

Decision No. 7100

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
G. F. Green for order authorizing a
rate increase at the town and vicin-
ity of Ripon, California.

} Application No. 4839.

G. F. Green, in propria persona.

BRUNDIGE, Commissioner.

O P I N I O N

G. F. Green, petitioner in this proceeding, is the owner of a telephone exchange, known as the Ripon Telephone Exchange, located in the unincorporated town of Ripon in San Joaquin County. In Application No. 4839 he asks the Commission to authorize an increase in rates for telephone service and to fix the limits of the area in which the proposed rates are to apply.

A comparison of the petitioner's present rates and those proposed in his application is shown as follows:

	<u>Present Monthly Rates</u>	<u>Proposed Monthly Rates</u>
Private business line	\$2.50	\$3.00
Two party business line	1.25	2.50
Four party business line	1.25	2.00
Residence, Private line	2.50	2.50
Two party harmonic selective	1.25	2.00
Four party harmonic selective	1.25	1.50
Rural line switching charge	.50	.50
Extension sets	.50	1.00
Desk sets - extra	-	.25
Extension bells - extra	-	.25

A public hearing in this matter was held at Ripon on October 23, 1919. No one appeared to oppose the application.

In his application and at the hearing, the petitioner stated that the exchange was purchased for the sum of \$3000.00, and submitted a statement in which he claimed that the present value of the property as of August 8, 1919, was \$14,096.00. The inventory and valuation submitted by the petitioner in his application not being in sufficient detail, an inventory was made in the field by one of the Commission's assistant engineers and an appraisal of the value of the property was made by the Commission's engineering department and presented in evidence in the hearing. This valuation, brought up to October 1, 1919, shows a reproduction cost of \$12,763.00 computed upon an historical basis, and a reproduction cost, less depreciation, of \$10,413.00.

In his inventory the petitioner included the value of three lots and a residence in which a portion of one room is used for exchange purposes. This property has been excluded by the Commission's engineers, and accounts in large part for the differences in the total figures reached in the two valuations. An allowance of \$10.00 a month as rent for the space occupied by the exchange, has been found as reasonable. This has been included as a proper charge against operating expenses and has been given proper consideration in fixing the rates hereinafter stated.

A careful check and analysis has been made of the receipts and operating expenses of the petitioner. Based upon the volume of business existing in August, September, and October, 1919, and computed upon rates then existing, the gross revenues from all sources (including exchange and toll revenues) would amount to \$3227.90 per year. This figure does not take into consideration future increases in revenue due to the growth of the community and extension of service. A reasonable allowance for operating expenses, including depreciation, insurance, and taxes, and making no provision for increased expenses due to increased

business has been found to be \$3935.40, leaving a deficit of \$707.50.

It is clear that the petitioner is entitled to an increase in rates. I recommend that the Commission order petitioner to offer the following classes of service and authorize the following rates, which I believe afford a better arranged schedule as a whole:

<u>Business</u>	<u>Wall</u>	<u>Desk</u>
Main line	\$2.75	\$3.00
Two party line	2.25	2.50
Four party line	2.00	2.25
Extensions	1.00	1.00
Suburban	2.25	2.50
Farmers' lines	.45	.45
<u>Residence</u>		
Main line	2.25	2.50
Two party line	2.00	2.25
Four party line	1.75	2.00
Extensions	1.00	1.00
Suburban	2.00	2.25
Farmers' lines	.30	.30
Extension bells - extra	.25	.25

This schedule, it is estimated, will produce approximately \$4140.00 per annum, which, plus toll commissions of \$659.90, will produce a total operating revenue of \$4799.90. Deducting operating expenses of \$3935.40, as estimated above, will produce a net income of \$864.50, or a net return of 6.77% on the undepreciated value of the property. These figures do not take into account the normal increase in the volume of business, which, in a growing community, such as Ripon, may naturally be expected. If we assume that during the year 1920 there will be an increase of 10% in exchange revenue, with little or no increase in operating expense, - an assumption that seems to be quite reasonable, - then it is probable that the rates proposed by the Commission will yield

the petitioner approximately 10% on the undepreciated value of the property.

There are a few subscribers at present receiving exchange service who own the telephone instrument and, in consideration of this ownership, pay a lower rate, viz., seventy-five cents per month, than others receiving the same class of service but who do not own the instrument. Petitioner desires to remove this inequality by purchasing the subscribers' equities in these cases. The Commission is in accord with this proposal. In such instances the company should be required to make tender of the reasonable amount which will compensate the subscribers for their respective interests and, in the event the said subscribers refuse to sell and pay the regular rate for like class of service, the company be empowered to refuse to give further service.

Applicant proposes to establish an exchange radius, or what is also termed a primary rate area, of one-half mile from the central office of the telephone company at Ripon. For exchange service beyond the one-half mile limit, petitioner desires the following mileage rate to apply in addition to the base rates:

Private lines - \$1.00 per month per each one-half mile or fraction.

Four party lines - 50 cents per month per each one-half mile or fraction.

I am of the opinion that a one mile exchange area is proper for this exchange, taking into consideration the present extent of the community served and the fact that the town is in unincorporated territory. For service outside the above area, the following mileage rates, in addition to the exchange rates, should apply, based upon air line mileage from the limits of the exchange area:

Individual line, per station - each quarter mile or fraction thereof, \$.50.
Two party line, per station - each quarter mile or fraction thereof, \$.35.
Four party line, per station - each quarter mile or fraction thereof, \$.25.

334

Petitioner also desires that the Commission authorize a charge of ten cents to apply as a line charge for switching non-phone holders on each call made. Petitioner testified that the reason for this proposed ten cent charge is to obviate the complaints made by subscribers on the farmer lines connecting with his exchange that non-subscribers annoy them by using their telephones. The Commission recognizes the annoyance which might occur in such instances, but is of the opinion that the proper method would be for the particular subscribers to refuse the use of their telephones. The practice of making such charges is not, to the Commission's knowledge, generally followed elsewhere in the State and is not in accord with proper telephone principles.

In connection with what petitioner terms "rural rates", otherwise known as suburban rates or service, it is desired that the extensions for each subscriber for that class of service to be provided at the company's sole expense be limited to one-half mile. The Commission's former Decision No. 2879 in Case No. 683 (Vol. 8, Page 372, Opinions and Orders of the Railroad Commission of California) affords sufficient protection in the matter of extensions, to both the public utility and prospective subscriber, as herein quoted:

"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."

"Rule 17

"In cases in which applicants make payments to secure the construction of extensions by water, gas, electric or telephone utilities, such payments shall generally be considered as loans to the utilities, to be repaid, as soon as conditions warrant, under reasonable, nondiscriminatory rules and regulations."

It is desired in the proposed schedule of the company that no farmer lines be accepted for switching unless there is a minimum of eight subscribers to the line. It is a common practice among telephone companies to provide connection with the exchange for lines having a minimum of five subscribers, or for a lesser number than five upon the payment by the subscribers of a sum equivalent to not less than the established rate for five stations, this equivalent to be equally divided between the subscribers desiring the connection. To increase this minimum to eight stations would in some cases result in hardship.

I recommend the following order.

O R D E R

G. F. Green having applied to the Railroad Commission for an order authorizing a rate increase at the town and vicinity of Ripon, and a public hearing having been held,

IT IS HEREBY FOUND that the rates heretofore charged for telephone service by said petitioner are unjust and unreasonable, and that the rates hereinafter provided are just and reasonable, and basing its conclusions thereon,

IT IS HEREBY ORDERED by the Railroad Commission that said applicant be and he is hereby authorized to file a schedule of rates and rules with the Railroad Commission within thirty (30) days from the date of this order, and immediately thereafter to collect and receive the following rates:

	<u>Wall</u>	<u>Desk</u>
<u>Business</u>		
Main Line	\$2.75	\$3.00
Two party line	2.25	2.50
Four party line	2.00	2.25
Extensions	1.00	1.00
Suburban	2.25	2.50
Farmers' lines	.45	.45

<u>Residence</u>	<u>Wall</u>	<u>Desk</u>
Main line	\$2.25	\$2.50
Two party line	2.00	2.25
Four party line	1.75	2.00
Extensions	1.00	1.00
Suburban	2.00	2.25
Farmers' lines	.30	.30
Extension bells-extra	.25	.25

For service outside the one mile exchange area, the following mileage rates, in addition to the exchange rates, are to apply, based upon air line mileage from the limits of the exchange area:

Individual line, per station - each quarter mile or fraction thereof, \$.50

Two party line, per station - each quarter mile or fraction thereof, \$.35

Four party line, per station - each quarter mile or fraction thereof, \$.25

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 14 day of February, 1920.

Elin O. Edgerton
H. B. ...
H. B. ...

Commissioners.