

ORIGINAL

Decision No. _____

BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA.

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EMILY MACKEY, et al.,

-vs-

CALIFORNIA TELEPHONE and
LIGHT COMPANY, a corporation.)

Case No. 1168

L. E. Fulwider, for Complainants
W. P. Ferguson for Defendant.

BY THE COMMISSION.

O P I N I O N

This is a complaint against the California Telephone and Light Company, a corporation, for refusal to furnish telephone service to Emily Mackey, Carter L. Pedrotti, Peter N. Raighetti, Jos. T. Roche, and Geo. A. Lasher, complainants, unless the complainants first pay the defendant a certain sum covering a portion of the cost of furnishing such telephone service.

Complainants reside in a section known as Rancho Llano de Santa Rosa along the Stoney Point Road extending Southwest of the City of Santa Rosa.

The California Telephone and Light Company, defendant, furnishes a general telephone service throughout sections of Sonoma, Lake, Mendocino and Napa Counties, with its principal place of business

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at Santa Rosa.

In the material portions of defendant's answer, admission is made that telephone service to complainants was refused, alleging that the cost of the necessary extension would be in excess of \$560.00; that the revenue to be derived would not exceed the sum of \$1.75 per month from each complainant; that there would be no assurance that complainants would continue to be telephone subscribers of defendant; that to require defendant to build such extension at its own expense would be unreasonable and confiscatory and would be requiring defendant to expend a sum of money upon which it would receive no return whatsoever; and that there is very little likelihood that other subscribers can be obtained on this extension.

A public hearing was held in Santa Rosa January 7th, ¹⁹¹⁸ before Examiner Encell.

The residence of the nearest complainant to the present telephone line of defendant is that of Emily Mackey, located a distance of one-half mile. The location of the farthest complainant, Mr. Pedrotti, from the above line is two miles. At the hearing, the fact was brought out that it would be necessary to set from one to four poles on the private property of complainants Pedrotti and Lasher, in order to furnish service to said complainants. Pedrotti and Lasher agreed to bear this portion of the expense. All of complainants are located within the area purported to be served by defendant as shown by the following rates on file with the Rail-

road Commission.

Santa Rosa Suburban Residence
Service

	To one mile	To five miles	To eight miles
Four party per month	\$2.00	\$2.50	\$5.00
Ten party " "	1.50	1.75	2.50

Note: Add 25¢ per month for desk set.
Add 25¢ per month for business
service.

Each of the complainants alleges that ^{the premises} where service is desired ~~are~~ located between the above one and five mile limits.

The Railroad Commission has in its Decision Number 2879 (Vol. 8. Opinions and Orders of the Railroad Commission, page 372) laid down certain general rules in relation to the extension of service by water, gas, electric and telephone utilities in this State. The extension sought in this case lies within unincorporated territory and of the rules above referred to the following is applicable:-

"Rule 16. A water, gas, electric or telephone utility shall make such reasonable extensions in unincorporated territory at its own expense, as it can agree upon with the applicant for service, provided, that in any case in which the construction of an extension at the utility's sole expense will in its opinion work an undue hardship upon the utility or its existing consumers, the matter may be submitted to the Commission as provided by Section 36 of the Public Utilities Act, unless satisfactorily

adjusted by an informal application
to the Commission."

Prior to the hearing in this matter and during the course of the informal negotiations between the complainants and defendant, the Commission's Engineers checked the defendant's estimate of construction cost for the extension in question. Defendant's estimate for the extension as filed at the hearing was \$568.74. The estimate of the Commission's engineers was \$478.45, a difference of \$90.29. This difference is due chiefly to a difference in cost of sawed redwood poles as shown by these two estimates. No change was made in defendant's percentages for miscellaneous material, overhead expenses and omissions. The total of the amounts represented by the percentages equals 14.5% of the estimated cost of necessary material.

The Commission is at the present time engaged in an investigation (Application Number 2171) of defendant's telephone business as a whole and in connection with which the reasonableness of defendant's claimed overhead percentages will be decided. For the purpose of this proceeding the defendant's overhead percentages will be accepted although the Commission at this time is not passing upon their reasonableness.

Defendant also submitted an estimate showing the proportion of existing lines chargeable in building this extension. We are of the opinion in this case that it would be fair to both the complainants and defendant if the complainants are required to pay their portion of the operating expenses and an allowance for interest and depreciation upon the investment required to make the extension, leaving any proportionate cost of the existing lines and applicable expenses upon the

general system to be cared for by the connection of new subscribers upon the present lines.

A statement of operating revenue and expenses for the year 1916 covering the Santa Rosa Exchange was submitted by defendant. This statement shows a deficit of \$2,691.99. Included in the operating expenses is a charge for interest at 8% amounting to \$3,499.60. Deducting this amount to determine the total of the operating accounts, leaves a net operating revenue of \$807.61. The reasonableness of defendant's revenue and expenses at Santa Rosa will be considered in Application Number 2171 hereinbefore referred to. For the purpose of the complaint herein, the financial condition of defendant's telephone business as a whole will be one of the factors taken into consideration.

Complainants introduced testimony at the hearing to the effect that many of the residents who are located within a short distance from complainants have expressed a desire for telephone service. In reference to this statement defendant's representatives testified that no canvass of the territory in question had been made for the purpose of securing additional subscribers. We feel certain from the testimony that defendant will be able to secure several additional subscribers.

From an investigation of the operating expenses and operating revenue of defendant, statements of which are on file with the Commission, and while it does not follow that each extension ordered by this Commission must be self-supporting, we find that the revenue

to be derived from the complainants for exchange service will yield a gross annual return sufficient to cover the complainants' proportion of the operating expenses and also a reasonable allowance for interest, taxes, depreciation, insurance, etc. upon the investment necessary to make the extension. This is shown by the following table:

	Railroad Commission Estimate cost of Investment	Annual Exchange Revenue	Operating Exp Year ending 12-31-17 48.2%	Depreciation 5.5%	Total Operating Exp.
Mackey-Roche					
Raighetti-Lasher and Pedrotti	\$478.45	\$105.00	\$50.61	\$26.31	\$76.92

The Commission realizes the difficulties experienced by all public utilities during the present abnormal period due to the war activities. The high cost of money and difficulty in securing it, the scarcity and the high cost of material and other factors, must of necessity be taken into consideration.

Considering all of the factors entering into this matter, as hereinbefore referred to, the Commission is of the opinion that the return to the defendant is sufficient to warrant the construction of this extension

at its own expense, under the conditions specified in the following order and is not such a burden but what can be reasonably absorbed in the profits of the business.

O R D E R

Complainants having applied to the Railroad Commission for an order compelling defendant, California Telephone and Light Company, a corporation, to construct its line and furnish telephone service, without any cost to complainants for such construction;

And the Commission, after a public hearing, having fully considered all of the facts as set forth in the preceding opinion and being fully advised in the premises;

IT IS HEREBY ORDERED that defendant, California Telephone and Light Company, shall within thirty days from the date of this order construct such extensions as may be necessary to provide telephone service to complainants herein.

PROVIDED, that before the necessary extensions are constructed as hereinabove prayed for, the complainants shall each execute an agreement to take from defendant continuously telephone service for a period of not less than two years from the date of its installation pursuant to the within order.

The Commission reserves the right to make such further orders in this proceeding as may be advisable in the premises.

Dated at San Francisco, California, this 31st day of January, 1918.

Max Thelen
H. D. Loveland

Edwin O. Edgerton

Commissioners.