicant's present exchange telephone rates for party line service vary from \$18.00 per year for unlimited switching over the entire territory served, including connection with the

Redding subscribers of The Pacific Telephone and Telegraph Company, to \$9.00 per year for similar service in a restricted area in cases where the subscriber owns his telephone instrument and takes advantage of the discount offered for prompt payment. Two toll telephone rates are at present effective, one of thirty-five cents and one of twenty-five cents; the larger rate applies to messages between Redding and either Carbon, Fall River Mills or Pit No. 1, while the smaller rate is applicable to messages between any other two points on applicant's system. Both rates contemplate conversations unlimited as to time. Evidence introduced at the hearing, both by applicant and the Commission's engineer, indicated that the utility is receiving insufficient revenue to pay reasonable operating expenses and that applicant is entitled to a greater revenue.

Applicant proposes to establish a primary rate area for each of the exchanges which it asks authority to create, and to file and make effective exchange telephone rates for individual line service within such primary rate areas, and rates for ten-party line service within the several exchange areas. The rates, which applicant has proposed, are \$4.25 per month for individual line desk set residence service, and \$3.25 per month for ten-party line desk set residence service; business service, according to applicant's plan, would be \$1.00 per month greater in the case of the former and \$0.50 per month greater in the case of the latter. Applicant further proposed toll telephone rates which are based generally on distances between toll stations and provide for an initial rate applying to an initial period of conversation of one minute, with corresponding overtime charges for messages continuing for a longer time. Applicant requests that the initial charge for a ten-word telegram between any

two points on its system be fixed at the same amount as the initial rate for toll telephone service between those points.

Although both applicant and the Commission's engineer submitted exhibits showing that applicant's proposed rates would produce approximately \$5,000. additional revenue per annum, provided the present use of the service were to continue without change after the rate adjustment, no estimate of probable loss of business due to the application of the higher rates was introduced. It appears, from the expression of opinion made by applicant's subscribers and others who are users of the toll service, that the actual result of making effective applicant's proposed rates might be quite different from that shown in the above mentioned exhibits. Objection was made by users particularly against the proposal of applicant to limit the initial period of toll conversations, to which the initial rate applies, to one minute. We believe that it is not proper to fix toll telephone rates on a one-minute initial period basis at this time, largely for the reason that initial toll rates throughout the State of California, in general, are based on a three-minute initial period. On the other hand, it appears unreasonable that applicant should be required to offer and furnish the three classes of toll telephone service as provided by the larger toll companies. Toll telephone rates, as authorized in this proceeding, are based on an airline measurement between toll points, and a three-minute initial period, and indicate but one initial rate applicable to messages of any of the three classes usually offered.

In the final determination of the spread of rates, it appears that greatly increased charges should not be made for exchange telephone service, as those subscribers who continue to use exchange and toll telephone service will be required to pay higher total charges under the plan of subdivision of applicant's territory, as set forth in the order following, than those that they pay under the unlimited switching plan now in effect, due to amounts which will be charged for the use of the toll lines. Furthermore, as was brought out at the hearing, service on some of applicant's lines is unsatisfactory, due principally to disturbances caused by neighboring circuits carrying alternating current at high voltage. Applicant contemplates converting to metallic lines certain of its circuits which are the most seriously affected by inductive interference and the circuits so reconstructed should afford service materially better than that rendered by means of the present "grounded" lines. Exchange rates for service rendered over "grounded" lines will be fixed herein at a slightly higher level than those now effective. Rates for service over metallic lines will be somewhat higher than those set for grounded line service.

The rates for telephone and telegraph service herein found reasonable are set forth in Exhibit "A" attached to the order following this opinion. Although these rates are expected to yield only a moderate return on applicant's investment, it is our opinion that further increases in rates over and above those contemplated in the rates herein fixed would result in

no greater revenue and might produce a decreased return. The estimated results of operations for the period April 1, 1928, to March 31, 1929, are shown in the following table. These estimates contemplate losses due to regrading and discontinuances and are based on the assumption that the rates shown in Exhibits "A" and "B" will be continuously in effect during the period selected.

| | | | |
|---|---|---------------|----------------|
| Exchange Revenue, | - | \$3,540. | |
| Toll Revenue, | - | <u>3,760.</u> | |
| Total Revenue | | | \$7,300. |
| Operating Expense less depreciation annuity, | - | \$5,100. | |
| Depreciation Annuity, | | <u>1,020.</u> | |
| Total Operating Expenses. | | | \$6,120. |
| Net Telephone Operating Revenue | | | 1,180. |
| Taxes, | - | \$ 400. | |
| Uncollectible Bills, | - | <u>70.</u> | |
| Total deductions from Net Operating Revenue. | | | <u>\$ 470.</u> |
| Net for Interest. | | | \$ 710. |

Applicant proposed primary rate areas in the form of circles to be used in connection with its rate schedule, and submitted a map indicating proposed exchange area boundaries. The Commission's engineer also submitted in evidence a map showing the proposed exchange area boundaries and offered suggestions as to proposed primary rate area boundaries, which he believed would be easier to administer than the circles proposed by applicant. Maps showing Exchange Area boundaries of all exchanges

and primary rate area boundaries for Burney, Ingot and Montgomery Creek exchanges, which are found reasonable, are set forth in Exhibit "C" attached to the order following. No primary rate area has been fixed for Bella Vista exchange as such is considered unnecessary at the present time.

Applicant requested at the hearing that the point where its toll lines are proposed to be connected to the lines which another utility in another proceeding before the Commission seeks to operate to Westwood be designated Carbon Junction for rate making purposes only. It appears that the fixing of such a toll point as requested is reasonable and necessary in the computation of through rates beyond such point. The order following will provide for rates applicable to toll messages routed by way of Carbon Junction.

O R D E R

Bass Telephone Lines having petitioned the Railroad Commission for authority to establish Exchange Service Areas, to adjust its Exchange telephone service in accordance therewith and to establish and make effective and to file schedules of rates for Exchange telephone service within said exchange service areas, and to establish, make effective and file schedules of rates for toll telephone and telegraph service, a public hearing having been held and the matter being now under submission and ready for decision,

The Railroad Commission hereby finds as a fact that the rates and charges for exchange telephone, toll telephone and telegraph service at present in effect by Bass Telephone Lines are inadequate, unjust and unreasonable, and that the rates and charges for these services contained in this order are

just and reasonable.

Basing its order on the foregoing finding of fact and on other findings and statements of fact contained in the opinion which precedes this order,

IT IS HEREBY ORDERED that Bass Telephone Lines shall

(1) Charge and collect the rates for exchange telephone service set forth in Exhibit "A" attached hereto, and made a part of this order, for service rendered on and after July 1, 1928.

(2) Charge and collect the rates for toll telephone and telegraph service set forth in Exhibits "B" and "C" attached hereto, and made a part of this order, for service rendered on and after July 1, 1928.

(3) Establish boundaries of the Exchange Areas of the Bella Vista, Burney, Ingot and Montgomery Creek Exchanges and the Redding Service Area as shown on maps contained in Exhibit "D" attached hereto, and made a part of this order, effective as of July 1, 1928.

(4) Cancel all schedules of rates for service not included in Exhibits "A", "B" and "C" attached hereto, effective July 1, 1928.

(5) Submit for filing with the Railroad Commission on or before June 25, 1928, the rates set forth in Exhibits "A", "B" and "C" attached hereto.

(6) Submit for filing with the Railroad Commission on or before June 25, 1928, maps showing primary rate area boundaries and exchange area boundaries as shown in Exhibit "D" 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 28th
day of May, 1928.

Leon Whitell

C. S. Seaman

Ernest W. Smith

Paul D. Lott

W. J. Cunn

Commissioners.

EXHIBIT "A"

EXCHANGE TELEPHONE SERVICE RATES.

EXCHANGE SERVICE SCHEDULE NO. A-1.INDIVIDUAL LINE SERVICE.

Applicable to individual line flat rate service furnished within any one of the primary rate areas of the Burney, Ingot and Montgomery Creek Exchanges.

RATE.

| | <u>Rate per Station per Month</u> | |
|--|-----------------------------------|--------------------------|
| | <u>Business Service</u> | <u>Residence Service</u> |
| Each Individual Line Station, desk set | \$4.25 | \$3.25 |
| Each Extension Station, desk set | .1.25 | .1.00 |

Wall set equipment is furnished at the above rates less 25¢ per month.

CONDITIONS.

- (1) Extension stations at the above rates will be installed in the same premises as the primary station.
- (2) Service under this schedule is furnished by means of full metallic circuits.

EXCHANGE SERVICE SCHEDULE NO. A-2.PARTY LINE SERVICE.

Applicable to party line flat rate service furnished within any one of the exchange areas of the Bella Vista, Burney, Ingot and Montgomery Creek Exchanges and within the Redding Service Area.

RATE A.

| | <u>Rate per Station per Month</u> | |
|-----------------------------------|-----------------------------------|--------------------------|
| | <u>Business Service</u> | <u>Residence Service</u> |
| Each party line station, desk set | \$2.25 | \$1.75 |

Wall set equipment is furnished at the above rates less 25¢ per month.

This schedule, Rate A, is effective for service furnished over one-wire "grounded" circuits.

RATE B.

| | <u>Rate per Station per Month</u> | |
|-----------------------------------|-----------------------------------|--------------------------|
| | <u>Business Service</u> | <u>Residence Service</u> |
| Each party line station, desk set | \$3.25 | \$2.75 |

Wall set equipment is furnished at the above rates less 25¢ per month.

This schedule, Rate B, is effective for service furnished over full metallic circuits.

CONDITIONS.

(1) Rate A is applicable until such time as the company is able to furnish full metallic service and will not be applied as an optional schedule after metallic service is available.

(2) Rate B will be applied only when all stations connected to any one line are operated over a fully

EXCHANGE SERVICE SCHEDULE NO. A-2 (Continued)

metallicized circuit.

(3) In no case will both Rate A and Rate B apply simultaneously to stations connected to any one circuit.

EXCHANGE SERVICE SCHEDULE NO. A-3.

PAY STATION SERVICE.

RATE:

Each exchange message placed from one of
the Company's public pay stations \$0.10..

EXCHANGE SERVICE SCHEDULE NO. A-4.SUPPLEMENTAL EQUIPMENT.RATE:

| | <u>Installation Charge</u> | <u>Rate Per Month</u> |
|--------------------------|--------------------------------|---------------------------|
| Ordinary Extension Bell, | \$1.50 | \$0.50 |
| Loud Ringing Gong, | 1.50 | .75 |

CONDITIONS.

(1) Extension bells and gongs will be furnished only in connection with individual line service.

EXHIBIT "B"

TOLL TELEPHONE SERVICE RATES.

TOLL SERVICE SCHEDULE NO. B-1.

GENERAL SERVICE.

The following listed initial rates are effective for Toll Telephone Service over the long distance circuits of Bass Telephone Lines.

(1) INITIAL RATES

| | | B E T W E E N | | | | | | |
|-------------------|--------|---------------|-----------|------------------|--------|------------------|-----------------|--------|
| and | | Redding | Pit No. 1 | Montgomery Creek | Ingot | Fall River Mills | Carbon Junction | Burney |
| Bella Vista, | \$0.20 | \$0.50 | \$0.30 | \$0.20 | \$0.50 | \$0.50 | \$0.50 | \$0.45 |
| Burney, | .50 | .20 | .25 | .35 | .25 | .20 | .20 | |
| Carbon Junction, | .60 | .20 | .30 | .45 | .20 | .20 | | |
| Carbon, | .60 | .20 | .30 | .45 | .20 | | | |
| Fall River Mills, | .65 | .20 | .35 | .45 | | | | |
| Ingot, | .30 | .45 | .20 | | | | | |
| Montgomery Creek, | .35 | .35 | | | | | | |
| Pit No. 1, | .60 | | | | | | | |

The above rates are for "Person-to-Person" service; they apply to toll telephone messages over the Bass Telephone lines without reference to the time of day or the class of toll service which may be requested, or which may be offered or furnished by connecting companies.

(2) 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.

(3) OVERTIME RATES AND REPORT CHARGES.

Overtime Rates and Report Charges are effective as follows:

| When the Initial Rate is | The Overtime Rate is | The Report Charge is |
|--------------------------|----------------------|----------------------|
| \$0.20 | \$0.05 | \$0.10 |
| .25 | .05 | .10 |
| .30 | .10 | .10 |
| .40 | .10 | .10 |
| .45 | .15 | .10 |
| .50 | .15 | .10 |
| .55 | .15 | .15 |
| .60 | .20 | .15 |
| .65 | .20 | .15 |

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

(4) TOLL RATES FOR SERVICE TO AND
FROM POINTS ON LINES OF CONNECT-
ING COMPANIES.

The rates shown in this schedule are in addition to the rates and charges of connecting companies for service furnished jointly over lines of Bass Telephone Lines, and the connecting companies' lines.

EXHIBIT "C"

TELEGRAPH SERVICE RATES.

TELEGRAPH SERVICE - SCHEDULE NO. C-1.

Applicable to Telegraph Service between points as listed below.

(1) RATE FOR TELEGRAMS

| <u>and</u> | <u>B E T W E E N</u> | | |
|-------------------|----------------------|-------------------------|------------------------|
| | <u>Redding</u> | <u>Fall River Mills</u> | <u>Carbon Junction</u> |
| Bella Vista, | \$0.30 | \$0.42 | \$0.48 |
| Burney, | .42 | .30 | .30 |
| Carbon Junction, | .48 | .30 | - |
| Carbon, | .48 | .30 | .30 |
| Fall River Mills, | .48 | - | .30 |
| Ingot, | .36 | .42 | .42 |
| Montgomery Creek, | .36 | .36 | .36 |
| Pit No. 1 | .48 | .30 | .30 |

The above rates are for telegrams of ten words or less. Charges for messages of a greater length than ten words are determined in accordance with the following:

| <u>Where the rate for telegram of ten words or less is</u> | <u>The rate for each additional word is</u> |
|--|---|
| \$0.30 | \$0.025 |
| .36 | .025 |
| .42 | .025 |
| .48 | .035 |

If the total amount for a telegram exceeding ten (10) words ends in a fraction of a cent, the fraction is counted as a full cent.

(2) DAY LETTERS AND NIGHT LETTERS - RATE.

| : When the rate for : : ten word telegram : : is : | : <u>The Day Letter</u> : : <u>Rate is</u> : | | : <u>The Night Letter</u> : : <u>Rate is</u> : | |
|--|---|---|---|---|
| | : 50 words : : or less : | : Each add. : : ten words : : or less : | : 50 words : : or less : | : Each add. : : ten words : : or less : |
| \$0.30 | \$0.45 | \$0.09 | \$0.30 | \$0.06 |
| .36 | .54 | .108 | .36 | .072 |
| .42 | .63 | .126 | .42 | .084 |
| .48 | .72 | .144 | .48 | .096 |

TELEGRAPH SERVICE - SCHEDULE NO. C-1 (Continued).

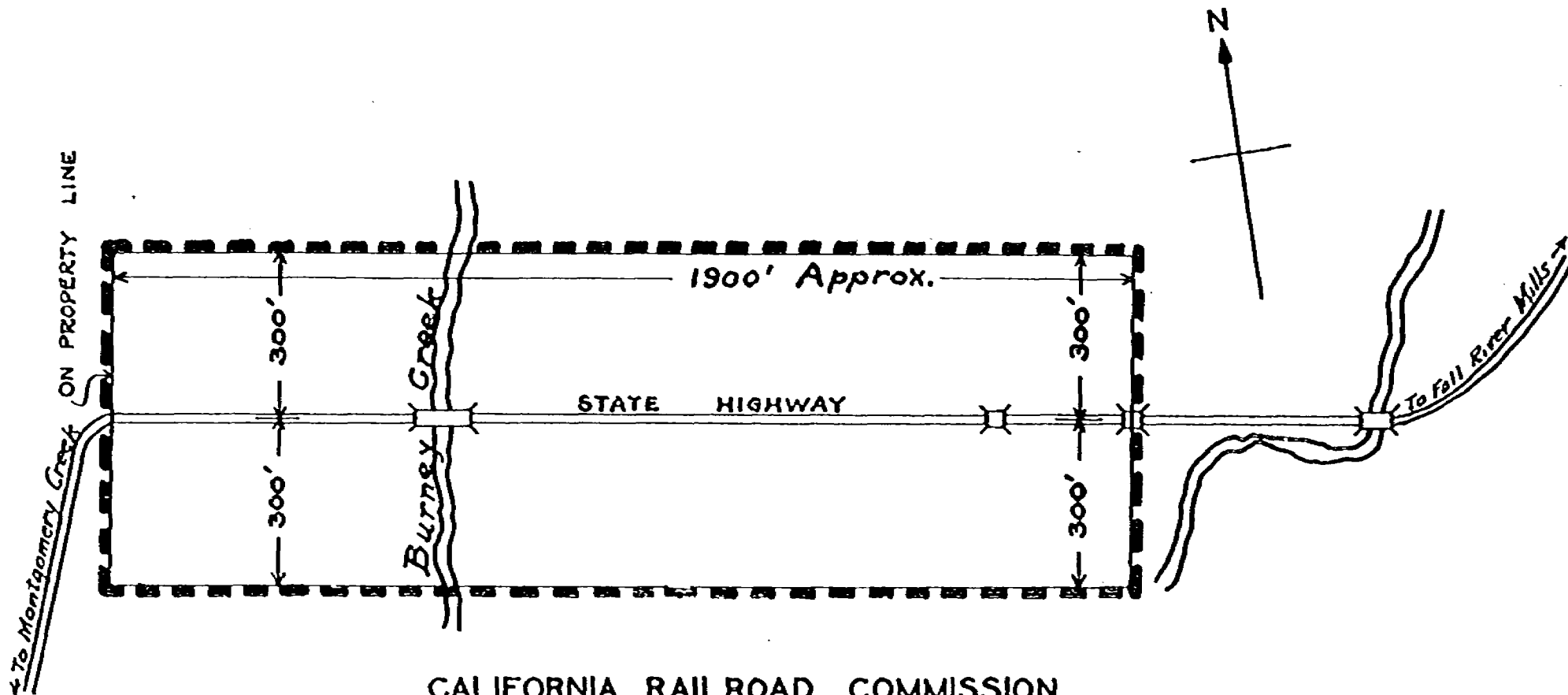
If the total amount for a Day Letter or Night Letter ends in a fraction of a cent, the fraction is counted as a full cent.

(3) TELEGRAPH RATES FOR SERVICE TO
POINTS ON LINES OF CONNECTING
COMPANIES.

The charge applicable to telegraph messages between any point on the lines of connecting companies and a point on the lines of the Bass Telephone Lines is the sum of the connecting company's or companies' rates between the distant point and the connecting point on Bass Telephone Lines and the rates of the Bass Telephone Lines as shown in this schedule.

EXHIBIT "D"

MAPS.



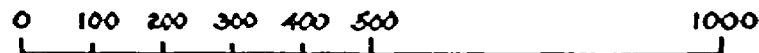
CALIFORNIA RAILROAD COMMISSION

MAP SHOWING

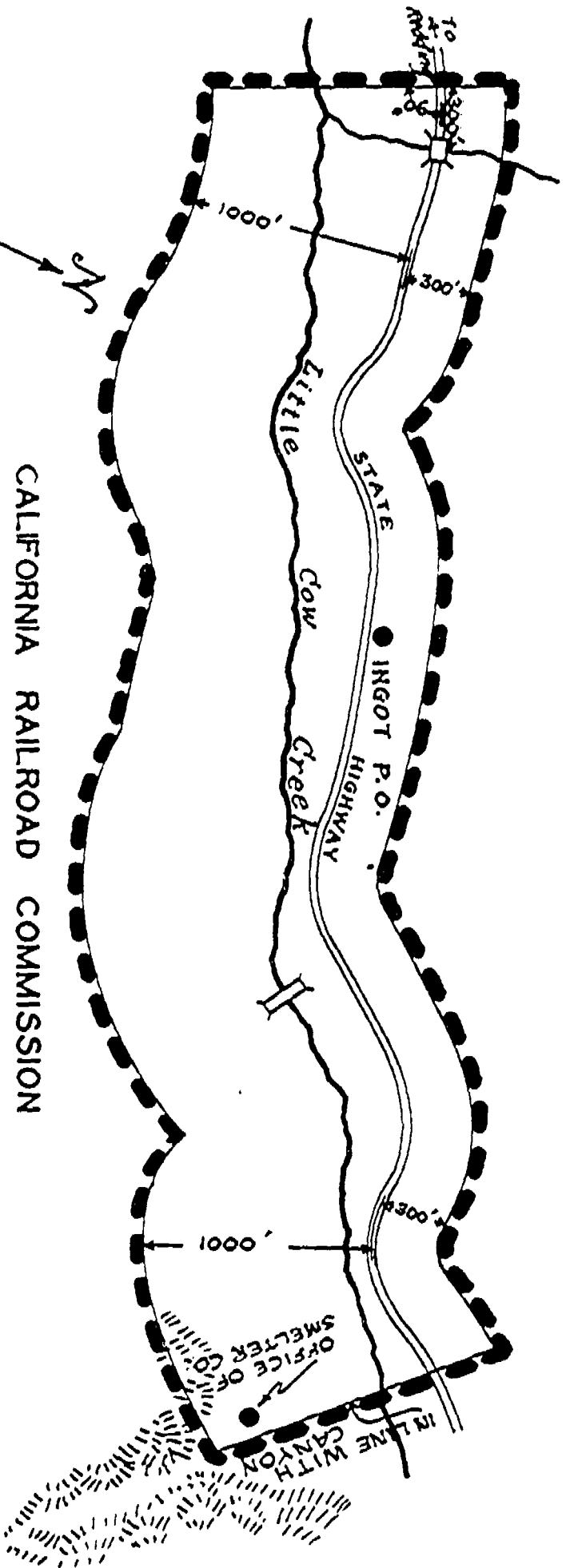
BURNEY PRIMARY RATE AREA

BASS TELEPHONE LINES

SCALE IN FEET



P.R.A. BOUNDARY 



CALIFORNIA RAILROAD COMMISSION
 MAP SHOWING

INGOT PRIMARY RATE AREA

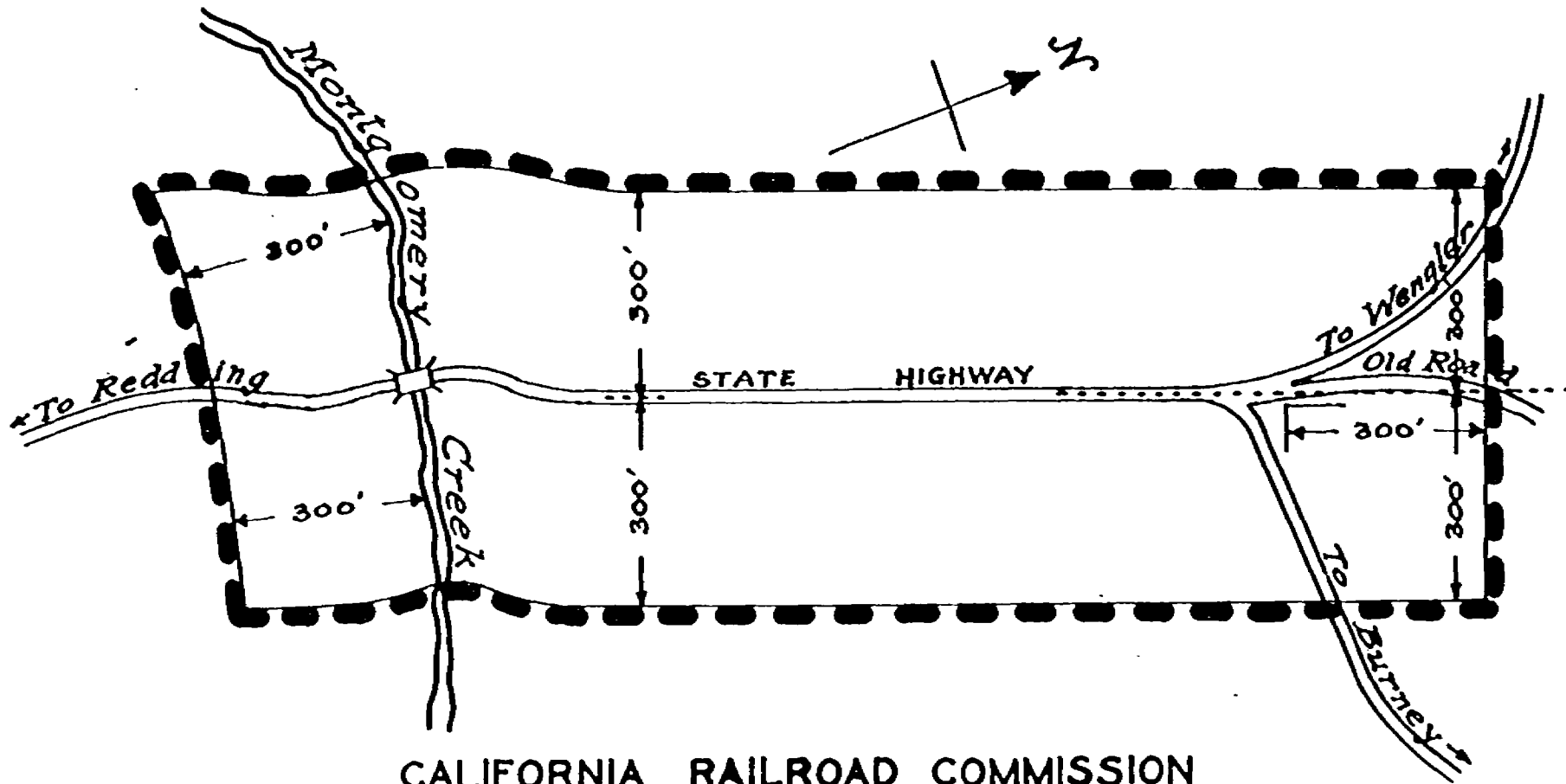
BASS TELEPHONE LINES

SCALE IN FEET



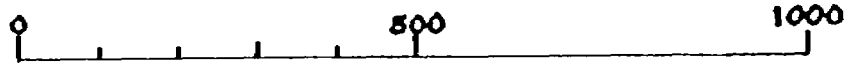
P.R.A. BOUNDARY





CALIFORNIA RAILROAD COMMISSION
 MAP SHOWING
 MONTGOMERY CREEK PRIMARY RATE AREA
 BASS TELEPHONE LINES

SCALE IN FEET



P.R.A. BOUNDARY 

