

Decision No. 7117

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
DOS PALOS TELEPHONE COMPANY, a corpor-
ation, for authority to increase
rates for telephone service. } Application No. 5136.

E. W. Heston, for the Applicant.

BRUNDIGE, Commissioner.

O P I N I O N

Dos Palos Telephone Company, petitioner in this proceeding, operates a small telephone system in the town of Dos Palos and adjacent territory in Merced County. In this application, the authority of this Commission is asked to increase the present rates and to place in effect certain charges for installing and moving telephones differing from the charges heretofore in effect.

The rates at present in effect are as follows:

1 Party Business, Wall or Desk Set,	\$1.75
2 " " " " " "	1.50
Business Extension, " " " "	.75
1 Party Residence, Wall or Desk Set,	\$1.75
2 " " " " " "	1.50
4 " " " " " "	1.50
Suburban " " " " "	1.25
Residence Extension, " " " "	.75

The rates and the installation charges which petitioner proposes to place in effect, with the Commission's authorization, are as follows:

<u>Business Service</u>	<u>Wall Set</u>	<u>Desk Set</u>
1 Party Line	\$ 2.75	\$ 3.00
2 " "	2.50	2.75
Extension Sets	.75	1.00

<u>Residence Service</u>	<u>Wall Set</u>	<u>Desk Set</u>
1 Party Line	\$ 2.50	\$ 2.75
2 " "	2.00	2.25
4 " "	1.50	1.75
Suburban	1.50	1.75
Extension Sets	.75	1.00

Installation and Moving Charges

Installation Charge,	\$ 3.50
Moving Charge,	3.00
Change of Name,	1.50

Attached to this application is an inventory and appraisal of this property, showing a total original investment as of December 31, 1918, of \$7,520.18, less accrued depreciation \$825.00, net investment \$6,695.18. Income and fixed capital account statements, 1914 to 1918, inclusive, are also attached, showing yearly net income and investment as follows:

	<u>Income</u>	<u>Investment</u>
1914	\$ 473.96	\$ 6,590.65
1915	727.62	7,061.15
1916	506.28	7,131.78
1917	365.89	7,438.18
1918	559.06	7,520.18

The application also shows that dividends have been paid during the same five year period on 5,503 shares of stock as follows:

1914	8%	\$ 440.24
1915	8%	440.24
1916	8%	440.24
1917	4½%	255.17
1918	4½%	247.53
		<u>\$1,323.42</u>

A hearing was held in Dos Palos on December 9, 1919, and the matter submitted.

The Commission's engineers have not made an inventory and appraisal of this property, but the inventory and appraisal which was presented by the petitioner has been carefully checked and petitioner's valuation figures are accepted as reasonable for

the purposes of this proceeding. Since December 31, 1918, additions and betterments to plant have been made, making the total original investment and the total net investment to date \$8,129.22 and \$7,304.22, respectively.

A statement of actual receipts and expenditures from January 1st to October 31st, 1919, has also been taken from the company's books and carefully checked by the Commission's engineers. By taking this statement as a basis and estimating receipts and disbursements for November and December, it is shown that the net income for the entire year will amount to approximately \$980.00. This will represent a net return of 12.06% on an investment of \$8,129.00, or 13.43% on \$7,304.00.

There is now issued and outstanding a total of 5,503 shares of common stock sold at par value, \$1.00 per share, the proceeds from which were invested in plant. The difference between this amount and the total investment, amounting to \$8,129.22, or \$2,626.22, has been invested out of the earnings of the company. There has been paid out in dividends a total of \$1,823.42 and, according to the company's annual reports on file with the Railroad Commission, there is a present surplus of approximately \$786.00. Thus, since its organization in 1909, in addition to paying operating expenses, this company has earned, on an average, approximately \$525.00 per year. However, its operating expenses previous to the year 1914 included nothing for depreciation other than has been included in ordinary maintenance charges, and since that time the total amount of accrued depreciation which has been set aside is only \$825.00.

Included in the statement of actual receipts and expenses for the year 1919, above referred to, are the following items of expense which, for a telephone exchange of the size of this one, are inadequate, under normal operating conditions, to maintain adequate and efficient service:

Salary of Lineman-Manager,	\$ 50.00 per month
Salaries of Operators,	93.00 " "
Depreciation of Plant and Property,	125.00 " year

The present lineman, who also serves in the capacity of manager, gives only a portion of his time to the business of the telephone company. There has been little or no complaint against the service, but considerable difficulty has been experienced in obtaining and retaining competent and reliable operators at the salaries now paid these employees. There is now employed one day operator at \$40.00 per month, one night operator at \$45.00 per month, and one relief operator at \$8.00 per month. Continuous twenty-four hour service is provided. Depreciation, \$125.00 per year, is at the rate of approximately 1.5% on a valuation of \$8,129.00. This amount is insufficient.

While no criticism of the company's management or of the service is offered, it is my opinion that such additional allowance to present operating expenses as may be necessary to enable the company to employ a lineman and manager who will give his entire time, if required, to the company's business (assuming that this combination of duties is desirable), and to employ competent operators should be made. The Commission's engineers have estimated that a total present allowance of \$100.00 per month for lineman-manager's salary, \$113.00 per month for operators' salaries, and \$324.00 per year for depreciation, the latter based upon 4% of the value of the depreciable property, will be reasonable and proper in this case. I agree that these allowances should be made.

In order to meet the increased operating costs herein provided for, amounting to \$1,039.00 per year, it will be necessary to provide additional revenues. For this purpose, it is my opinion that just and reasonable rates will be those set forth in the schedule following. As to installation charges, I see no reason at

this time why the rules and regulations on file with the Railroad Commission and in effect prior to Federal control, and which are ordered restored in General Order No. 57 of the Commission, should not be continued.

Based upon petitioner's present connected subscribers' stations for exchange service revenues and upon actual toll receipts during the year 1919 for toll service revenues, the rates herein provided for will produce a net income of approximately \$1,030.00, per year. This will represent a return of approximately 12½% on a valuation of \$8,130.00, or approximately 14% on a valuation of \$7,300.00.

I suggest the adoption of the following schedule of rates, subject to the conditions referred to in the following order.

<u>Business</u>	<u>Wall Set</u>	<u>Desk Set</u>
1 Party Line	\$ 2.50	\$ 2.75
2 " "	2.00	2.25
Extension Sets	1.00	1.00
 <u>Residence</u>		
1 Party Line	2.00	2.25
2 " "	1.75	2.00
4 " "	1.50	1.75
Suburban	1.75	2.00
Extension Sets	.75	1.00
Moving telephone sets from one location to another on the same premises.		3.00

The following order is recommended.

O R D E R

Dos Palos Telephone Company having filed with the Railroad Commission its application for an order authorizing an increase in 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 are just and reasonable rates,

IT IS HEREBY ORDERED as follows, subject to the conditions appearing hereafter:

- (1) Dos Palos Telephone Company is hereby authorized to establish and file with the Railroad Commission within thirty (30) days of the date of this Order, the schedule of rates set forth in the Opinion preceding this Order.
- (2) Adequate and efficient telephone service shall be rendered for all classes of service at all times.
- (3) A depreciation reserve of \$324.00 per year, in equal monthly installments, 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.
- (4) The rules and regulations which are provided for in the Commission's Decision No. 2879 and filed thereunder and heretofore in effect shall be continued until the further order of this Commission.

The foregoing Opinion and Order is 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 11th day
February
of *January*, 1920.

H. D. Loveland

H. A. Brundage

Irving Martin

Commissioners.