

Decision No. 10609

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

Mrs. Charles Pemberton,

Complainant,

vs.

Antelope Valley Telephone Company,

Defendant.

Case No. 1693.

ORIGINAL

In the matter of the application of
O. F. Goodrich doing business under
the fictitious name and style of
Antelope Valley Telephone Company,
for an order establishing just and
reasonable rates for telephone serv-
ice.

Application No. 7455.

G. H. Fuller, for complainants and protestants.
N. B. Bachtell, for defendant and applicant.

BY THE COMMISSION:

O P I N I O N

Antelope Valley Telephone Company, defendant and applicant, respectively, in the above entitled complaint and application, operates a telephone exchange serving approximately 160 subscribers in the town of Lancaster and in the territory adjacent thereto. The hours during which it provides service to its patrons are from 6:00 A. M. to 10:00 P.M. on week days and from 8:00 A. M. to 12 Noon on Sundays and holidays.

Complaint having been filed with the Commission alleging that these hours of service are inadequate, a hearing was held before Examiner Williams in Lancaster, on December 28, 1921. At this hearing defendant took the position that its present income is not sufficient to enable it to provide additional hours of service and declared its intention to file

at once, with the Commission, an application for authority to increase its rates. Complainant and other patrons of defendant having expressed willingness to pay such increase in rates, if any, as the Commission may find, after investigation, to be necessary to compensate defendant for such increase in operating expenses as may be incurred in providing such additional service as may be found by the Commission to be reasonably required, it was agreed that defendant should file its application, whereupon the two matters should be consolidated for further hearing. The application having been filed, a joint hearing was held on April 12, 1922, and both matters are now ready for decision.

With reference to the alleged inadequacy of the present hours of service, it appears from the testimony that there is a necessity for service, usually in emergencies arising from time to time during the hours when defendant's exchange is now closed. This is also alleged in a petition, which was presented to the Commission prior to the filing of this complaint, and signed by approximately 100 of defendant's patrons and others. Defendant is willing to extend the hours of service, but claims that to do so it will be necessary to employ additional operators and provide accommodations for their use to meet the expenses of which the present revenues are inadequate. Defendant has offered in evidence various statements purporting to show the amount of revenues which will be required to provide continuous 24 hour service, and setting forth schedules of rates which are designed to produce the revenues required, together with its estimate of operating

expenses. The rates shown in these schedules and those now in effect are as follows:

	<u>Rates Proposed by Defendant</u>		<u>Rates Now In Effect</u>	
	<u>Wall Set</u>	<u>Desk Set</u>	<u>Wall Set</u>	<u>Desk Set</u>
<u>Business Service.</u>				
Main Line	\$ 4.25	\$ 4.50	\$ 2.75	\$ 3.00
Two Party Line	3.75	4.00	2.25	2.50
Four Party Line	3.25	3.50	2.00	2.25
Ten Party Line	-	-	1.50	1.75
Suburban	3.50	3.75	2.25	2.50
Extension Sets	1.00	1.25	1.00	1.00
<u>Residence Service.</u>				
Main Line	\$ 3.00	\$ 3.25	\$ 2.25	\$ 2.50
Two Party Line	2.75	3.00	2.00	2.25
Four Party Line	2.25	2.50	1.75	2.00
Ten Party Line	-	-	1.25	1.50
Suburban	3.50	3.75	2.00	2.25
Extension Sets	1.00	1.25	1.00	1.00

An examination of the company's books by the Commission's engineers shows actual operating expenses charged by defendant for the year 1921, amounting to \$4,103.21. Adding taxes, uncollectible revenues and rent expense, brought the total to \$4,674.89. The company has not charged to operating expense and set aside for depreciation reserve the full amount which it should have charged for this purpose. With a proper allowance for this item the total operating expenses, including taxes, uncollectible revenue and rent expense for 1921, would have shown the sum of \$5,001.89. The total revenues for the year were \$6,193.36, leaving a net income of \$1,191.47. In a former proceeding, decided by the Commission May 17th, 1920, Application No. 5071, Decision No. 7583, the fair value of defendant's property for rate fixing purposes was found to be \$14,300.00. Adding to this figure the amount expended by defendant in net additions to date, the present fair value of this property is found to be \$17,834.00. The net income of \$1,191.47, referred to above, is equivalent to a net return of 6.6% on the latter figure.

It is estimated by the Commission's engineers that operating expenses, together with taxes, uncollectible revenues and rent expense, and including a proper allowance for depreciation reserve during the year 1922, with no change in the present hours of service, will be approximately \$5,200.00. Under present rates, gross revenues are estimated at approximately \$6,350.00. This would leave a net income of \$1,150.00. Upon completion during the year 1922 of improvements now being made, the total investment allowable as a rate base will be approximately \$18,400.00. Present rates would therefore earn 6.2% during the year 1922, if operating expenses were not increased above the amount estimated by the Commission's engineers.

From this it is apparent that if present operating expenses are to be increased by extending the present hours of service the least that defendant should be permitted to increase its present revenues would be an amount not less than the added operating expense. In our opinion defendant's rates are as high as they should be for an exchange of the size and character of defendant's present exchange and they do not compare unfavorably with present rates for similar exchanges elsewhere in this State.

Lancaster is a small town where the necessity for 24 hour service is not equally felt by all of the subscribers of the exchange and where the spreading of the added expense through rates over the entire exchange would not result in equal benefit to all of the subscribers. As we have previously stated the present hours of service are from 6:00 A. M. to 10:00 P. M. on week days, and from 8:00 A. M. to 12:00 Noon on Sundays and holidays. It does not appear from the testimony that there is at present sufficient justification for the complaint as to inadequacy of these hours of service on week days. To provide a continuous 24-hour service would necessitate an increase in

rates to those subscribers who do not require additional service and, which, in the circumstances, does not appear to be warranted. However, for those subscribers who are located at considerable distances from town it is a distinct disadvantage to be entirely cut off from telephone communication after 12 o'clock noon on Sundays and holidays. This disadvantage, however, can be overcome, without incurring additional operating expense, by closing the office on week days earlier than is now the custom, and by extending the hours thus made available for service on Sundays and holidays.

O R D E R

Complaint having been filed with the Railroad Commission by Mrs. Charles Pemberton that the hours of service now maintained by Antelope Valley Telephone Company are inadequate, and, asking for an order of the Commission extending the same; and application having been made by Antelope Valley Telephone Company for an order of the Commission authorizing an increase in rates; public hearings having been held; the Commission being fully apprised; both matters having been submitted and being now ready for decision,

IT IS HEREBY ORDERED, by the Railroad Commission, that, defendant, Antelope Valley Telephone Company, in addition to maintaining its present hours of service, shall within not to exceed 10 days from the date of this Order, establish, and, thereafter and until the further order of this Commission, maintain telephone service from 4:00 P. M. to 7:00 P. M. on all Sundays and holidays, provided that defendant may close its office on week days not earlier than the hour of 9:30 P. M., until otherwise ordered or authorized by the Railroad Commission.

IT IS HEREBY FURTHER ORDERED, that in all other respects the complaint herein be and it is hereby dismissed.

AND THE RAILROAD COMMISSION HEREBY FINDS, that the present rates of applicant, Antelope Valley Telephone Company, are just and reasonable rates and should be continued in effect.

Basing its conclusions on the foregoing findings and on the other findings referred to in the Opinion preceding this Order,

IT IS HEREBY ORDERED, that the application herein be and it is hereby denied.

Dated at San Francisco, California, this 22d day of June, 1922.

H. B. ...

Irving ...

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Commissioners.