

Decision No. 7236

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
MANTECA TELEPHONE AND TELEGRAPH COM-
PANY for increase of telephone rates. } Application No. 4869.

C. S. Forbes, for Applicant.

BRUNDIGE, Commissioner.

O P I N I O N

This is an application filed by Manteca Telephone and Telegraph Company, unincorporated, owning and operating a local telephone exchange serving the city of Manteca and vicinity in San Joaquin County, for authority to increase the present rates for telephone service.

The present schedule of rates on file with the Railroad Commission, those which applicant states are actually in effect and the rates which applicant proposes to make effective if authorized by the Commission are as follows:

Schedule of Rates on File with Commission

<u>Within City Limits</u>	<u>Switching Rate</u>	<u>Instrument Rental</u>
1 Party	\$2.00	.50
2 "	1.50	.50
4 "	1.25	.50
8 "	1.00	.50

Rural Lines, Lines to City Limits Owned by Subscriber.

1 Party	\$2.00	.50
2 "	1.50	.50
4 "	1.25	.50
5 to 10 Party	.75	.50

Schedule of Rates Actually in Effect

And Schedule of Proposed Rates

<u>Business</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
1 Party	\$2.50	\$3.00
2 "	2.00	2.50
4 "	1.75	2.00
Extension Sets	.50	1.00
 <u>Residence</u>		
1 Party	2.50	2.50
2 "	2.00	2.00
4 "	1.75	1.75
Extension Sets	.50	.75
 <u>Company Owned Line and Instrument</u>		
12 Party	-	2.50
 <u>Company Owned Instrument, Subscriber Owning Interest in Line</u>		
12 Party	1.25	1.50
 <u>Subscriber Owning Instrument And Interest in Line</u>		
12 Party	.75	1.00

A public hearing was held at Manteca on October 23, 1919. No one appeared to oppose the application.

This telephone system was owned, at the time of filing the schedule of rates now on file with the Railroad Commission, by E. Powers. On September 19, 1918, the Commission authorized the sale and transfer of the property to M. A. Forbes and on October 5, 1918, the transfer was consummated. Between that date, October 5, 1918, and August 1, 1919, the plant was entirely rebuilt and certain other improvements were made.

Attached to this application as Exhibit "B" is an inventory of the property as it existed as of November 15, 1918, ap-

praised at \$8809.47 and a list of additions from that date to August 1, 1919, amounting to \$6351.76, making a total valuation to the latter date, as submitted by applicant, of \$15,161.23. The Commission's engineers have also made an appraisal based upon the company's inventory of November 15, 1918, plus net additions to August 1, 1919. In the appraisal by the Commission's engineers, the net additions appearing amount to \$7106.93. This appraisal was submitted in evidence and filed as Commission's Exhibit "B". The company's and the Commission's appraisals show the following:

	<u>Company's Valuation</u>	<u>Reproduction Cost by Commission</u>	<u>Commission Reproduction Cost Less Depreciation</u>
Inventory, November 15, 1918,	\$ 8,809.47	\$ 9,865.00	\$ 8,736.00
Net Additions,	<u>6,351.76</u>	<u>7,106.93</u>	<u>7,106.93</u>
Total	\$15,161.23	\$16,971.93	\$15,842.93

Taking the purchase price of this property, \$6750.00, plus net additions, \$7106.93, as a basis, applicant's original investment is \$13,856.93

Applicant has submitted statements showing present exchange service revenues of \$6441.00 and toll service revenues, based upon the year August, 1918-July, 1919, of \$2243.83, making total yearly exchange and toll service revenues amounting to \$8684.83; and showing salary expenses, based upon the seven months, January-July, 1919, amounting to \$6420.72 per year, with other operating expenses amounting to \$9402.72. It would thus appear that applicant is operating at a deficit of \$717.89 per year.

The Commission's engineers having made a careful check and analysis of these revenue and expense statements, it appears that exchange service revenues, based upon present rates and upon

the present volume of business, amount to \$6534.00 per year which, after adding toll service revenues on the basis of the July, 1918, - August, 1919, toll business, will show total exchange and toll service revenues amounting to \$8773.33 per year; it appears also that a reasonable allowance for operating expenses, inclusive of \$678.00 per year (approximately 4.5% of the value of the plant) for depreciation reserve, and adding \$83.40 per month for salary increases, effective January 1, 1920, will be \$8350.80 per year. This will result in a net income of \$428.83, exclusive of interest on deferred payments upon the purchase price of the property which, at the present time, amounts to 7% on \$3750.00. It appears from this that applicant is clearly entitled to an increase in rates.

Applicant has stated that the ten-party service heretofore provided has proven unsatisfactory and that four-party lines are being provided to meet the demand for a better class of service. It has also come to the attention of the Commission that, although not provided for in the present filed schedules, applicant is also providing quite extensively a twelve-party service. In the rural sections it is very frequently, and in fact quite generally, necessary to provide party line service similar to that which has heretofore been and is still provided in this case, and while it may not be advisable in this case to eliminate entirely these classes of service, we agree with applicant that it is in the interest of adequate and efficient service to do so wherever it can be done without serious disturbance and particularly so within the city limits. In the schedule of rates which is recommended herein, provision will be made for rates for such ten and twelve party service as may remain following transfers to other classes of service and as may be demanded hereafter.

There are also at present a few instances in which subscribers own the telephones which they are using and in which lower

rates for service are paid than those applying for similar service in cases in which the company owns the equipment. Applicant proposes and is proceeding to purchase the telephones in such cases, and to place all subscribers on the same basis as to rates for similar service. In this the Commission concurs and in the schedule recommended herein the applicant will be authorized to charge the same rates for the same classes of service whether the subscriber or the company owns the instrument.

I recommend that applicant be authorized to charge and collect rates in accordance with the following schedule:

	<u>BUSINESS</u>		<u>RESIDENCE</u>	
	<u>Wall Set</u>	<u>Desk Set</u>	<u>Wall Set</u>	<u>Desk Set</u>
1 Party	\$ 2.75	\$ 3.00	\$ 2.25	\$ 2.50
2 "	2.25	2.50	2.00	2.25
4 "	2.00	2.25	1.75	2.00
10 "	-	-	1.50	1.75
12 "	-	-	1.25	1.50
Extensions	1.00	1.00	1.00	1.00

This schedule, applied to the telephones actually in service on September 15, 1919, as shown by applicant's records, will produce exchange service revenues amounting to \$7587.00 per year. Estimating toll service revenues upon the basis of actual toll receipts for the year August, 1918-July, 1919, there will be added \$2243.83, making the total for exchange and toll service revenues \$9830.83 per year. Allowing operating expenses of \$8350.80 per year, referred to above, this schedule will produce net revenues amounting to \$1480.03 per year, representing a net return of 8.72% on the reproduction cost, or 9.34% on the depreciated reproduction cost of this property. This does not take into consideration any increase in revenue from increased business and transfers of service or increased investment incidental thereto.

The following order is recommended.

O R D E R

Manteca Telephone and Telegraph Company, unincorporated, having applied to the Railroad Commission for authority to increase rates in the city of Manteca and vicinity, San Joaquin County, and a public hearing having been held,

IT IS HEREBY FOUND that the rates heretofore charged for telephone service by said applicant 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 it is hereby authorized to file a schedule of rates with the Railroad Commission within thirty (30) days from the date of this order and immediately thereafter to charge and collect rates as follows:

	<u>BUSINESS</u>		<u>RESIDENCE</u>	
	<u>Wall Set</u>	<u>Desk Set</u>	<u>Wall Set</u>	<u>Desk Set</u>
1 Party Service	\$ 2.75	\$ 3.00	\$ 2.25	\$ 2.50
2 " "	2.25	2.50	2.00	2.25
4 " "	2.00	2.25	1.75	2.00
10 " "	-	-	1.50	1.75
12 " "	-	-	1.25	1.50
Extension Sets	1.00	1.00	1.00	1.00

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 11th day of March, 1920.

H. S. Leonard

H. P. Brundage

Irving Martin
Commissioners.