

Decision No. 10520.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of Mrs. G. Guerra, owner of Cambria Telephone Company, for permission to increase certain rates and charges for telephone service now in effect and to establish rules and regulations governing the same.

Application No. 6997.

ORIGINAL

Albert Nelson, for applicant.
A. Filiponi and G. Salmi, for
protestants.

By the Commission:

O P I N I O N

Mrs. G. Guerra, applicant in this proceeding, is sole owner of a small telephone system operating as a public utility in Cambria, San Luis Obispo County, and serving about ninety-five (95) patrons at the time of this proceeding. Connection with the long distance lines of The Pacific Telephone and Telegraph Company is maintained to provide service to and from outside points.

In a former proceeding, Application No. 6016, the applicant asked for an order permitting entire withdrawal from public service. At the hearing on said application, counsel for applicant asked for and was granted permission to amend the petition by asking, in the event of a denial, that the rates be increased sufficiently to justify the service. The petition was denied in Decision No. 9100 of this Commission. Subsequently the present application was filed.

This application sets forth that the present rates for service yield a revenue of ninety-seven dollars per month, -to

which should be added Twenty Dollars per month as the amount of the commission received from The Pacific Telephone and Telegraph Company for tolls originating at the Cambria Exchange. The various items of expense are enumerated, totaling One Hundred and Eighty-six Dollars (\$186) per month, including depreciation. No appraisal of the property was submitted, but a valuation of Two Thousand Dollars (\$2,000) based on its cost to applicant, was claimed therefor. An engineer from the Commission's engineering department inspected the property and made an inventory and appraisal of the plant and equipment in use at present.

Cambria is a small village near the ocean, surrounded by hilly country, adapted only for dairying, which is its principal use. Several quicksilver mines formerly added to the prosperity of the village, but these are all shut down at the present time. Of the total number of subscribers to the Cambria exchange, approximately seventy-five per cent are in the country, on large ranches, and the remainder in or near the village. Service is also rendered over their own line to the United States Government at Piedras Blancas Light House, and also over another private line to several telephones on the W. R. Hearst ranch at San Simeon.

The service to subscribers on these ranches, as well as to those in the village, is rendered over grounded magneto lines, suspended for the most part on slats nailed to fence posts, and, in the mountains, on brackets nailed to trees. While there are over ninety miles of wire in the system there are only about one hundred fifty poles, the remainder of the system being fence or tree construction.

A hearing was held before Examiner Satterwhite at San Luis Obispo. At this hearing two protestants appeared, who testified that the service was very inefficient, owing to the poor maintenance of the lines, but stating further that if the system is put into

such shape that dependable service can be given, they believed an increase in rates would be fully justified and they would offer no objection. At the hearing on Application No. 6016, previously referred to, which was held in Cambria, about twenty of applicant's patrons appeared in protest against withdrawal of service, but all signified their willingness to pay increased rates if necessary. The inspection of the system by the Commission's engineer revealed the fact that the lines are in poor condition, grounded in many places, and should be thoroughly inspected and repaired where necessary before any increase in rates should be allowed, and the present order will so specify.

It was also shown that the sums set out in the application as expenses were not actual expenditures but were purely estimates, with the exception of the items of rent and operators' wages. Complete records of the moneys paid out have not been kept, therefore, it was necessary to make estimates of the amounts which it would be necessary to expend in order to maintain and operate the system. Applicant testified that a reasonable amount for such expenses would be \$207.06 per month, without an allowance for depreciation. This amount is approximately \$46.00 more than the amount claimed in the application. A similar estimate, made by the Commission's engineer, called for an expenditure of \$129.00 per month.

Counsel for applicant stated that he was willing to accept the latter estimate with the exception of the item of labor used in maintenance. Applicant had estimated \$100.00 per month for this item, in comparison with \$250.00 per year estimated by the Commission's engineer. Counsel referred to the testimony introduced at the previous hearing in which one Mr. Warren, a former owner of the system, testified that its maintenance would require one hundred days' time per year, at \$5.00 per day, as against approximately eighty-four days at \$3.00 per day estimated by the engineer. Upon further

investigation it appears that Mr. Warren estimated \$4.00 per day for a man and \$1.00 for a horse in his sum of \$5.00. Further testimony showed that common labor is at present receiving approximately \$100.00 per month in the vicinity of Cambria. We believe the engineer's estimate should properly be increased to a rate of \$4.00 per day, or an addition of \$84.00 per year. Accurate records should be kept of the time spent and labor done in maintenance of these lines in order that at any future time, if necessary, it may be properly determined whether or not the amount allowed is adequate for the maintenance of the system.

Applicant's present rates for service are \$1.00 per month for residence party line service, and \$1.50 per month for business party line service. Twelve subscribers receive service for 50¢ per month and two receive service for 75¢ per month on account of owning their own instruments and supplying their own batteries.

There are three main line telephones at various rates, one residence service being charged \$1.50 per month, one business service \$1.50 per month, and another business \$2.00 per month. Two doctors each receive a special service for night calls. Applicant's witness testified that no charge was made for this service, but he also testified that he was not familiar with the books (subscribers' ledger) in which the accounts are kept. Investigation by the Commission's engineer showed that a charge of \$2.00 per month was being made for this service.

Applicant asked that the Commission authorize an increase of rates and charges sufficient to pay the cost of said service, together with a reasonable return upon the investment and that said rates be not less than \$3.50 per month for each telephone. Counsel at the hearing stated that the rate asked for had not been derived by any study or analysis of the income and expenses, and asked for and was granted permission to amend the application by ask-

ing for whatever rate this Commission might decide to be reasonable.

Applicant testified that the revenue during 1921 was \$1,506.17, subscribers' service revenue being \$1,078.50 and toll commissions \$427.67. This was approximately the same amount that was estimated by the Commission's engineer. Investigation at the time of the hearing, however, showed that the percentage of commission paid to applicant by The Pacific Telephone and Telegraph Company had been increased during the latter part of last year, which change may reasonably be expected to increase the company's income \$140.00, during the present year. The revenue from subscribers stations may not be expected to increase, in fact applicant had 122 subscribers in 1917 and 110 in 1918 as compared with 97 as of the date of valuation, August 1, 1921.

The property of the applicant was valued by the Commission's engineering department at \$4,331.00 on an historical basis as of August 1, 1921. This was based on the known costs of similar construction elsewhere, as the applicant had no record of costs either of material or labor. As referred to before, 14 subscribers receive service at a reduced rate on account of the fact that they own their own instruments. In order that a uniform rate may be established all the facilities should be owned and maintained by the utility. This may be accomplished through purchase from the subscribers, who now own their own instruments, or by the substitution of an instrument owned by the utility for the one which is privately owned. It is estimated that, when this change is made, the investment will have been increased to \$4,500.00.

Making the corrections in operating expenses and in toll revenues before mentioned, it will be seen that the present rates are not sufficient to provide for maintenance, operation, and depreciation. It will be further seen that the rates hereinafter suggested

should provide a net revenue of \$355.00 or a return of 7.8% on an investment of \$4,500.00. This is as follows:

	<u>Present Rates</u>	<u>Suggested Rates</u>
Subscribers station revenues,	\$ 1,116.	\$ 1,806.
Toll commissions,	540.	540.
	<u>\$ 1,656.</u>	<u>\$ 2,346.</u>
Operating expenses,	\$ 1,499.	\$ 1,499.
Depreciation,	320.	320.
Uncollectible,	50.	50.
Taxes,	80.	122.
	<u>\$ 1,949.</u>	<u>\$ 1,991.</u>
Deficit	\$ 293.	---
Net Revenue	---	\$ 355.

The number of subscribers per suburban line averages 10. Two lines, however, serve twelve subscribers each and one line serves thirteen subscribers. Although this number is in excess of the number usually permitted on such lines, nevertheless because the exchange is small, and as no complaint was made as to an excessive number of subscribers per line, and also after giving consideration to the character of the territory covered, we shall not require the company to reduce this number in these cases, although it would undoubtedly improve the service if this were done.

The present hours of service on week days are 8:00 A. M. to 12:00 noon; 1:00 P. M. to 5:30 P. M. and 6:30 to 7:30 P. M., and on Sundays from 9:00 A. M. to 12:00 noon. No complaint was introduced by any one at the hearing as to these hours. Investigation, however, revealed the fact that other hours might be more convenient for many subscribers, particularly with reference to the closing of the office in the middle of the day at some other time than from 12:00 noon until 1:00 P. M. We suggest that the applicant confer with her subscribers in order to ascertain if a change in the hours of service, without increasing their number, would increase the utility of the service, and that she communicate the results of this investigation to this Commis-

sion for whatever further action, if any, may seem to be advisable.

Applicant's present method of accounting for rentals and tolls due has resulted in a large accumulation of unpaid balances. For her own protection, she should have a more accurate form of accounting and her bills should be mailed to each subscriber promptly on the first of each month.

Applicant has no rules or regulations on file with this Commission at the present time, governing the conduct of her business. The application suggests several rules which it is desired to put into effect. The suggested rules contain several modifications of the rules heretofore prescribed by this Commission in similar cases. While certain of the proposed modifications may seem to be justifiable on account of the peculiar conditions under which the utility operates, we do not believe it is necessary or expedient to make any deviations in this case from the rules heretofore established by the Commission for general use.

O R D E R

Mrs. G. Guerra, owner of Cambria Telephone Company, having filed with the Commission her application for an increase of rates, a hearing having been held, the matter being submitted and ready for a decision,

IT IS HEREBY ORDERED, that Mrs. G. Guerra, operating under the name and title of Cambria Telephone Company is hereby authorized to file with the Commission and place in effect the following schedule of rates:

<u>Business</u>	<u>Wall Set</u>	<u>Desk Set</u>
One-party Line, per month,	\$ 2.50	\$ 2.75
Ten-party Line, " "	2.00	2.25
Extensions, " "	1.00	1.00

Residence

	<u>Wall Set</u>	<u>Desk Set</u>
One-party Line, per month	\$ 2.00	\$ 2.25
Ten-party Line, " "	1.50	1.75
Extensions " "	1.00	1.00

Provided, that the authority herein granted shall not become effective until petitioner shall have submitted to this Commission satisfactory evidence that the lines and instruments of the present system have been so rebuilt or repaired that efficient and satisfactory telephone service is being provided; nor until this Commission shall have issued its supplemental order herein setting forth that such repairs or replacements have been completed.

Thereafter, at all times, adequate and efficient telephone service shall be maintained during such hours of each day as may be filed with this Commission as the regular hours of service.

AND IT IS HEREBY FURTHER ORDERED, that Mrs. G. Guerra is hereby authorized to file with the Commission, under Decision No. 2879, and, to place in effect, the following rules and regulations:

Rule No. 9.

All bills against subscribers receiving service at flat monthly rates may be rendered monthly in advance and may contain a notice that bills are due and payable when received, and, if not paid within fifteen days of receipt by the subscriber, service is subject to discontinuance without further notice.

Rule No. 14.

A. A charge of \$3.50 for each of the following listed units of facilities upon application for installation shall be:

1. Individual or party line service, each station, \$3.50
2. Each extension station, 1.50

B. A charge of \$1.50 shall be made for the establishment of service by use of instrumentalities in place on subscribers' premises; if at subscribers' request a change is made in location or type of facilities, the charges for moves and changes are applicable to the change, provided the total charges shall not exceed the charges for the initial establishment of service, as specified in paragraph A.

C. The service connection charge shall be applicable to all service except farmer line service.

D. A charge of \$1.00 shall be made for restoration of service temporarily disconnected for non-payment, subscriber's temporary absence, or for any other reason for which the subscriber is responsible except a change in class of service or location of facilities.

Also, the following rule:

A charge for changes of location of telephone equipment or wiring on the subscribers' premises shall be:

- (a) For moving a telephone set from one location to another on the same premises, \$3.00
- (b) For moving any other equipment or wiring from one location to another on the same premises, a charge based on the cost of labor and material.

The foregoing opinion and order is 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 31st day of May, 1922.

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Commissioners.