

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of )  
 McFarland Telephone Company for per- )  
 mission to install and operate a ) Application No. 792  
 telephone plant and for authority to )  
 publish, file and put into effect ))  
 rates for service. )

J. D. Porter, President, and C. A. Melcher,  
 Secretary for applicant.  
 G. D. Montgomery, for The Pacific Telephone and  
 Telegraph Company.

GORDON, Commissioner.

O P I N I O N

The application herein is for a certificate from the Commission that the public convenience and necessity require the establishment and operation of a telephone system in the town of McFarland and adjacent territory in Kern County, California. It involves also a connection with the system of The Pacific Telephone and Telegraph Company for service to points beyond McFarland.

At the hearing of this application, it was shown that the only telephone service afforded this community prior to the organization of the McFarland Telephone Company was a public toll station established by The Pacific Telephone and Telegraph Company for long distance telephone toll service. The town of McFarland and surrounding country has experienced a development which requires the establishment of a telephone system which will enable its residents and business houses to have telephonic communication with each other as well as with outside points. A toll station previously maintained by The Pacific Telephone and Telegraph Company does not provide local

service, and an organization along mutual lines was attempted to meet the local demand. This organization has developed the necessity of establishing rates which places the company among public utilities, and, in compliance with the requirements of the Public Utilities Act, it now asks the permission of the Commission to establish and operate its system and to place a schedule of rates in effect.

Since its organization, the company has collected approximately \$1250 with the intention of issuing certificates of stock at \$25 per share as soon as an incorporation could be effected. A lot was purchased and an office building constructed on which there is a balance of \$600 still owing. A switchboard has been purchased and lines have been built, partly by the company and partly at the expense of subscribers. As of the date of this application, there are nineteen subscribers connected and receiving local service.

Witnesses for the applicant testified that an attempt has been made to incorporate the company, but that some objection, which has not been fully explained, was encountered and the incorporation has not been completed. It now appears that the company will continue its business on a co-partnership basis, and should its co-partners elect to withdraw at any time the company may be left without the financial support which is essential to guarantee that the public interest will be sufficiently protected if this application is granted.

On the other hand, it appears that the establishment and operation of a telephone system in this community is required by the public convenience and necessity. It is my opinion that, if this company can make a satisfactory showing to the Commission that it is financially able to provide satisfactory and adequate telephone service in the community which it is seeking to serve, and which it has not yet shown, the application, with certain modifications, should be granted and I

shall so recommend.

The application in its original form asks permission of the Commission for the applicant to operate its system throughout an area a certain portion of which is already purported to be served by the Delano-Linne Valley Telephone Company. Witness for the applicant testified that his company was not aware of this fact and agreed to file an amended application which would confine its operations to territory not already served by any other operating company.

It also asks the permission of the Commission to establish a rate which is the same for all classes of service provided for in its proposed schedule, regardless of the subscribers' location or of the class of service to be provided. It was suggested that the amended application provide a revised schedule for the various classes of service to be furnished and to provide for an exchange radius within which rates for exchange service shall apply and beyond which rates for other classes of service shall be provided. The amended application providing for these changes has been prepared and filed with the Commission, and the recommendations herein are applicable to the amended application.

It is also desired that connection with the toll system of The Pacific Telephone and Telegraph Company be had for service to and from points beyond McFarland. Such connection is agreeable to that company and it has filed with the Commission a copy of a proposed connecting agreement which both companies desire to enter into for such interchange of service. This proposed connecting agreement defined the territory, heretofore referred to, to be served by the lines of the McFarland Telephone Company, and also provides for the payment by The Pacific Telephone and Telegraph Company to the McFarland Telephone Company of 30% of its originating paid tolls.

Witness for The Pacific Telephone and Telegraph Com-

pany testified that it is agreeable to that company that the McFarland Telephone Company shall take over and operate the toll station previously referred to in this opinion. This is also agreeable to the McFarland Telephone Company.

The rates which the applicant desires to charge its patrons for telephone service, as provided in the amended application, are as follows:

Business or Residence Service

Individual line .....	\$2.50	per month
Two party .....	2.00	" "
Four party .....	1.75	" "
Suburban service, (Ten party) .....	1.50	" "

Exchange limits to include the present town limits.

As to the proposed rates, it is to be noted that no differentiation as between rates for business and residence service has been provided for. It is a common practice among telephone companies generally, and one which the Commission believes to be entirely justifiable, to provide for a differentiation in rates as between these two general classes of service. It is also to be noted that, while a rate has been provided for suburban service, none has been provided for what is commonly known as farmer line service. Under suburban rates, subscribers' lines and subscribers' station equipment are usually provided and maintained at the expense of the telephone company. Under farmer line rates, subscribers' lines, up to a certain point, and subscribers' station equipment are usually provided and maintained at the expense of subscribers. I shall recommend that this rate schedule provide for these two latter classes of service for subscribers located beyond the exchange radius and that it be further modified to provide rates as follows:

Business Service.

One party (individual line) ....	\$2.50	per month
Two party .....	2.00	" "
Four party .....	1.75	" "
Suburban (ten party) .....	1.75	" "

### Residence Service

One party (individual line) .....	\$2.00	per month
Two party .....	1.75	" "
Four party .....	1.50	" "
Suburban (ten party) .....	1.50	" "

The above rates to apply for wall sets. Desk or portable sets 25¢ per month additional.

Farmer line service, business stations, 50¢ per month; residence stations, 25¢ per month.

Mileage charges beyond exchange radius, business or residence, one party 50¢ per month per quarter mile or fraction thereof; two party 35¢ per quarter mile or fraction thereof; four party 25¢ per quarter mile or fraction thereof.

The present town limits, according to testimony introduced at the hearing, include an area one mile square. It is evident that to adopt this limit as the exchange limit may result in unjust discrimination in rates if a mileage charge for subscribers located beyond the exchange limits is to be allowed, since the distance to any point located at the extreme town limits may not be the same from the center of the town or from any given point within the town as the distance to other points located at its extreme limits. To obviate this difficulty, an exchange radius may be established by circumscribing a circle around the central exchange sufficiently large to include the town limits. I shall accordingly recommend that a radius of three-quarters of a mile from the central exchange be established as the exchange radius within which service shall be provided at exchange rates. If this radius is not sufficiently large to include all of the present town limits, the applicant may, if it desires, make application to the Commission for its further extension.

As a protection to the telephone company against unprofitable construction costs, it is customary to establish a minimum limit of subscribers for which new lines shall be built under suburban and farmer line rates. This is entirely reasonable and I shall recommend that new suburban lines shall be built a distance not to exceed three miles from the central ex-

change for a minimum of four subscribers and not to exceed five miles from the central exchange for a minimum of five subscribers; service under farmer line rates to be provided for a minimum of five subscribers to one line or for a lesser number than five upon the payment to the telephone company of the equivalent in subscribers' rentals of five stations. Under farmer line rates, the telephone company to be required to furnish switchboard or central office connection and circuit to the exchange limits and maintenance of same; the subscribers to furnish lines from their premises to the exchange limits and the necessary telephone sets and maintenance of same.

The following order is recommended:

O R D E R

Application having been made to this Commission by McFarland Telephone Company for permission to install and operate a telephone plant in McFarland and adjacent territory in Kern County, California, as a public utility and for authority to publish, file and put into effect rates for service; and a public hearing having been held thereon, and it appearing to this Commission that the public convenience and necessity will be subserved thereby.

IT IS HEREBY ORDERED that the application herein be granted, provided that on or before ninety (90) days from the effective date of this order the McFarland Telephone Company shall make sufficient and satisfactory showing to this Commission that it is and will be financially able to furnish necessary and adequate telephone service within the territory covered by this application and more particularly described in that certain proposed connecting agreement between this applicant and The Pacific Telephone and Telegraph Company and filed with this application.

AND PROVIDED FURTHER that a radius of three-quarters

(3/4) of a mile from the central exchange shall be established within which radius exchange service shall be provided at rates as follows:

Business Service

	<u>Wall Set</u>	<u>Desk Set</u>
One party (individual line) .....	\$2.50	\$2.75
Two party .....	2.00	2.25
Four party .....	1.75	2.00

Residence Service

One party (individual line).....	2.00	2.25
Two party .....	1.75	2.00
Four party .....	1.50	1.75

AND PROVIDED FURTHER that service beyond the exchange radius of three quarters (3/4) of a mile from the central office shall be provided at rates as follows:

	<u>Wall Set</u>	<u>Desk Set</u>
Suburban (ten party) business ...	\$1.75	\$2.00
" " " residence ..	1.50	1.75
Farmer line, business - 50¢		
" " residence- 25¢		

Mileage charges

The following charges for mileage for exchange service beyond the exchange radius of three quarters (3/4) of a mile from the central exchange shall apply in addition to the rates herein provided for exchange service:

1 party	50¢	per month	per	$\frac{1}{2}$	mile	or	fraction	thereof
2 "	35¢	"	"	"	"	"	"	"
4 "	25¢	"	"	"	"	"	"	"

Suburban or farmer line service to be provided under the rates herein only beyond the exchange radius as follows:

Suburban service shall be furnished for not less than four subscribers per line for the first three miles of line required from the central exchange and for not less than five subscribers for the first five miles of line required from the central exchange. The maximum number of subscribers to be connected to one line shall not exceed ten.

Farmer line service for a minimum of five subscribers per line or for a lesser number than

five upon the payment to the telephone company of the equivalent in monthly rentals of five subscribers' stations. Under this rate for farmer line service, the telephone company will furnish and maintain central office connection and subscribers' lines to the exchange limits; the subscribers to furnish circuits from their premises to the exchange limits and the necessary telephone sets and maintenance of same.

It must be distinctly understood that these provisions with reference to suburban service are based on the particular facts of this case and that they are not to serve as a precedent in any other case.

AND PROVIDED FURTHER that this permission is not to be taken as approval of the rates since the Commission has not as yet passed upon their ultimate reasonableness.

This order to be and become effective upon the filing with this Commission on the part of the applicant of a schedule of rates as herein provided and on the part of The Pacific Telephone and Telegraph Company of a copy of the duly executed connecting agreement hereinbefore referred to.

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 13<sup>th</sup> day of December, 1913.

John W. Eichelmann  
W. L. ...  
...  
Max ...

Commissioners.