

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

Decision No.

In the matter of the Application of Colorado River Telephone Company, a corporation, for permission to construct a telephone system, to sell stock and establish rates.

Application No. 2031.

Decision No. 2435

James O. Phillips, for Applicant.

Daly & Byrne, for Mrs. Jessie Brown.

GORDON, Commissioner:

ORIGINAL

O P I N I O N

This is an application by the Colorado River Telephone Company, a corporation, for authority to construct and operate a telephone system in certain portions of Riverside County, California, to establish rates and to sell stock. The territory which it is proposed to serve is described as lying in Townships 1, 2, 3 and 4 south, Range 20 East, Townships 5, 6, 7 and 8 south, Range 22 East and Townships 5, 6, 7 and 8 south, Range 23 East, San Bernardino Meridian and Base all in Riverside County.

A franchise to construct this system was granted by the Board of Supervisors of Riverside County on September 21, 1914, to Kamrar and Brown, president and secretary, respectively, of the applicant company. It is the desire of the applicant to establish a central office exchange in the town of Blythe and to extend its exchange service lines into the surrounding country. It is also desired to construct a toll line between the town of Blythe and Blythe Junction, a point located approximately forty miles north of the town of Blythe on the Santa Fe Railroad.

The application was heard at Riverside on February 29, 1916. It developed at the hearing that there is already a telephone line, which is owned by Mrs. Jessie Brown, in operation be-

tween the town of Blythe and Blythe Junction and that the applicant desires to construct and operate an additional line in competition with the existing line. An offer had been made to the owner of this line for its purchase by the applicant but the amount which was offered was not satisfactory and objection was entered to the construction of a competing line. It was thereupon agreed that the applicant would tender a further offer for the purchase of the existing line and if the terms were satisfactory formal application would be filed with the Railroad Commission for authority to complete the sale. This has accordingly been done and the necessary application is now before the Commission.

It developed further at this hearing that the applicant was not prepared to present all of the information with reference to the proposed construction, to the sale of the stock and to the proposed method of operation of the system which was required by the Commission in considering the application and further action by the Commission was deferred pending its filing, the applicant having been directed to provide a complete estimate of the proposed construction, together with its estimated cost and a further statement as to the service which it desires to provide and the method of its application of the proposed rates. In presenting this information a supplemental or amended application has been filed and the application as amended will be considered by the Commission.

The estimate of construction which it will be necessary to provide to commence operation and the estimated cost of providing it, as shown by the amended application, represents a necessary initial expenditure of \$17,478.71. To provide the necessary funds, the applicant desires to sell sufficient of its capital stock and proposes a schedule of rates as follows:-

Business telephones, private line, wall sets	-	\$3.25	per month.
" " " " desk "	-	3.50	" "
Residence " " " wall "	-	2.75	" "
" " " " desk "	-	3.25	" "

Residence telephones, party line, wall sets,	-	\$2.25	per month.
" " " " desk "	-	2.75	" "
Ranch " " " wall "	-	2.00	" "
" " " " desk "	-	2.50	" "

Switching charge for ranch telephones when ranchers build and maintain their own lines and furnish their own telephones, 50 cents per month for not less than 5 subscribers per line.

For private line service (one-party) it is proposed to extend lines not to exceed 3/4 mile from the central exchange and for party line service not to exceed 2-1/2 miles for not less than 5 or not to exceed 10 subscribers per line.

The proposed telephone toll and telegraph rates for service between the town of Blythe and Blythe Junction are as follows:

Day telephone toll rate, 35 cents for 2 minutes; 10 cents per minute for each additional minute or fraction thereof.

Night telephone toll rate, 20 cents for 2 minutes; 10 cents per minute for each additional minute or fraction thereof.

Day telegrams, 25 cents for 10 words; 3 cents per word for additional words.

Day letters, 35 cents for 50 words; 2 cents per word for additional words.

Night letters, 25 cents for 50 words; 2 cents per word for additional words.

So far as the estimated cost of the initial plant installation is concerned, while more complete detail than has been filed, is desirable, the information which has been submitted will suffice for the purposes of this application. With reference to the sale of stock, applicant desires to sell to Kamrar and Brown, who are the promoters of the enterprise, 5,000 shares at 75% of the par value and sufficient additional stock at par value to make up the balance of the estimate, \$17,478.00. The corporation is capitalized for \$25,000.00, divided into 25,000 shares of the par value of \$1.00 per share. Of this authorized capitalization, 8000 shares of stock have been subscribed for, four of which are directors' stock and the balance evenly divided between Kamrar and Brown.

I am willing to recommend that the applicant be allowed to issue and sell 17,478 shares at full par value, but since the full amount of legitimate preliminary expense of organization has been included in the estimate of cost, above referred to, these gentlemen appear to be receiving full compensation and should not be permitted to issue stock to themselves on terms more favorable than are offered to other purchasers.

As to the rates, if the applicant's estimate of the earning capacity of the proposed system proves to have been correctly made, it may be that the proposed rates are somewhat higher than they should be. It is possible at this time, however, only to estimate what the net earnings may be and as the territory to be served is so far removed from the centers of population, being located in a remote section of the state, it may well be that rates somewhat higher than may be considered reasonable in more favored sections, may be justified. For these reasons and except that there appears to be no good reason for demanding rates for desk telephones for residence service and for ranch service in excess of the rates demanded for similar equipment for business service, I am willing to recommend that until sufficient time shall have elapsed to enable the Commission to determine what in this case may be reasonable rates the applicant be permitted to apply the rates which it proposes.

Except that a portion of the territory which the applicant desires to serve is already provided with telephone service, it appears that the public convenience and necessity will be subserved by the granting of this application, and since Mrs. Brown appears to be willing to transfer her interests to the applicant and has manifested this willingness by entering into a joint application with this applicant for permission to do so, I shall recommend approval of the application upon condition that the proposed sale and transfer is properly consummated.

Residence telephones, party line, wall sets -	\$2.25	per	month
" " " " desk "	2.50	"	"
Ranch " " " wall "	2.00	"	"
" " " " desk "	2.25	"	"

Switching charge for ranch telephones when ranchers build and maintain their own lines and furnish their own telephones, 50 cents per month for not less than 5 subscribers per line.

The applicant shall extend its lines for private or one-party line service not to exceed a distance of 3/4 mile from its central exchange and party lines not to exceed 2-1/2 miles for not less than 5 or not to exceed 10 subscribers per line.

Day rate for telephone toll messages between Blythe and Blythe Junction:- 35 cents for 2 minutes; 10 cents per minute for each additional minute or fraction thereof.

Night rate for telephone toll messages between Blythe and Blythe Junction - 20 cents for 2 minutes; 10 cents per minute for each additional minute or fraction thereof.

Day telegrams, 25 cents for 10 words; 3 cents per word for additional words.

Day letters, 35 cents for 50 words; 2 cents per word for additional words.

Night letters, 25 cents for 50 words; 2 cents per word for additional words.

Provided that this permission is not to be taken as approval of the rates hereinabove provided for since the Commission has not at this time passed upon their reasonableness, and provided further that the applicant shall keep and submit to this Commission immediately following the establishment of service, separate, true and accurate accounts for a period of one year setting forth in complete detail its revenues and operating expenses, whereupon the Commission may if it so desires establish such other rates as to it may seem necessary or advisable.

(C)- The stock herein authorized to be issued may be issued under the following conditions only, to-wit:-

1.- Before any stock may be issued and sold, the applicant shall submit statements satisfactory to the Commission setting forth in complete detail the purposes for which the proceeds from the sale of stock are to be used.

2.- Said stock shall be sold so as to net the Colorado River Telephone Company not less than full par value.

3.- Colorado River Telephone Company shall keep separate, true and accurate accounts showing the receipts and application in detail of the proceeds derived from the sale of the stock herein authorized to be issued and on or before the 25th day of each month shall make a verified report to the Commission showing the sale and disposition of the stock herein authorized to be issued, the terms and conditions of such sale and the disposition of the proceeds derived therefrom all in accordance with this Commission's General Order No. 24 which, in so far as applicable, is made a part of this order.

4.- This order, in so far as it authorizes the sale of stock, shall apply only to stock issued on or before December 31, 1916.

~~Some conditions of the sale of the stock are conditioned upon the payment of the bonds prescribed in order of the public utility proceeds of the sale.~~

CPD
(D)- Colorado River Telephone Company shall in not less than thirty days prior to the establishment of service publish and file with this Commission its schedule of rates as hereinabove provided.

This 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 17th day of June, 1916.

Max Thelen
Alvin J. ...

Edwin O. Edgerton

Commissioners.