

Decision No. _____

ORIGINAL

Decision No. 2785

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application)
of the ELK GROVE MUTUAL TELEPHONE)
ASSOCIATION for order authorizing) Application No. 2517.
the increase of telephone rates.)

Hugh B. Bradford for applicant.

BY THE COMMISSION:

O P I N I O N.

ELK GROVE MUTUAL TELEPHONE ASSOCIATION
applies for authority to increase the rates charged by
it for telephone service in Elk Grove and vicinity, in
Stanislaus County.

Although organized as a strictly mutual
company, applicant has become a public utility within the
meaning of the Public Utilities Act, for the reason that it
serves the public for compensation through its long distance
toll service, which it operates in connection with Pacific
Telephone & Telegraph Company, a public utility. Under the
existing arrangement between the two companies, applicant
receives 30% of the tolls charged on all business originating
upon applicant's lines, and nothing upon incoming messages.

The present telephone system in Elk Grove
and vicinity has developed during the last 12 or 14 years
with the successive construction of a number of "farmers

lines" operated principally over barbed wire fencing. This resulted later in the establishment of an exchange and the payment of a fixed rental per instrument by members, all of which went for the compensation of the operator. Repairs and maintenance were provided by assessments from time to time. The lines beyond a radius of a half mile from the exchange have all been constructed and maintained at all times by the respective owners thereof.

February 1, 1912 applicant was incorporated and took over the operation of the exchange and the system within the half mile radius. Its articles were subsequently amended to enable it to own and construct the necessary lines and appurtenances within the exchange limits. It now has an arrangement by which it pays a manager \$125 a month, in return for which he furnishes one operator, keeps the accounts and records, collects and disburses funds, and makes needful repairs within the exchange limits, the association furnishing the supplies. For constructing extensions the manager is paid an extra compensation of 30¢ per hour. Applicant reports its lines in a good condition of repair.

Applicant reports its expense of operation for the year ending July 31, 1916, as \$2253.05 and its income for that year as \$1849.88. Of this income \$897.29 is derived from applicant's share of long distance toll fees on business originating on applicant's system. Upon examining the items of above expense the Commission's engineers found that the total amount should be \$2036.31, after deducting the federal taxes on long distance telephone messages, construction costs and items chargeable to capital account, and that the

real deficit in operating revenue is \$239.02.

Applicant serves 300 instruments, 65 of which are in the half mile radius. Its present rates are \$3.00 per year for service during business hours between 6 A.M. and 9 P.M. during the period April 1st to October 1st; and between 7 A.M. and 8 P.M. during the period October 1st to April 1st. For calls out of these business hours, including long distance calls, applicant charges 25¢ for each call other than physicians' calls, which are free at all times. This charge, so applied, increases the toll rates and causes discrimination. An exchange serving ^{the} ~~a~~ number of patrons that this one does would ordinarily require continuous service during ~~xxx~~ 24 hours of the day. We believe the applicant should provide such service, and that the rates herein specified will be adequate to provide sufficient revenue to meet any increased cost involved. If these rates prove inadequate after suitable trial the matter may be again brought to the attention of the Commission.

Applicant expresses a desire to furnish service at cost and asks authority to establish a schedule of rates based upon \$4.00 per year for instruments beyond the half mile radius, and from \$6.00 to \$10.00 for those within the radius. It estimated that the rates requested would increase its revenue by some \$400 or \$450 per year. It had no data, however, upon which this estimate was based, and the estimate was admittedly a rough one. The Commission's engineers have made a study of traffic conditions which shows that the rates requested would probably supply service at about cost, with 7% interest upon a claimed investment of \$3667.88.

We cannot approve a higher rate for rural line service than \$3.00 per year where 300 instruments or less are connected with the exchange. When more than 300 subscribers are regularly served, applicant may without

further order charge \$3.60 per year for rural line service. Probably an additional operator will be required then. In lieu of the rate of \$4.00 for rural line service requested, it is necessary to increase the proposed rates within the half mile radius, as shown in the order herein. It is estimated that these rates will produce cost and interest at 6.86% on the claimed investment of \$3667.88, based on applicant's business for the year ending July 31, 1916.

O R D E R.

ELK GROVE MUTUAL TELEPHONE ASSOCIATION
having applied to the Railroad Commission for authority to increase rates charged to the inhabitants of Elk Grove and vicinity for telephone service, and a public hearing having been held thereon, and the Commission now being fully advised in the premises,

IT IS HEREBY FOUND AS A FACT that the rates charged by Elk Grove Mutual Telephone Association to said inhabitants of Elk Grove and vicinity for telephone service are unremunerative, unreasonable and unjust insofar as they differ from the rates hereinafter set forth in this order, and that the rates in this order set forth are remunerative, just and reasonable, and basing this order upon the foregoing finding of fact and upon the further findings of fact set forth in the opinion preceding this order,

IT IS HEREBY ORDERED by the Railroad Commission of the State of California that Elk Grove Mutual Telephone Association be and it is hereby authorized to establish and file with the Railroad Commission within thirty (30) days from the date of this order the following rates

for telephone service:

Individual business stations	\$1.25 per month
Business stations five party or less.....	1.00 " "
Individual residence stations	1.00 " "
Residence stations five party or less.....	.75 " "
Rural line stations.....	3.00 per year

After more than 300 subscribers are served, applicant is authorized to establish and file with the Commission a rate of \$3.60 per year for rural line stations.

IT IS HEREBY FURTHER ORDERED that Elk Grove Mutual Telephone Association discontinue the practice of making any extra charge for handling business after business hours, and upon the establishment of the rates herein authorized it shall provide a continuous 24 hour service during each day.

Dated at San Francisco, California, this 11th day of October, 1916.

Max Thelen
H. H. Loveland
W. E. Gordon
Edwin A. Edgerton
Frank R. Wilson
Commissioners.