

Decision No. 10216

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the matter of the application of  
Siskiyou Telephone Company for authoriza-  
tion to raise exchange rates and toll  
rates and adjust the same.

Application No. 5499

Taylor and Tebbe, by R. S. Taylor, for applicant.  
J. W. Martin and E. J. Gribble, for certain  
people from Scott Bar to Happy Camp, protestants.

By the Commission:

OPINION

The applicant in this proceeding, Siskiyou Telephone Company, is a public utility corporation, owning and operating a system of local telephone exchanges and exchange and toll lines in Siskiyou County. Its principal office is in Etna Mills. From Etna Mills its principal lines extend in a southwesterly direction to Sawyers Bar, Forks of Salmon, Gilta and intermediate points; from Etna Mills in a southeasterly direction to Callahan; in a northeasterly direction through Fort Jones and intermediate points to Yreka, and from Yreka northwesterly along the Klamath River through Whites, Hamburg and intermediate points to Happy Camp. At Yreka its lines connect with the long distance toll system of The Pacific Telephone and Telegraph Company for communication between points on its lines and points throughout that company's system and connecting lines. At various points on its systems its lines also connect with government lines owned and operated by the Forest Service.

In its application applicant sets forth that the present rates, both for exchange and toll service, are not sufficient to meet operating expenses and permit any return upon investment and asks authority to double its exchange rates and to increase its toll rates by 50%.

A public hearing was held before Examiner Satterwhite in Etna Mills on May 26, 1920. Applicant was not fully prepared at the hearing to present to the Commission sufficient information either in the form of exhibits or otherwise with reference to revenues, expenses, investment and other matters as would enable the Commission to pass upon the various questions involved in the application. It was accordingly necessary and it was agreed that further information and data would be submitted subsequent to the hearing and the matter was thus submitted. The presentation of the further data referred to, as will appear later, has necessitated further extensive investigation and analysis by the engineers of the Commission, resulting in delay in disposing of the case. These matters have since been disposed of and the case is now ready for decision.

Applicant's local exchanges are located in Etna Mills, Fort Jones, Greenview, Sawyers Bar, Hamburg, Happy Camp and White. The present monthly rates for exchange service, the service at these rates being limited to the local exchange in each case, are as follows:

Hamburg and Happy Camp Exchanges.

Party Lines,                      \$ 1.66 per month

Etna Mills, Fort Jones, Sawyers', and Greenview Exchanges.

Business, Party Lines	\$ 1.50	per month
Residence,        "        "	1.00	"        "
Rural,            "        "	1.50	"        "
Farmer Lines,	1.00	"        "

White's Exchange.

Party Lines    \$ 1.00 and \$1.25 per month

Special rates in a limited number of cases are in effect as follows:

For service (without toll charge) between	
two towns,	\$4.00 per month
Ditto, between three towns	5.50 " "
" " four "	7.50 " "
Local switching, non-subscribers,	10¢ per call
Switching rate from Forest Service	
lines to toll lines,	10¢ " "

In addition to the local exchanges referred to above, applicant maintains the following toll stations:

Ahlgreen	Neironey
Black Bear	Orcutt
Bonally	Orleans Bar
Callahan	Rollin
Eliza Mine	Scotts Bar
Everill	Seiad Valley
Forks of Salmon	Snowden
Gilta	Somes
Highland	

The present toll and telegraph rates between all points on applicants system, including local exchanges and toll stations and the Yreka exchange of The Pacific Telephone and Telegraph Company are based on the circuit mileage involved and, according to applicant's filed toll tariffs, are as follows:

Up to 30 miles,	25¢ for 3 minutes,	5¢ ea. additional minute
31 " 40 "	35¢ " 3 "	10¢ " " "
41 " 50 "	40¢ " 3 "	10¢ " " "
51 " 75 "	50¢ " 2 "	10¢ " " "

Telegraph rates, 10 words or less, same as conversation rates and 2¢ for each additional word over 10.

#### Day Letters and Night Letters.

When 10 word day rate is	Day Letter Rate is 50 words ea. add or less 10 words	Night Letter Rate is 50 words ea. add or less 10 words
25 ¢	38 ¢ 7 ¢	25 ¢ 5 ¢
35 ¢	53 ¢ 10 ¢	35 ¢ 10 ¢
40 ¢	60 ¢ 10 ¢	40 ¢ 10 ¢
50 ¢	75 ¢ 12 ¢	50 ¢ 10 ¢

For stations connected with applicant's toll lines a rate of \$1.50 per month is required and in addition the full toll rate is charged for each call.

As stated above, applicant desires to double the present exchange rates and to increase the present toll rates by 50%.

Since the hearing in this matter and the subsequent submission by applicant of the data above mentioned the Commission's engineers have made an inspection of the greater portion of applicant's system and have completely inventoried and appraised its entire property. A thorough examination of applicant's records has also been made since the hearing and its revenues and expenses determined. The present filed toll tariffs as set forth in the foregoing provide for a time limit and overtime rates for toll messages. It has been found however that the time limit and overtime rates have not been enforced. Instead, flat rates only have been collected without regard to the amount of time consumed in toll messages. Reference will be made hereafter to the present method of collecting rates on "through" toll messages and to discrimination which results from this method. To correct the present practice and in the interest of uniformity applicant's entire toll rate schedules should be adjusted and revised and proper rates determined and prescribed. To determine toll rates which will be just and reasonable under the circumstances in this case, a study of actual toll traffic has been necessary in order to determine the effect on toll revenues of given toll rates and, since toll conversations have heretofore been unlimited as to time, applicant's records prior to the hearing can not be utilized for this purpose. Applicant has accordingly made and submitted subsequent records of actual toll traffic from which studies have been made by the Commission's engineers to determine the effect of a revised schedule of toll rates on toll revenues. It is these necessary studies principally, extending over a considerable period of time, which have delayed a final determination of this case.

Applicant's present exchange rate schedules shown above provide only for business party line service, residence party line service, rural party line service and farmer line service. The rates applicable to

these various classes of service are charged without regard to the number of subscribers served from each subscribers line. In the Etna Mills and Fort Jones exchanges there are instances in which subscribers are furnished one party, two party and four party line service while others are furnished service from lines having five and six connected stations, each paying the same or similar rates for service. This condition should be corrected by providing different rates commensurate with the class of service actually in use, and by limiting the number of stations per line in each case to the maximum specified in the rate schedules for each class of service. In each case in which there is now connected to any one subscribers line, a number of telephones in excess of the number for which the respective rates provide, the excess should be removed and connected to other existing lines, if existing lines with necessary vacancies are available. If existing lines are not available for this purpose sufficient additional lines to relieve present overloaded lines should be provided. Investigation since the hearing has also disclosed that there is a subscribers line extending between Etna Mills and Fort Jones which is connected with the exchange at each of these places. Subscribers connected with this line can call either or both of these exchanges without the payment of the toll charge to which other subscribers are subject. This is a discriminatory privilege which should be discontinued by discontinuing the connection either at Etna Mills or at Fort Jones, or by cutting the line between the two exchanges, as circumstances may require.

With reference to the special rates now in effect, entitling those subscribing thereto to unlimited switching between exchanges without the payment of tolls. This is a special privilege not uniformly held out to all subscribers. It should be held out uniformly and without discrimination to all subscribers who may desire it or it should be discontinued entirely. There is nothing in the evidence now before the

Commission to justify its continuance and, in the absence of such justification it should be discontinued.

It will be seen also from the foregoing reference to stations connected to toll lines, that a flat rate of \$1.50 per month is charged for each of such stations and in addition the established toll rates are charged for each call for which the station is used. Since the only service available from these stations is toll service this amounts to a charge of \$1.50 per month for no purpose other than the convenience of an available telephone for toll use. Applicant is of course entitled to payment of a fixed amount from these stations but the present charge is unreasonable. For this purpose the order herein will provide a net monthly toll guarantee for stations of this class under which the subscriber will not be required to pay in excess of the amount of the guarantee until the actual use of the service at established toll rates may equal the amount of the guarantee. In that event the amount payable by the subscriber shall be the aggregate of the toll charges at established toll rates for the service actually used plus a standby charge of 50%.

Prior to the period of government control of telephone and telegraph companies applicant's present toll and telegraph rates were effective between all points on applicant's lines whether the business was handled entirely over its lines or whether handled partly over them and partly over other lines. During the period of government control the Postmaster General of the United States, acting for the Federal government, made effective a schedule of "through rates," based

on air line distances between the points involved. This schedule was made effective for messages originating at points in the system of The Pacific Telephone and Telegraph Company and terminating at points in applicant's system. This resulted in reducing the rates on such messages for the portion of the haul handled over applicant's lines and the rates thus established are still in effect for "through" messages originating at Pacific Company points. Similar "through rates" were not then and are not now charged and collected by applicant on "through" messages originating on applicant's system. Instead, applicant charges and collects full schedule rates for the portion of the haul handled over its lines. Thus for through messages involving the use of the lines of both companies the rates between any two points are greater in one direction than in the opposite direction and are therefore discriminatory.

As to toll and telegraph rates we find that the rates established by Order No. 2495 and as modified by order No. 2797 of the Postmaster General of the United States, as those orders apply to person to person toll service and Order No. 2940, applying to telegraph service, may be made effective by applicant without serious detriment to the toll service revenues for business involving only the use of applicant's lines. Their application to "through" toll and telegraph messages will remove the discrimination heretofore referred to and will bring about uniformity as between applicant's rates and those for similar service now in general effect throughout California. In some cases present initial rates will be reduced, others will be increased and in others they will remain unchanged.

The Commission's appraisal of this property is made as of October 1, 1920, on an historical reproduction cost basis. This cost, undepreciated, is \$37,909.00 and depreciated, is \$24,821.00. The amount expended in net additions from the date of the Commission's appraisal to August 20, 1921, is \$2785.00, bringing the total valuation, undepreciated

ed as of the latter date to \$40,694.00. On the basis of actual business as of August, 1921, after allowing for estimated operating expenses, taxes and \$1800.00 for depreciation, without any increase in the volume of business, it is estimated that the rates hereinafter authorized will produce net operating revenues amounting to approximately \$1500.00 for the year 1922. This would represent a net return of approximately 4% on the undepreciated value of applicant's property. During the five years from 1916 to 1920, the average yearly increase in gross revenues was approximately 7% of the 1920 gross. With a similar increase in 1922 over 1921, the net return under these rates would amount to approximately 6%.

In this case the territory served is mountainous, widely scattered and sparsely settled. The investment in lines and other equipment necessary to provide service and the cost of operation is such that rates sufficient to meet operating expenses, pay taxes, provide for a proper depreciation reserve and earn what would constitute a full fair return under more favorable conditions would necessarily be higher than would ordinarily be required, and, in our opinion, higher than the present service would justify. However, with a normal increase in the present volume of business, the rates herein authorized will yield a reasonable return on the present investment. Furthermore, they compare favorably with the rates for similar service elsewhere and, while they are lower than those sought by applicant, it is our opinion



that they are just and reasonable under the circumstances in this case.

It will be seen by reference to the exchange rates for which the following order provides, that the farmer line rate is \$6.00 per year whereas the rates for business and residence ten party line suburban service are \$2.25 and \$2.00 per month, respectively, at Etta Mills and Fort Jones, and \$2.00 and \$1.75 per month, respectively, at other exchanges. These two classes of lines serve the same general territory and in some instances they are parallel lines. Farmer line subscribers are required, as the rate schedules herein set out provide, to provide at their own expense all necessary lines, telephones, substation protection and maintenance of the same. Suburban lines and equipment and maintenance of the same, on the other hand, are provided by the telephone company. By reason of the difference in rates for these two classes of service there may be developed a demand on the part of suburban subscribers for the substitution of farmer line service. In the event of such demand developing to the extent that it may result in the abandonment of suburban lines, applicant should be permitted to refuse to transfer present subscribers to farmer lines except upon condition that it be properly reimbursed for its investment in the suburban lines involved.

Elsewhere in this opinion reference is made to the connection of applicant's lines with government lines owned and operated by the Forest Service. Protestants are opposing an increase in the present rates on the ground that their use of the service is seriously interfered with, where the lines of the Forest Service operate, by the excess-

ive use of applicant's lines by Forest Service employees. In this connection protestants are of the opinion that the Forest Service pays nothing for the use of applicant's lines and that, if this service were paid for in proportion to its use, the increases now being sought would be unnecessary. It is perhaps not necessary to refer further to the purposes of the Forest Service lines and the use of applicant's lines by Forest Service employees than to mention that primarily they are for the protection of the forests against fire. To encourage and promote the co-operation of the public in the prevention and suppression of forest fires the Forest Service offers certain inducements to the public which include the free use of its lines within the forest boundaries. Beyond those boundaries it requires access to available commercial lines for its own business in return for which it grants rights of way and other valuable considerations. In this instance, except on official business, applicant is paid for all messages to and from Forest Service lines and in addition certain fixed amounts are paid by the Forest Service for operators' salaries. It may be that official business of the Forest Service may at times require very considerable use of applicant's lines but it does not appear that such use imposes any undue burden either upon applicant or its patrons.

#### O R D E R

Application having been filed by Siskiyou Telephone Company for an order increasing its exchange rates and toll rates and adjusting the same, a public hearing having been held, the matter having been submitted and the Commission being fully apprised,

IT IS HEREBY FOUND AS A FACT that the present rates charged and collected by Siskiyou Telephone Company for local exchange service and for toll service are unjust and unreasonable and that the rates hereinafter authorized to be charged and collected for local exchange service and for toll service are just and reasonable rates.

Basing its conclusions on the foregoing finding of fact and on the other findings referred to in the preceding Opinion,

IT IS HEREBY ORDERED that Siskiyou Telephone Company be and it is hereby authorized to publish and file with this Commission within thirty (30) days from the date of the Order herein and upon approval thereof to make effective on and after the date or dates specified in said approval, the following schedules of rates and charges to wit:

#### Local Exchange Rate Schedules

##### Etna Mills and Fort Jones Exchanges

	<u>Business</u>	<u>Residence</u>
1-Party Line Unlimited Service, *Wall Set, per month	\$2.75	\$ 2.25
2-Party " " " " " " " "	2.25	2.00
4-Party " " " " " " " "		1.75
10-Party Suburban Unlimited " " " " " " " "	2.25	2.00
Extensions, Wall or Desk Set, " " " "	1.00	1.00
Farmer Lines, per Station, per year		6.00
*For Desk Set Instead of Wall Set, 25% per month additional.		

##### All Other Exchanges

	<u>Business</u>	<u>Residence</u>
1-Party Line, Unlimited Service, *Wall Set, per month	\$2.50	\$2.00
2-Party " " " " " " " "	2.00	1.75
4-Party " " " " " " " "		1.50
10-Party Suburban " " " " " " " "	2.00	1.75
Extensions, Wall or Desk Set " " " "	1.00	1.00
Farmer Lines, per Station, per year		6.00
*For Desk Set Instead of Wall Set, 25% per month additional.		

NOTE: At all exchanges the Farmer Line rates herein provided shall apply only when subscribers provide, own and maintain their own telephones, necessary sub-station protection and necessary lines. The minimum charge for any farmer line under this rate shall not be less than the equivalent for five (5) stations. Farmer Line rates are payable annually in advance and are subject to a discount of 10% if bills are paid during the first month of the year for which they are rendered.

#### Particular Person Toll Rates

Until or unless otherwise ordered or authorized by the Railroad Commission, the Long Distance Toll Rates herein authorized to be charged and collected between all stations of Siskiyou Telephone Company and between said stations and stations of The Pacific Telephone

and Telegraph Company shall be as provided in Order No. 2495 and Order No. 2797, issued by the Postmaster General of the United States on December 13, 1918 and February 17, 1919, respectively, as follows:

Where the distance between exchanges or toll points does not exceed 24 miles by direct air line measurement, the initial period rates shall be as provided in the following:

<u>For distances more than</u>	<u>but not more than</u>	<u>initial rate shall be</u>
0 miles	12 miles	\$ .15
12 "	18 "	.20
18 "	24 "	.25

For all distances in excess of 24 miles by direct air line measurement, the initial period rates shall be

24 miles	32 miles	\$ .30
32 "	40 "	.35
40 "	48 "	.40
48 "	56 "	.45
56 "	64 "	.50

and for each additional 8 miles or fraction thereof the initial rate shall be 5¢ additional.

For the purpose of applying the initial rates hereinabove provided for, the method of measurement of direct air line distances between exchanges and toll points shall be as provided and described in Order No. 2495 of the Postmaster General, herein referred to.

Initial Periods, Overtime Periods and Overtime Rates.

<u>Where the Initial Rate is</u>	<u>The Initial Period is</u>	<u>The Overtime Period is</u>	<u>The Overtime Rate is</u>
\$ .15	3 minutes	1 minutes	\$ .05
.20	3 "	1 "	.05
.25	3 "	1 "	.05
.30	3 "	1 "	.10
.35	3 "	1 "	.10
all other rates	3 "	1 "	and thereafter the

overtime rate shall be approximately 1/3 of the initial rate, and in no case more than 1/3 of the initial rate.

In cases in which it is impossible to establish communication between particular persons, a limited charge as hereinafter provided and subject to the conditions set forth in Order No. 2495, governing such

cases, to be known as a "Report Charge," may be made as follows:

<u>Where the Initial Rate is</u>					<u>The Report Charge May Be</u>
Not less than 20¢	and not more than 50¢,				\$ .10
More than 50¢	" " " "	75¢,			.15
" " 75¢	" " " "	1.00,			.20
" " 1.00	" " " "	1.25,			.25
" " 1.25	" " " "	1.50,			.30
" " 1.50	" " " "	1.75,			.35 and

thereafter an additional charge of 5¢ for each additional 25¢ or less in the initial rate.

#### Net Monthly Guarantee for Toll Line Subscriber Stations

In cases in which subscribers stations may be connected with the toll lines of Siskiyou Telephone Company, the Company may require the payment of a net monthly guarantee not to exceed the sum of \$2.25 for each such station, and may charge and collect its full toll rates for each call placed from the subscriber's station, in accordance with the toll rates hereinabove authorized, subject to the conditions following: The maximum monthly charge which may be made and collected from each such station shall not exceed the said sum of \$2.25 until the aggregate sum chargeable for all calls placed from and charged to each such station at the full toll rates hereinabove authorized shall be equal to or greater than the said sum of \$2.25. Whenever and as the aggregate monthly sum herein referred to shall be equal to or greater than the said sum of \$2.25, the maximum payment, which may be required from each such station shall be an amount equal to the aggregate sum of all charges made against such station at the toll rates herein authorized, for all calls placed from such station, plus a charge of 50¢.

#### Telegraph Rates

The rates for telegrams between Yreka and points on the lines of Siskiyou Telephone Company shall be as follows:

<u>Day Messages</u>		<u>For 10 words or less</u>	<u>For each additional word</u>
Yreka-	Ahlgreen	.60	3 $\frac{1}{2}$ cents
	Black Bear	.60	3 $\frac{1}{2}$ "
	Bonally	.60	3 $\frac{1}{2}$ "
	Callahan	.35	3 "
	Eliza Mine	.30	2 $\frac{1}{2}$ "
	Etna Mills	.30	2 $\frac{1}{2}$ "
	Everill	.60	3 $\frac{1}{2}$ "
	Forks of Salmon	.60	3 $\frac{1}{2}$ "
	Fort Jones	.30	2 $\frac{1}{2}$ "
	Gilta	.60	3 $\frac{1}{2}$ "
	Greenview	.30	2 $\frac{1}{2}$ "
	Hamburg	.60	3 $\frac{1}{2}$ "
	Happy Camp	.75	4 "
	Highland Mine	.48	2 $\frac{1}{2}$ "
	Nefronoy	.48	3 $\frac{1}{2}$ "
	Orcutt	.60	3 $\frac{1}{2}$ "
	Orleans Bar	.60	3 $\frac{1}{2}$ "
	Rollin	.60	3 $\frac{1}{2}$ "
	Sawyers Bar	.60	3 $\frac{1}{2}$ "
	Scott Bar	.60	3 $\frac{1}{2}$ "
	Seiad	.75	4 "
	Snowden	.48	3 $\frac{1}{2}$ "
	Somes Bar	.60	3 $\frac{1}{2}$ "
	Whites	.30	2 $\frac{1}{2}$ "

Day Letters. The rates for day letters of 50 words or less shall be one and one-half times the 10 word day message rates. For each additional 10 words or less the rates shall be one fifth of the 50 word day letter rates.

Night Letters. The rates for night letters of 50 words or less shall be the same as the rates for 10 word day messages. For each additional 10 words or less the rates shall be one-fifth of the 50 word night letter rates.

All of the rates at present in effect, except as herein otherwise provided, shall be continued in effect until or unless changes therein are ordered or authorized by this Commission.

Until or unless otherwise ordered or authorized by this Commission the rules and regulations of Siskiyou Telephone Company shall be as

provided in Decision No. 2879 and as modified in Decision No. 8146 of this Commission in so far as the provisions thereof are applicable in this case.

The rates hereinabove authorized, upon compliance with the foregoing provisions as to filing and publication and as to the effective date or dates thereof may be made effective subject to the conditions following:

1. That in no case shall subscribers paying the rates hereinabove provided for one party service, two party service and four party service be connected with or served from any line having connected thereto in excess of one, two or four subscribers stations, in each respective case, as provided in the rate schedules.
2. All special privileges heretofore accorded subscribers, including unlimited switching privileges between exchanges and special or exception rates, unless uniformly accorded all subscribers without discrimination, shall be immediately discontinued.
3. Suburban subscribers making application for transfers from suburban to farmer line service may be required to reimburse the telephone company, in such amount as may be reasonable and proper, for such loss in investment, if any, as may result by reason of abandonment of suburban lines in whole or in part when such transfers of service are made. In cases in which such suburban subscribers refuse to reimburse the company as herein provided, the company may refuse to transfer the service, subject to appeal to the Railroad Commission.
4. Siskiyou Telephone Company shall at all times provide adequate and efficient telephone service to all of its subscribers and patrons.

Dated at San Francisco, California, this 21<sup>st</sup> day of March, 1922.

J. D. Loveland  
Ernest M. Martin  
David H. Lawrence

Commissioners.