

Decision No. 7027

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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In the Matter of the Application)
of the REEDLEY TELEPHONE COMPANY) Application No. 4858
for authority to increase rates)
for telephone service.)

A. Terkel, for Reedley Telephone Company,
Mark H. Edwards, for Reedley Chamber of Commerce.

BRUNDIGE, Commissioner.

O P I N I O N

The Reedley Telephone Company, hereinafter referred to as the Company, in Application No. 4858 asks the Commission's authority to increase rates for telephone service, alleging that its present rates established more than five years ago are inadequate to meet the increased prices for materials and increased labor and at the same time yield a fair return upon its investment in plant.

A hearing was held in Reedley on October 17, 1919. At that hearing the applicant presented a valuation of its property and introduced evidence as to present operating expenses, together with estimates of operating revenues and expenses for the future.

The Commission's engineers checked the inventory quantities presented by the company and presented an independent valuation of the physical property used and useful owned by the Company. From an analysis of these appraisals submitted by the

Company and the Commission's engineers, taking into consideration the origin and source of money actually invested in plant as reflected in the history of this company, I am of the opinion that a fair valuation of this property for rate-making purposes will be approximately \$23,000.00, and suggest this amount as a proper rate basis.

For the period of October 1, 1918 to October 1, 1919 the gross revenue of the Company was \$11,171.00, and the total expenses including depreciation allowance, taxes and uncollectible bills was \$9,437.00, leaving a net income to the Company of \$1,734.00. In this computation the Commission made an allowance of \$900.00 for depreciation, a figure which is \$800.00 less than that claimed by the Company.

During the year 1920 the Company may reasonably expect an estimated revenue of \$12,300.00 based upon a 10 per cent increase in business if the rate structure is unchanged. A careful estimate of expenses for the same period has been made and amounts to \$11,000.00. It is apparent therefore that the Company is entitled to an increase in rates in order that it may earn a reasonable return upon the value of ^{its} property.

In my opinion there is no justification for increasing the rates of this Company to the extent asked for by the Company or modifying the rules and regulations as requested in the application.

I recommend that the Commission order the Company to offer the following classes of service and authorize the following rates:

| | Per Month | |
|------------------------|-----------|-----------|
| | Business | Residence |
| Main Line - Wall | \$ 3.00 | \$ 2.50 |
| Two-party Line - Wall | 2.50 | 2.25 |
| Four-party Line - Wall | -- | 2.00 |
| Six-party Line - Wall | -- | 1.75 |
| Suburban - Wall | 2.50 | 2.25 |
| *Extensions | 1.50 | 1.00 |
| *Farmers' Lines | .60 | .40 |

Desk telephones are 25 cents additional per month on all classes of service except those marked with an asterisk. All rates, except farmers' lines and extensions, are subject to a discount of 25 cents if paid on or before the 10th day of the month in advance.

All services rules and regulations not covered in this opinion shall remain as provided for in the Commission's Decision No. 2879, decided November 5, 1915. The type of service provided for in this rate schedule eliminates the five-party line service now being given, and substitutes therefor a four-party and six-party residence service.

Service and Rates:

The service furnished by the Company was criticized during the hearing. It appears that most of the complaints were from subscribers on farmers' lines and that the sources of trouble were about equally divided between the operation of the exchange and the construction and maintenance of the farmers' lines themselves. It was agreed upon by the attorney for the rural subscribers and the president of the company that they would abide by a standard of construction for farmers' lines if the Engineering Department of the Commission would draft one and send them a copy. No such standard will be suggested in this Opinion, but I feel that the Commission can render a great service to the community by so doing at a later date. The Company, however, should realize that better service will be exacted from them when the new rates are put into effect.

I am also of the opinion that this plant has reached a stage where it is unwise to continue with the present method of

treating a depreciation fund as a bookkeeping proposition only. I believe that in the future a depreciation fund should be set aside and so held that money will be available when renewals are necessary and that this fund should be used for no other purpose.

I recommend the following form of Order:

O R D E R

REEDLEY TELEPHONE COMPANY having filed with the Commission its application for an increase of rates, a hearing having been held, the matter having been submitted and the Commission basing its conclusions on the foregoing Opinion, finding as a fact that the rates authorized and the classes of service prescribed in this Order are just and reasonable:

IT IS HEREBY ORDERED that the applicant is authorized to establish and file with the Commission within thirty days of the date of this Order a schedule of rates and services as outlined in the foregoing Opinion. Applicant is authorized to put these rates into effect subject to the following conditions:

- (a) Adequate and efficient telephone service must be rendered at all times for all classes of service.
- (b) A depreciation reserve of \$900 per annum in installments of \$75 per month shall be set aside in a special fund for the purpose of maintaining the plant in good condition and shall be used for such purpose only or as may be authorized by the Commission.

The foregoing Opinion and Order are hereby approved
and ordered filed as the Opinion and Order of the Railroad Com-
mission of the State of California.

Dated at San Francisco, California, this 12th day
of January, 1920.

Edwin O. Edgerton
H. D. Loveland
Frank P. Kelly
H. V. Brundage