

DECISION NO. 10831
BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the matter of the application of
Chileno Valley Telephone Company for
permission to increase its charges
for service.

Application No. 7570.

Chas. F. Fury for applicant.
E. J. Patocchi and Rasmus Johnson, in
propria persona, protestants.

BY THE COMMISSION:

O P I N I O N

The applicant, Chileno Valley Telephone Company, herein-
after referred to as the company, owns and operates a system of
farmer lines in and near Chileno Valley and also along Spring Hill
road, which territory lies west of Petaluma, Sonoma County, California.
The company does not operate a central exchange, but provides and
maintains its main or connecting lines over the various public high-
ways and connects its main lines at the Petaluma city limits with con-
necting lines which are provided by The Pacific Telephone and Telegraph
Company for local exchange and long distance service through the latter
company's exchange.

Applicant's subscribers or patrons provide their own tele-
phones and the necessary drops or branch lines from their premises to
the various points on the public highway where they connect with the
main lines owned by the company.

For the service which The Pacific Telephone and Telegraph Company furnishes, the company collects from each of its patrons and pays to The Pacific Telephone and Telegraph Company the rates established by that company for farmer line stations, and for such long distance messages as may be charged to these stations. In addition to The Pacific Telephone and Telegraph Company's rates, the company has established another rate which it charges its patrons for that particular service which it renders. This rate has been Six Dollars (\$6.00) per year in advance. Applicant now asks permission to increase this to the sum of Ten Dollars (\$10.00) per year.

There was filed, as part of the application, a financial statement of the company, a balance sheet, as of January 1, 1922, and an income and a profit and loss statement for the year 1921. No inventory or appraisal of the property was submitted, the company referring to the cost of its property as shown by its books. Prior to the hearing, however, an appraisal was made by an assistant engineer of the Commission with the help of applicant's representatives.

A public hearing was held before Examiner Westover in Petaluma, May 24, 1922, at which time several patrons appeared and made complaint as to the quality of the service rendered. Applicant's testimony introduced at the hearing merely confirmed the facts as to the financial operations of the company which had previously been set out in the exhibits attached to the application.

Applicant's income statement for the year 1921 shows receipts of \$874.21 and disbursements of \$1,231.60. Both these amounts include the switching and toll charges collected by it from its subscribers for service rendered by The Pacific Telephone and Telegraph Company and paid by it to that company. Eliminating these items, the amount shown as operating revenue is \$351.13, and the expense for repairs and taxes (but

not for depreciation) is \$723.94. A charge has been made for depreciation of \$117.07, in addition to the other disbursements.

The entire work of maintaining the plant has been done during the last two years by an experienced telephone man who also does similar work for other small organizations in the vicinity. His bill of \$642.80 for the year 1921 represented all charges for repairs as reported by the company, as he furnished his own material, additional help when necessary, and transportation. The company charged \$400.00 of this total amount as repairs and renewals covered by the depreciation reserve, and the balance, \$242.80, to ordinary repairs. An analysis of this bill, made by the Commission's assistant engineer, showed that many new anchors had been placed in order to strengthen the line and also that additional wire had been strung. It was estimated that the proper amount to be charged to maintenance should have been \$266.91, which appears to be reasonable.

The property of the applicant was valued by the Commission's engineering department at \$3,982.00 on an historical basis as of March 1, 1922. This was based on the known costs of construction elsewhere at the time when the lines were constructed, as the applicant had no detail records of the original cost of its plant. It was further estimated that the amount of accruing depreciation is \$130.00 per annum.

Using as maintenance expense the amount estimated by the Commission's assistant engineer, and, allowing for a growth in number of subscriber's stations from 58 to 60, a comparison of the income and expenses under present and proposed rates is as follows:

<u>C o m i n g Y e a r</u>		
	<u>Estimate Under Present Rates</u>	<u>Estimate Under Proposed Rates</u>
Subscribers station revenue	\$ 360.00	\$ 600.00
Salaries, general	60.00	60.00
Incidental expense	2.50	2.50
Maintenance	266.91	266.91
Depreciation	130.00	130.00
Taxes	19.80	33.00
Total Expenses	\$ 479.21	\$ 492.41
Deficit	119.21	-- --
Net Revenue	-- --	\$ 107.59

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 proposed rate should provide a net revenue of \$107.59, or a return of 2.7% on the historical reproduction cost of the property.

The company also asked that it be allowed to charge to each subscriber a commission of 10% for collection of tolls and switching charges due for service rendered by The Pacific Telephone and Telegraph Company. This would result in an increase to the subscriber, without due process of law, in the rates for toll service of The Pacific Telephone and Telegraph Company, and would also produce discrimination inasmuch as the charges for calls originating at the telephones of subscribers of the company would be greater than the charges for similar calls between the same stations in other cases in which the calls might be placed in the opposite direction. Permission to make this charge must therefore be denied.

Under the application of the former line rate of The Pacific Telephone and Telegraph Company a discount of ten per cent on the charge for exchange service is allowed if the bill is paid during the first month of the year. It has been the company's custom to pay to The Pacific Telephone and Telegraph Company during the month of January of each year, the entire amount due for service for its patrons, thus being allowed ten per cent discount. It has also allowed to its own

patrons the same discount in connection with this part of their total charge for service, irrespective of the date on which they made payment to it. It should charge the full amount of The Pacific Telephone and Telegraph Company's former line rate to all subscribers who do not make payment during the first month of the year.

Complaint as to service is, that there are periods of several days at a time after a storm when no service is available, and that at times the lines are in use so constantly that there is long delay in securing of the lines. It appears that much of this trouble is due to the condition of the privately owned branch lines and instruments, which are not properly maintained, and to the fact that of the five circuits in use, two have thirteen subscribers each and two have twelve subscribers each connected to them. This number is in excess of the number usually allowed on such lines, and the service would undoubtedly be improved if the number were reduced. More careful attention to the maintenance of facilities owned by the individual subscribers will also improve the service. The Commission will not at this time require any modification of the conditions under which service is being rendered because the present financial condition of applicant will not permit.

O R D E R

Chileno Valley Telephone Company having filed with the Commission an application for an increase of rates, a public hearing having been held, the matter being submitted and ready for a decision,

IT IS HEREBY ORDERED, that Chileno Valley Telephone Company be and it is hereby authorized to publish, file with the Railroad Commission, and make effective on and after thirty (30) days from the date

of this Order, the following rate for service:

Farmer Line Service - Ten Dollars (\$10.00) per annum
plus the farmer line rate of The Pacific Telephone
and Telegraph Company at its Petaluma exchange.

Dated at San Francisco, California, this 10th day
of August, 1922.

H. H. Brundage

Wing Martin

Charles H. Tomlin

J. H. Tomlin

Commissioners.