

Decision No. 6997

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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In the matter of the application)
of the INTERSTATE TELEGRAPH COMPANY.)
a corporation doing a general)
telegraph and telephone business in)
the State of California, for authority)
to apply to its intercompany telephone)
toll business the schedule authorized)
by the Postmaster General for inter-)
company business.)

Application No. 4843.

I. B. Potter for applicant.

BY THE COMMISSION:

O P I N I O N

Interstate Telegraph Company asks authority to apply its present toll rates in effect over its system to its part of toll business handled jointly by its lines and the lines of connecting companies.

A public hearing upon the application was held by Examiner Westover at Victorville December 9th. Although applicant's consumers were notified of the hearing, no one appeared to protest against the application.

Applicant operates in Mono, Inyo, Kern and San Bernardino Counties in a sparsely settled territory lying east of the Sierra Nevada Mountains and north of the San Bernardino

Mountains. Of its total gross operating revenue reported for 1918 \$53,310.37 represent gross toll service revenue, or nearly 75% of its total revenue of \$71,256.56.

In the application of the present intra-company and intercompany rates covering the use of petitioner's lines for long distance telephone service, discrimination results in that a message under the former class of rates takes a higher rate than under the latter class over the same line or route in the same direction, the shorter being included within the longer distance. One purpose of this petition is to remove this discrimination, which is in violation of the provisions of Section 24 (b) of the Public Utilities Act.

Applicant showed the result of a study of 10,935 toll tickets covering the period from January 21, 1919 to April 20, 1919. The average revenue per message under its toll rates in effect just prior to said period would have been 52.5¢. Under Order No. 2495 issued by the Postmaster General and effective January 21, 1919, establishing uniform toll rates, the average revenue per message was reduced to 42.4¢. Upon a showing of the effect of the new toll rates, the Postmaster General, by order effective May 31, 1919 authorized applicant to establish its present toll rates, applicable upon its lines only. This is referred to in the application as intra-company business. These rates would have produced an average revenue per message of 63 cents for the period referred to. During the same 3 months period, applicant's portion of revenue derived from toll messages transmitted in connection with other lines, amounted to \$2193 at the uniform inter-company toll rates then in effect. It estimates that if its new toll rates (intracompany rates) had been applied to its portion of its inter-company toll business during the 3 months period referred to, it would have resulted in an increase in revenue of about \$1050, or at the rate of \$4200.

per year. It estimates that the granting of the present application will have substantially the same effect.

Applicant reports net revenues from its entire business for 1916 \$5665.51; for 1917 \$11,197.98; for 1918 \$3652.58; and for the first half of 1919 a deficit of \$3326.55. By increase in company's toll rates authorized by the Postmaster General, effective June 1, 1919, this deficit was apparently reduced to \$1600.75 on October 1, 1919, but no depreciation was allowed for the last quarter. Its allowance for depreciation never exceeded \$5000 per year.

Applicant's balance sheet as of June 30, 1919 shows capital installed of \$795,083.17 with a net corporate deficit of \$13,681.77. The company has never paid a dividend during its 8 years of operation.

Applicant estimates that if the increased rates herein applied for had been in effect during the last five months of 1919 the operating deficit/above referred to would have been converted into an operating profit of approximately \$3154, although a necessary increase in wages became effective during July, 1919, which it estimates would increase its operating expenses \$760 for the remainder of the year 1919. Applicant claims that if rate increases were sought sufficient in amount to allow for a reasonable depreciation and return on investment, the resulting rates would be prohibitive and result in loss of business. However, the reasonableness of its rates as a whole is not in question in this proceeding and it is not necessary here to discuss the elements which should be considered in determining just and reasonable rates.

It appears that the application should be granted in order to remove discrimination, prevent a violation of the

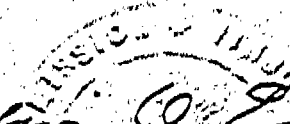
long and short haul clause in instances which may arise under Section 24 (b) of the Public Utilities Act, and to afford applicant needed financial relief.

O R D E R

INTERSTATE TELEGRAPH COMPANY having applied for the authority hereinafter granted in this order, and a public hearing having been held thereon, and it appearing that the request is reasonable and should be granted.

IT IS HEREBY ORDERED that Interstate Telegraph Company be and it is hereby authorized and empowered to apply and hereafter charge and collect for its part of telephone toll service rendered jointly by its lines and the lines of connecting companies its present toll rates in effect over its system for intra-company toll business authorized by the Postmaster General and heretofore filed with the Commission.

Dated at San Francisco, California, this 29th
day of December, 1919.


Edwin O. Egan
J. D. Kibler
Frank Miller
Waring Maitan
Commissioners.