

Decision No. 7048

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
THE SANGER TELEPHONE COMPANY for
authority to increase its rates.

Application No. 4828

H. F. Knapp for the Sanger Telephone Company

H. A. Wishard for City of Sanger.

Brundige, Commissioner.

O P I N I O N

In this application the Sanger Telephone Company, hereinafter referred to as the Company, asks the Commission's authority to increase its rates for all classes of its telephone exchange service by approximately one dollar per month for business telephones and 50 cents per month for residence telephones.

Valuation.

The Company did not file an appraisal of its property with the application. However, with the assistance of the Company officials, the engineering department of the Commission made an appraisal of the property, as of October 1, 1919, which shows a historical reproduction cost new of \$18,827.00 and a reproduction cost less depreciation of \$13,817.00.

The present company purchased the exchange plant from a Mr. Ross B. Watkins in May, 1915, for \$11,000.00 less \$1,142.35, or a net amount of \$9,857.65.

The books of the Company show that on October 1, 1919, \$9,477.01 had been added to the original purchase price in additions and extensions, making the total fixed capital investment amount to \$19,334.66. By deducting the depreciation reserve of \$3,474.32 from this amount the net investment in fixed capital is found to be the sum of \$15,860.34. The depreciation reserve was reinvested in plant.

The Company has issued no stocks or bonds, therefore it is impossible to determine what portion of the total fixed capital has been furnished by the owner and what portion has been taken out of earnings. However, from studies made of other companies, it would appear within the realm of possibility that an appreciable portion of the present plant had been built out of earnings.

Operating Revenues and Expenses.

The applicant states that the reason for the desired increase in its present rates is the fact that the expenses are exceeding the income by from \$30.00 to \$40.00 per month in addition to the interest on the investment. It is further stated that applicant desires to pay the telephone employes wages comparing more favorably with those paid by other industries in that vicinity, and that the increase is necessary in order to obtain efficient workers and give the required efficient service. To substantiate its claims the applicant has outlined a salary and wage schedule that will amount to approximately \$125.00 per month more than that paid at the time the application was filed. This proposed schedule of salaries and wages has been taken into consideration in making a study of the expenses of the Company.

The estimated expenses for 1920 made by the engineering department amount to the sum of \$7,257.00, not including an amount for depreciation of \$750.00. The total operating revenue for the period from October 1, 1918, to September 30, 1919, is \$7,706.10.

thorize a certain rate set forth in their application. This proposed rate is considerably higher than conditions warrant.

It is my opinion that the following rate schedule will give a fair and adequate return. Therefore, I recommend that the Commission order the Company to offer the following classes of service and authorize the following rate schedule:

	<u>Per Month</u>	
	<u>Business</u>	<u>Residence</u>
1-party, wall,	\$3.00	\$2.50
2-party, wall,	2.50	2.25
4-party, wall,	----	2.00
6-party, wall,	----	1.75
Extensions, wall or desk,	1.50	1.00
Farmer line telephones,	.60	.40

For desk telephones an additional charge of 25¢ per month will be made on all classes of service, except as noted. All rates, except for extensions and farmer lines, are subject to a discount of 25 cents, if paid on or before the 10th day of the month in advance.

All rules and regulations covering service and service charges shall be as provided for in this Commission's decision No. 2879 decided November 5, 1915.

I recommend the following form of order:

ORDER

The Sanger Telephone Company having filed with the Railroad Commission its application for an increase of rates, a public hearing having been held, the matter having been submitted, and the Commission, basing its conclusions upon 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 (30) 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 render-

ed at all times for all classes of service.

(b) A depreciation reserve of \$750.00 per annum in instalments of \$62.50 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 Commission of the State of California.

Dated at San Francisco, California, this 17th day of January, 1920.

Edwin C. Edgert
H. K. [unclear]
Frank [unclear]
H. K. [unclear]
George [unclear]
Commissioners.