

Decision No. 21837.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Investigation upon the Commission's own motion into the rates, tolls, rentals, charges, classifications, rules, regulations, practices and contracts of The Associated Telephone Company, Associated Telephone Company, Home Telephone Company of Covina, Huntington Beach Telephone Company, Redondo Home Telephone Company, Laguna Beach Telephone Company and Santa Monica Bay Telephone Company.

ORIGINAL

Case No. 2746.

Mott, Vallee and Grant, by Paul Vallee, and Ernest Irwin, for Respondents.

Harry Polglass, City Attorney, for the City of Redondo Beach, an Interested Party.

O. R. Cline, for the City of Long Beach, an Interested Party.

Grant Chapman, City Attorney, for the City of Covina, an Interested Party.

J. R. Rensch, City Attorney, for the City of San Bernardino, an Interested Party.

WEITSELL, COMMISSIONER:

O P I N I O N

This is a proceeding in which this Commission, acting upon its own motion, has instituted an investigation into the rates, rules and regulations, practices, and operations of the above named companies. Respondent companies, Associated Telephone Company, Home Telephone Company of Covina, Huntington Beach Telephone Company, Redondo Home Telephone Company, Laguna Beach Telephone Company, and Santa Monica Bay Telephone Company,

under authority of this Commission's Decision No. 21268, dated June 21, 1929, in Application No. 15494, consolidated and merged all of their respective properties under the ownership of The Associated Telephone Company. An examination of the Annual Reports filed with the Commission for the year 1928 indicated that the return on the properties combined under The Associated Telephone Company would be in excess of a fair amount.

Public hearings were held in this matter in Los Angeles on September 24, and December 3, 1929, and on the latter date the matter was submitted for decision.

Subsequent to the date of filing of the Order Instituting Investigation in this proceeding, authority has been granted by Decision No. 21493, dated August 30, 1929, to Associated Telephone Company, Limited, to succeed to The Associated Telephone Company.

C. F. Mason, testifying for Associated Telephone Company, Limited, made a statement setting forth the plans of the new organization with reference to betterment of service and to reconstruction and additions which were considered necessary to provide telephone service to meet the needs of the several communities throughout the territory served. The witness stated that the execution of the Company's present plans would involve the expenditure of between \$1,750,000. and \$2,000,000. during the year 1930.

Mr. Mason proposed changes in the base rate areas of certain of the exchanges operated by Associated Telephone Company, Limited, and also offered revised charges for moves and changes of telephone equipment and a decreased rate for hand set telephones. The changes in base rate areas were, for the most part,

revisions in the boundaries to include built-up areas, which have been excluded heretofore. Such changes would result in decreased charges to many of the Telephone Companies' patrons located outside the present base rate areas. The modifications in charges proposed would result in lowering the charge for moving telephone instruments to \$1.50. The present charge for this service in most of the Company's exchanges is \$3.00. The majority of the Company's patrons who receive service over hand telephone sets now pay 75¢ per month more for this service than the rate for wall telephone set service of similar class and grade. The proposal of the Company would reduce this charge, in most cases, by 25¢ per month. Mr. Mason testified that the annual reduction in revenue which would result from the application of the proposed changes would amount to between \$35,000. and \$40,000.

F. M. Casal, of the Commission's Engineering Staff, gave testimony as to an investigation of the Company's records which he made. He stated that as a result of this investigation it was his opinion that the Company would be called upon to make large expenditures in order to bring its plant to a condition that adequate and satisfactory service might be rendered to its patrons, and that the amount of such expenditures might exceed the estimate presented by the Company. He further testified that he had reviewed the changes proposed by the Company and gave \$38,000. as his estimate of the reduction in annual revenue which might be expected to result if such proposals became effective. Due to the fact that Associated Telephone Company, Limited, had been so recently organized, actual experience upon which to base a forecast was absent and

no engineering estimate of future expenses of this Company was possible, in the opinion of the witness.

O. R. Cline, Gas and Electric Inspector, representing the City of Long Beach, presented in evidence an exhibit setting forth modifications which he believed should be made in the Company's proposed base rate area boundary in the Long Beach Exchange. It appears from a careful consideration of the data available that the Company's proposal as set forth in Exhibit No. 6, filed at the hearing in this proceeding, should be modified as follows:

"Beginning at the point of intersection of the center lines of San Antonio Drive and Atlantic Avenue on the base rate area boundary as set out on Exhibit No. 6; thence in a northeasterly direction along the center line of San Antonio Drive to the point of intersection with the center line of California Avenue, extended; thence south along the center line of California Avenue, extended, to the point of intersection with the center line of Bixby Road; thence east along the center line of Bixby Road to the point of intersection with the center line of Cherry Avenue; thence south along the center line of Cherry Avenue to the point of intersection with the center line of Wardlow Road; thence east along the center line of Wardlow Road extended for a distance of one-half mile, more or less, to the point of intersection with a portion of the boundary of the City of Long Beach extended in a northerly direction; thence in a southerly direction along the boundary of the City of Long Beach extended and the boundary of the City of Long Beach to the point of intersection with the center line of Spring Street; thence in a westerly direction along the center line of Spring Street to the point of intersection with the center line of Junipero Avenue; thence south along the center line of Junipero Avenue to the point of intersection with the center line of Willow Street; thence west along the center line of Willow Street to the point of intersection with the center line of Cherry Avenue; thence south along the center line of Cherry Avenue to the point of intersection with the center line of Alice Street;

thence in a northeasterly and southwesterly direction along the center line of Alice Street to the point of intersection with the center line of 23rd Street; thence in a southeasterly and easterly direction along the center line of 23rd Street to the point of intersection with the center line of Mill Street; thence in a southeasterly direction along Mill Street to the point of intersection with the center line of Stanley Avenue; thence in a southerly and westerly direction along the center line of Stanley Avenue to the point of intersection with the center line of Junipero Avenue; thence south along the center line of Junipero Avenue to the point of intersection with the center line of State Street; thence east along the center line of State Street to the point of intersection with the boundary of the City of Long Beach; thence in a southeasterly direction along the boundary of the City of Long Beach to the point of intersection with the center line of Ximeno Avenue; thence south along the center line of Ximeno Avenue to the point of intersection with the center line of Anaheim Street; thence east along the center line of Anaheim Street to the point of intersection with the westerly boundary of Recreation Park extended; thence in a southeasterly direction along the extension of the westerly boundary of Recreation Park and the westerly boundary of Recreation Park to the point of intersection with the center line of Sixth Street, extended; thence east along the extension of the center line of Sixth Street to the point of intersection with the center line of Nieto Avenue; thence south to the point of intersection with the Pacific Electric Railway right-of-way, a point on the base rate area boundary shown on Exhibit No. 6.

Evidence in this proceeding shows that there is not at this time sufficient information available on which to base an accurate prediction of future operations of Associated Telephone Company, Limited, and that a marked change in the earning power of the property under existing rates, with the additions and improvements which must be made by the Company in the near future, may be expected. The changes proposed by the Company will result in a benefit to many of its patrons and should be put into effect at the earliest possible time. Other changes, principally with reference to improvement in service, which may be

recommended by the Commission's Engineering Department, as a result of a study of this phase of operations, should be the subject of future informal conferences between the Commission's Engineers and the Company, looking toward the maintenance of the best possible service.

I recommend the following form of order:

O R D E R

The Railroad Commission of the State of California, having instituted an investigation of the operations of The Associated Telephone Company, Associated Telephone Company, Home Telephone Company of Covina, Huntington Beach Telephone Company, Redondo Home Telephone Company, Laguna Beach Telephone Company and Santa Monica Bay Telephone Company as to their rates, tolls, rentals, charges, classifications, rules, regulations, practices and contracts, a public hearing having been held, the matter having been submitted and being now ready for decision; Associated Telephone Company, Limited, responsible operating utility of the respective telephone properties, set forth above, having proposed certain changes in base rate area boundaries and charges and rates for telephone service, and the Railroad Commission being of the opinion that authority to make effective such changes should be given, subject to certain modifications,

IT IS HEREBY ORDERED that Associated Telephone Company, Limited, shall:

(1) Submit for filing with the Railroad Commission on or before January 27, 1930, maps showing base rate

area boundaries as set forth in Exhibits Nos. 3, 4, 5, 7, 8, and 9, filed in this proceeding.

(2) Submit for filing with the Railroad Commission on or before January 25, 1930, a map showing the rate base area of Long Beach Exchange, as set forth in Exhibit No. 6, filed in this proceeding, as modified in the opinion preceding this order.

(3) Submit for filing with the Railroad Commission on or before January 25, 1930, charges for "Moves and Changes" and rate for hand telephone sets as set forth in Exhibit No. 2, filed in this proceeding.

(4) Charge and collect for exchange telephone service rates and charges in harmony with Sections 1, 2 and 3, above, as of February 1, 1930.

(5) Cancel, as of February 1, 1930, base rate area or primary rate area maps, schedules of rates and rules and regulations in conflict with the above.

For all other purposes, the effective date of this order shall be twenty (20) days from and after the date hereof.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 23<sup>rd</sup> day of December, 1929.

John D. Smith

Wm. H. [unclear]

Leon [unclear]

M. D. [unclear]

Commissioners.