Decision No. _____

Decision No. 2790

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

City of Corona, a Municipal Corporation,

Complainant,

Vs.

Corona Home Telephone and Telegraph Company, a corporation, Corona Union Telephone and Telegraph Company, a corporation, The Pacific Telephone and Telegraph Company, a corporation, and United States Long Distance Telephone and Telegraph Company, a corporation,

Defendants.

Case No. 660.

G. R. Freeman, for Complainant.

W. S. Clayson, for Defendants.

GORDON, Commissioner.

O P I N I O N

This is a complaint brought by the City of Corona, Riverside County, California, calling into question the reasonableness of the rates, and of the rules, regulations and practices affecting rates in effect for telephone service in the City of Corona and in the territory served therefrom. As originally filed the complaint was directed against each of the above entitled defendants. The Pacific Telephone and Telegraph Company and the United States Long Distance Telephone and Telegraph Company, however, are found to be furnishing only long distance toll service between Corona and outside points, and as the rates for this class of service are not involved in the complaint the complainant later formally requested that the complaint as to these two defendants be dismissed. The Commission will accordingly consider the complaint only as directed against the other two defendants, Corona Home Telephone and Telegraph Company and Corona Union Telephone and Telegraph Company. The complaint also alleges that the service is inadequate in certain respects, but the chief issue goes

to the reasonableness of the rates, and as no testimony was offered bearing upon the alleged inadequacy of the service the complaint will be considered only with reference to the other issue involving the reasonableness of the rates.

The complaint was filed with the Commission on August 20, 1914, and after a number of delays and postponements was heard in the City of Corona on March 19, 1915.

The Corona Home Telephone and Telegraph Company was organized on December 6, 1905, and constructed the system now operated by the Corona Union Telephone and Telegraph Company. At the time this system was built and placed in operation by the Corona Home Telephone and Telegraph Company, The Sunset Telephone and Telegraph Company also operated a telephone system in Corona, the two systems thereafter being operated as competitive systems until the subsequent sale of the Sunset local system. The Sunset Telephone and Telegraph Company, now known as The Pacific Telephone and Telegraph Company, then owned and operated a system of long distance toll lines to which its Corona exchange had access for long distance service to its other exchanges throughout the State of California. The United States Long Distance Telephone and Telegraph Company also owned a system of long distance toll lines throughout the southern part of the State in competition with The Sunset Company's long distance lines, providing long distance connections generally for the so-called Home Companies throughout its field of operations. The Corona Home Telephone and Telegraph Company was provided long distance toll service over the lines of The United States Company under a written agreement, the terms of which provided that the Corona Company should not connect its system with the toll lines of any other long distance company in competition with the lines of the United States Company. In due course, negotiations were started looking to the purchase of the Sunset Company's system in Corona, to complete which and to enable it to

secure connection with the long distance toll system of The Sunset Company, the Corona Union Telephone and Telegraph Company was organized on March 27, 1909. This new company then took over and has since been operating the combined systems under lease from the Corona Home Telephone and Telegraph Company. Throughout the following discussion reference will, therefore, be made to the operating company.

During the month of April, 1914, the City of Corona by vote of its citizens transferred jurisdiction over its public utilities to the Railroad Commission. Prior to that time, the rates for telephone service had been fixed by ordinance. These rates, as shown by the company's rate schedule on file with the Commission, are as follows:

	Business	Residence
1 party - per month	$ 3.50	$ 2.50
2 " " "	-	2.00
4 " " "	2.50	1.50
3 " " "	1.50	1.50

Country Lines, $2.00, $2.50 and $3.00 per month.
Ministers and Firemen, 1.00 " "
Lodges, $2.00 " "
Desk or portable telephones, 25¢ additional to above.

The testimony shows that the ordinance rates were made to apply throughout the incorporated limits of the City. These limits extend to considerably greater distances in some directions than in others and as a result the defendant has been required to extend its service to greater distances in some cases than in others at similar rates. In order to properly protect the company and at the same time to afford its patrons similar service at similar rates, a definite radius should be provided within which uniform rates and practices should apply without discrimination. The defendant has also filed with the Commission certain statements and data, an examination of which discloses the existence of considerable discrimination in present rates outside of the city limits. Such discrimination whether within or beyond the

city limits should be removed, and for reasons which will presently appear the Commission will concern itself chiefly with their removal.

This defendant has submitted statements to the Commission necessary in the consideration of this case, including statements of its receipts and expenditures, classification of its subscribers and rates, and an inventory and appraisal of its plant and property. Its Annual Report for the year 1914 indicates a net income of $5786.83 for that year. Its total investment, according to the company's appraisal, is $62,851.97. On this valuation, a net income of $5786.83 would represent a net return of 9.2%, but neither the Annual Statement nor the Company's valuations appear to properly represent the company's operations. In order, therefore, to enable the Commission to determine the facts, further statements bearing upon the company's receipts and expenditures have been required and have been considered in detail both by the Commission and by the defendant, with the result that the defendant has agreed to certain corrections in the original statements appearing as follows:

Total Operating Expenses charged as per Annual Statement for 1914,		$8,528.82
Less Deductions for Items Chargeable to Capital Account, but charged to Operation,	$1,142.90	
Errors in Additions,	33.77	
Items which cannot be accounted for,	6.50	
Total Deduction,		1,183.17
Balance Gross Operating Expense, 1914,		$7,345.65

Although the privilege of presenting briefs was not requested at the hearing, counsel for the defendant has presented a brief in which the claim is advanced that the defendant's Annual Statement, in reporting expenses of operation, includes nothing for depreciation of plant, and that approximately $2000.00 should have been charged to this item. It is a fact that this statement

does not show a charge to depreciation as such, but the testimony which is of record in this case shows that the item of depreciation has been taken care of at least in part and has actually been charged to operating expense under maintenance of plant. It would seem then that the thing to do now is to determine as nearly as the company's records will permit what amount has actually been charged in this way, and if sufficient has not already been charged, to allow whatever additional amount may be proper to make up the difference. It is, of course, apparent that separate accounts for maintenance and depreciation of plant should be maintained, and that a reserve sufficient to care for the future depreciation of plant should be provided, but fairness to the company demands that a determination of what it is capable of earning through present rates shall give due consideration to what it should set aside out of its gross earnings to provide for this account regardless of the fact that it has not done so heretofore. It is now difficult to determine accurately what amount has been charged to maintenance that should properly have been charged to depreciation, due to the fact that the defendant's accounts have not been so kept in the past as to show the two accounts separately, but from such information as has been furnished the Commission it is possible to estimate with reasonable accuracy to what additional amount the defendant may be reasonably entitled for depreciation.

This defendant has heretofore filed with the Commission its annual reports for the years ending December 31, 1912, 1913, and 1914, showing total operating expenses for each of these years as follows:

For the year	1912	- $ 7,849.50
" " "	1913	- 7,874.31
" " "	1914	- 8,528.82

Subsequent to the filing of this complaint, the Commission called upon the complainant for further statements showing in detail, which the annual statements do not show, how the total maintenance expenses included in the above have been made up. These detailed

statements show total operating expenses for 1912 and 1913, inclusive of maintenance and depreciation, comparatively close to the amounts reported in the annual reports for the same years. By comparison the figures are as follows:

	Annual Report	Statement
1912	$ 7,849.50	$ 7,308.49
1913	7,874.31	7,973.17

The detailed statements for each of these years show that depreciation to the amount of $2006.04 per year has been charged. The detailed statement for 1914 covers only the first six months of the year, and shows the total maintenance expense for six months, exclusive of $1003.02 charged to depreciation, as follows:

Superintendence and Repairs of Plant,	$1,242.34
Repairs of Equipment, Buildings and Grounds,	743.29
Total Maintenance Expense for Six Months,	$1,985.63

If the total maintenance expense for the year were twice the amount of this expense for six months, the total annual cost would be $3971.26, but the amount of this item, as shown by the company's annual report, is $4778.74. If, therefore, the defendant's testimony to the effect that depreciation which has taken place has been taken care of out of maintenance expense is dependable, and if the detailed statements which have been presented are also dependable, it is evident that the annual report, which the defendant's counsel in the brief previously referred to claims does not provide anything for depreciation, does in reality charge to maintenance expense an amount equal to the difference between the two amounts mentioned above, or $807.48, which is properly chargeable to depreciation. The fact that the totals charged to maintenance expense, as shown by the annual reports for 1912 and 1913, neither one of which shows a separate charge to depreciation as such, correspond so closely to the total charges to both maintenance and

depreciation as shown by the detailed statements for those years, further support this conclusion. It appears reasonable then that in determining the total amount properly chargeable under operating expenses to depreciation this amount, $807.48, should be considered.

In other telephone cases which have been before this Commission, from 5% to 5½% has been allowed to be set aside out of earnings as a reasonable charge to depreciation in addition to ordinary maintenance charges. In this case, 5½% may be considered reasonable and will be allowed for depreciation in estimating the probable operating expenses of this company for the year 1915. It will be seen from a summary of the Commission's valuation of this plant which will presently follow that the amount of plant against which this charge should apply is $34,664.27. Depreciation at 5½% would thus amount to $1906.53. The difference between this figure and the amount already actually charged, as shown above, viz., $807.48, and to which this company is properly entitled in addition is, therefore, $1099.05.

The testimony in this case further shows that certain services have been rendered the company by its officers for which no charge whatever has been made heretofore. It is, of course, apparent that had the company been obliged to employ outside help to perform these services it would have been necessary to meet the expense out of revenues, and fairness demands that a reasonable amount be allowed in the future for this expense. It appears that $1200.00 per year would be a reasonable allowance for this purpose and I am willing to recommend that this amount be allowed as an additional operating charge.

Assuming that the total operating expenses for the year 1915 will be approximately what they were during the previous year, the estimated total expenses, after taking into consideration the corrections and additions referred to above, would appear to be as follows:

Total Operating Expenses shown by Annual Report for Year 1914,	$ 8,528.82
Less Deductions previously referred to,	1,183.17
	$7,345.65
Additional allowance to Depreciation,	1,099.05
" " for Salaries,	1,200.00
Total Estimated Operating Expenses, 1915,	$9,644.70

The gross receipts for 1914, as shown by the annual report, were $15,199.86. The net income, after taking away operating expenses, $9644.70, and taxes assignable to operations, also shown by this annual report to be $884.21, would be $4670.95, and based upon the company's investment figures, would represent a net return of 7.43%. As previously stated, however, the company's investment figures are based upon valuations which are not satisfactory to the Commission. These figures are as follows:

Plant,	$11,861.35
Equipment,	8,600.16
Labor on plant, poles, lines, telephones, etc.,	16,507.24
Labor installing switchboards, etc.,	1,500.00
Building and Lot,	5,000.00
Contractor's profit on labor and material,	7,343.60
Engineering and Attorney's fees,	1,500.00
Interest during construction, 6% on $50,000.00 for one year,	3,000.00
Working Capital,	1,000.00
Employees' Liability on Labor, $18,007.24 @ $5.55 per $100.00,	999.40
Public Liability on Labor, $18,007.24 @ $3.00 per $100.00,	540.22
Cost of Pacific Franchise,	5,000.00
	$62,851.97

In order to enable the Commission to pass upon the valuation claimed by the defendant, it called for an itemized inventory and appraisal of the defendant's property. This inventory and appraisal has been provided and carefully analyzed by the Commission's telephone engineers to determine what a fair reproduction value of the plant would be as of the date of the inventory,

and the Commission's findings were presented in evidence at the hearing. It appears from the testimony of witnesses for the defendant that the inventory and appraisal was made up by employees of the company who are admittedly not engineers and have had no experience in appraising telephone property, and aside from their unfamiliarity with the values of such property, certain items have been included which obviously do not have a proper place in the company's valuation of this system. Particular attention is directed to the following items which were included in the company's inventory:

Building and Lot	-	$ 5,000.00
Cost of Franchise	-	5,000.00
Contractor's Profit	-	7,343.60

With reference to the appraisal valuation of the building and lot, the City Clerk and ex-officio City Assessor testified that the building is assessed by the city at $800.00 and the lot at $1400.00, the assessment being fixed at approximately 50% of the actual present market value of the property. This would fix the actual present market value of this property at $4400.00.

With reference to the appraisal value of franchise, $5000.00, the defendant contends that this is the actual amount which it paid the Sunset Telephone and Telegraph Company and The Pacific Telephone and Telegraph Company for a franchise under which the Sunset and The Pacific Companies formerly operated in Corona, and which it acquired when it took over the system which they operated and that, therefore, this amount should be allowed as a part of its present investment. In support of this contention, the defendant attaches particular importance to a certain provision contained in a written agreement which was entered into between it and these companies when it purchased their Corona property. This provision appears in the following clause in that agreement:

> "It is finally agreed that the said Corona Company shall, during the life of this agreement, have the right to carry on its business in the said City of

> Corona under the franchise or franchises now held by the said Pacific Company and Sunset Company, or either of them, to carry on a telephone or telegraph business in the said City of Corona or in the said County of Riverside, and that the said Pacific Company and Sunset Company will grant to said Corona Company such lease or assignment of its rights and franchises aforesaid, as will accomplish the purpose hereinbefore expressed."

The facts of the matter are, however, as the testimony shows, that before the defendant acquired the Sunset and Pacific property and franchise, the Corona Home Telephone and Telegraph Company, whose system is now being operated by the Corona Union Telephone and Telegraph Company under a lease from the Corona Home Company, was granted a franchise by the City of Corona and that the Corona Union Company is still operating under this franchise. It is also a fact that the agreement above referred to contains a further clause reading as follows:

> "The Corona Company agrees to pay to the Pacific Company in consideration for the exchange plant of the Pacific Company in said City of Corona and other property hereinbefore agreed by it to be sold to said Corona Company, the sum of Five Thousand Dollars ($5000.00) in first mortgage five percent gold bonds of the Corona Home Telephone and Telegraph Company of the issue already authorized."

There is also attached to this agreement a list of the physical property that was sold under it. It is also a fact, as shown by the record, that previous to the purchase of this physical property from the Sunset and Pacific Companies they were operating a telephone system in Corona as competitors of the defendant company, and as a result of the purchase the defendant was relieved of competition. Thus, while it is a fact that the franchise rights under which the former owners of this property operated were included in the transfer, it is quite evident in view of the fact that the purchasers were at the time and still are operating under a previous franchise, that the Sunset and Pacific franchise as such possessed no particular monetary value to the defendant. Under the circumstances, I cannot agree to admitting it as constituting part of the value of the defendant's present property.

As to the value of any physical property which was acquired by this transfer, credit will be allowed for such portions of it, if any, as may be in use when fixing a value of the operative property since the inventory contains a list of all of the property actually in use at this time.

With reference to the item "Contractor's Profit, $7343.60", the defendant assumes that a fair valuation of this property can best be determined by showing what it would cost to reproduce it. Defendant assumes that a plant of this size and character would be built by contract and urges that $7343.60 would be the amount which the contractor would be entitled to earn as his profit for the actual work of construction. The amount assumed is presumed to be 20% of the actual cost of material and labor involved in its construction. If it were necessary to build the plant by contract, it is, of course, obvious that whatever profit the contractor might charge would enter into the cost of the completed plant as a proper overhead charge, but this is only an assumed condition which has been set up for the reason that the defendant claims that it is not in a position to show what the plant has actually cost the company. If, therefore, it is necessary and proper under the circumstances that a reproduction cost basis be taken as the basis upon which to determine the present fair value of this property, the application of fair present unit costs as they are now known to exist to the various items of plant involved, with the addition of reasonable and fair overhead charges, will properly take care of such items as the one referred to and will adequately protect both the company and the public. This item of contractor's profit as such will, therefore, be excluded from the Commission's appraisal.

In addition to the three items which have just been discussed, it will be noted that the defendant includes two others, viz., Engineering and Attorney's Fees, $1500.00, and Interest dur-

ing Construction at 6% on $50,000.00 for one year, $3000.00. It is apparent, of course, that before actual construction may be started, engineering and other preliminary preparations must be made, the cost of which should be considered. Such costs are ordinarily provided for under cost of organization and are considered in the Commission's appraisal. It is not reasonable, however, to assume that in the construction of a telephone plant of the extent of that involved im this case, viz., one having approximately 650 working telephones, a year's time will intervene before any of the plant is placed in operation and earning on the money invested, or that interest should be allowed for any time on $50,000 since it appears after liberally allowing for present values that the total value of the operative physical plant is considerably less than this amount. To grant that a year would be required to complete a plant having but 650 telephones in service would be to admit that an installation on an average of less than two telephones per day would be a reasonable ratio for the construction of exchanges of this class. From the evidence which was presented, it seems that an allowance of $1000.00 for interest is all that the complainant can reasonably claim and I shall recommend that not more than this amount be allowed.

Referring now to the Commission's valuation of the defendant's property, what the estimated net income will be for the year 1915, what the net income represents in the way of an earning on this valuation, and to the procedure to be followed in the way of such rate revision as may be necessary to eliminate the existing discrimination:-

Basing unit costs upon present average costs of labor, material and incidental items, and allowing overhead and other costs as indicated, the cost of reproducing this plant new as of the date of the defendant's inventory, without deducting anything for depreciated value, and except that where present standard

methods of construction do not appear to have been employed, the defendant's valuations have not been altered, would be as follows:

Pole lines,	$13,035.06
Aerial and underground cable,	1,518.97
Underground conduit,	55.00
Aerial wire,	10,189.24
Subscribers' station equipment,	4,991.30
Central office, "	2,694.00
" " building,	1,600.00
Office furniture and fixtures,	254.50
Tools, teams and vehicles,	326.20
	$34,664.27
Real estate,	$ 2,800.00
Material and supplies,	220.76
Right of way,	40.00
Organization,	1,500.00
Interest during construction,	1,000.00
Working capital,	1,000.00
Overhead charges including Engineering, supervision, supply and tool expense, etc., 15% of physical plant, $34,664.27,	5,199.64
Employees'and Public liability,	1,452.70
	$13,213.10
	34,664.27
	$47,877.37

I have previously shown that on the basis of the receipts reported by the defendant in its Annual Report for the year 1914, the estimated net income for the year 1915 after deducting the estimated gross operating expenses would be $4670.95. Upon this basis, the defendant would be earning 9.75% upon the Commission's valuation of this property. At the hearing of this case, the defendant testified that the capacity of the present plant will not admit of taking care of any additional demands for telephones, and that it will be necessary at once to provide additional facilities which will require an estimated expenditure of approximately $4700.00. With the addition of this amount to the present investment, the net return would be reduced to approximately 8.88%. The public cannot reasonably demand rates so low that the defendant's income may be reduced to the point where there would not be a sufficient earning to enable it to provide for necessary facilities to take care of the public demand for service. For this

reason, the Commission's chief concern at this time will be to bring about such revision or modification of present rates as will remove discriminations which now exist.

Reference has previously been made to the fact that the present rates have heretofore been required by ordinance to apply throughout the city regardless of the subscriber's location with reference to distance from the central office, and that as a result a condition has been developed which results in discrimination in the rates charged within the city as compared with those charged outside the city limits. Statements which the defendant has submitted to the Commission giving in detail classifications of present subscribers by classes of service and rates further show that discrimination also exists in other ways. In order to relieve this condition and to establish uniformity in the method of applying the rates, it is deemed advisable to establish a definite radius from the central office within the area of which similar rates shall be charged for similar service, and beyond which other uniform rates shall apply, based upon the distance beyond the established radius at which the subscriber may be located whether within or without the city boundary. In order not to unduly disturb the present arrangement for service within the city, an area within a radius of three miles from the company's central office may be established within which the present rates, with certain modifications designed primarily for uniformity and for the removal of discrimination, may apply. Beyond three miles from the central exchange, mileage charges may be added, varying according to the class of service selected, the uniform application of which will eliminate the numerous instances of discrimination now existing outside the boundaries of the city.

The schedule of rates proposed to be applied within the three mile radius, and the classes of service to be provided are as follows:

	Business Service		Residence Service	
	Wall Set	Desk Set	Wall Set	Desk Set
1 party	$ 2.50	$ 2.75	$ 2.00	$ 2.25
2 "	2.25	2.50	1.75	2.00
4 "	2.00	2.25	1.50	1.75
8 "	1.75	2.00	1.25	1.50

Mileage charges to be added to the above rates for either business or residence service located beyond the three mile radius, the mileage charges to apply at the rates indicated for each mile or fraction of a mile beyond the three mile radius.

1 party - 50¢ per month per mile or fraction.
2 " - 35¢ " " " " " " "
4 " - 25¢ " " " " " " "
8 " - 15¢ " " " " " " "

The present rate schedule provides for special rates for firemen and clergymen and for lodges and clubs, which are lower than the rates paid by other classes of subscribers. It appears also from the company's classification of subscribers and rates previously referred to that a discount from schedule rates is allowed for telephones in use by the various departments of the municipal government. This classification also shows that a number of extension telephones are in use and being charged for at $1.00 for wall sets and $1.25 for desk sets, and that extension bells are also in use and being charged for at 25¢ per month, but for which the filed schedule does not provide rates. The schedule now in effect also provides rates of $2.00, $2.50 and $3.00 per month for what it classifies as "Country Lines".

The Public Utilities Act of this State provides that public utilities may under certain specified conditions grant free or reduced rates, and the decisions rendered by this Commission in Case No. 293, viz., Decision No. 421, rendered on January 24, 1913, and Decision No. 596, rendered on April 19, 1913, further specify certain cases in which public utilities, other than common carriers, may if they so desire charge less than their published rates. Decision No. 421 in Case No. 293 provides that the public utilities of this State, other than common carriers, may if they so desire

grant free or reduced rate service in the following classes of cases:

1 - Federal and State governments and the political subdivisions thereof, including the departments thereof, and public institutions.

2 - Fairs and other public expositions and celebrations.

3 - Charity, as defined in the opinion in this case.

4 - Employees.

Lodges, clubs and fraternal organizations were purposely omitted from the classes of cases in which free or reduced rates may be granted, and any free or reduced rates now in effect by this defendant in such cases should be discontinued.

In providing the above revised schedule of rates for this company, it is not intended that the company shall be required to alter or withdraw any of the reduced rates now in effect in the other cases above mentioned, but that it may if it so desires continue them, provided there shall be no violation of the provisions of the Public Utilities Act or of the Commission's orders here referred to; nor does it seem necessary at this time to require any change in the rates now in effect for extension telephones or extension bells, but with reference to the rates now charged for "Country Lines", they should be made to conform with this revised schedule.

The application of this revised schedule will result in increasing the present rates in a few instances and in reducing the present rates in others, but it will have the further effect, if uniformly applied, of removing discrimination. The net result will be a reduction of approximately $970.44 per year in the company's exchange service revenues if the classifications which the company has submitted are correct, and taking the Commission's valuation of this property as a basis will leave the company a net earning of approximately 7.55% after allowing for the additional expenditures for improvement and for expenses of operation pre-

viously referred to. This result is shown in the following summary of the foregoing:

Statement

Showing Estimated Receipts and Expenditures of

Corona Union Telephone and Telegraph Company

During the Year 1915.

Through the application of Revised Rates for Local Exchange Service as herein Recommended, and Based upon the Company's Classification of Subscribers in Service as of January 1, 1915, and upon the Company's Report for the Year 1914, as herein modified, and

Showing Estimated Net Earnings

Based upon Cost of Reproducing the Plant New

Without Deducting Depreciated Value.

Estimated Exchange Service Revenues for 1915 based upon Classification of Subscribers in Service January 1, 1915,		$14,410.44
Less Reductions resulting from the application of Revised Schedule of Rates,		970.44
		$13,440.00
Estimated Toll Service Revenues based upon receipts during 1914, as shown by the company's Annual Report,		$ 817.65
Miscellaneous Revenues, as per same report,		245.25
		$14,502.90
Estimated Operating Expenses for 1915 based upon Annual Report for the year 1914,	$8,528.82	
Less Corrections heretofore mentioned,	1,183.17	
	$7,345.65	
Plus Additional Allowance for Salary Expense,	$1,200.00	
Additional Allowance for Annual Depreciation,	1,099.05	
Total Estimated Operating Expense 1915,		$ 9,644.70
Net Operating Revenue,		$ 4,858.20
Less Taxes Assignable to Operations,		884.21
Balance Net Income,		$ 3,973.99
Estimated Cost to Reproduce Plant,		$47,877.37
Expenditures for Necessary Improvements		4,700.00
Total Investment,		$52,577.37
Return on Investment,		7.55%

On an investment of $47,877.00, exclusive of expenditures for improvements, the net return would be 8.3%, while the return on the company's own valuation figures exclusive of expenditures for improvements would be 6.32%. After carefully considering all of the foregoing, and particularly in view of the necessity for removing the discrimination in rates which now exist, I am of the opinion that the schedule of revised rates herein proposed will constitute a reasonable schedule and shall recommend to the Commission that it be adopted with the understanding that if, having operated under it for a period of not less than one year, this defendant is of the opinion that the rates are insufficient to afford a reasonable return upon a reasonable investment application may thereafter be made to the Commission for a modification of the order herein.

It should be distinctly understood that the conclusions herein reached are based on the specific facts of this case and that they will not necessarily be determinative in other cases.

The following order is recommended.

O R D E R

Formal complaint having been filed with this Commission by the City of Corona, a municipal corporation, complainant, calling into question the reasonableness of the rates of Corona Home Telephone and Telegraph Company, a corporation, and Corona Union Telephone and Telegraph Company, a corporation, defendants, for telephone service in and about the City of Corona, and asking that the Commission establish reasonable rates therefor, and a hearing having been held and being fully apprised in the premises, the Commission hereby finds as a fact:

1. - That discrimination now is practiced in the rates charged patrons for telephone service in and about the City of

Corona in violation of the provisions of the Public Utilities Act of this State.

2. - That such discrimination may be reasonably removed without unduly depriving the defendants herein of revenues to which they may be justly entitled by the uniform application of a revised schedule of rates as hereinafter provided.

And basing its conclusions on the foregoing findings of fact, and upon the further evidence considered in the preceding opinion,

IT IS HEREBY ORDERED that on or before the first day of November, 1915, the defendants herein shall publish, file with this Commission, and uniformly charge and collect the following monthly rates for telephone service in the City of Corona and in the territory served therefrom, which are found to be just and reasonable rates, viz.:

	Business Service		Residence Service	
	Wall Set	Desk Set	Wall Set	Desk Set
1 party, per month	$ 2.50	$ 2.75	$ 2.00	$ 2.25
2 " " "	2.25	2.50	1.75	2.00
4 " " "	2.00	2.25	1.50	1.75
8 " " "	1.75	2.00	1.25	1.50

The rates herein shall apply within a radius of three miles in any direction by air line from the central office switchboard. For either Business or Residence service located beyond the three mile radius herein provided, mileage charges as indicated for the class of service selected may apply in addition to the above rates for each air line mile or fraction thereof per month, as follows:-

1 - party 50¢ per month per mile or fraction.
2 - " 35¢ " " " " " "
4 - " 25¢ " " " " " "
8 - " 15¢ " " " " " "

PROVIDED that in those cases, if any, in which special or reduced rates, not in violation of the provisions of the Public Utilities Act of this State or of the orders of this Commission, which are lower than the rates herein provided for are in effect, such lower rates may continue in effect if the defendants herein desire to so continue them pending the further order of this Commission.

AND PROVIDED FURTHER that the rates at present in effect for extension telephones and extension bells shall not be affected by the order herein.

AND IT IS HEREBY FURTHER PROVIDED that this Commission's Decision No. 2689 in Case No. 683, so far as it is applicable in this case, is hereby made a part of the order herein.

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 30th day of September, 1915.

Max Thelen

Lou Gordon

Edwin O. Edgerton

Frank R. Devlin

Commissioners.