

Decision No. 7310.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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In the Matter of the Application of
SMELTZER HOME TELEPHONE AND TELEGRAPH
COMPANY for an order authorizing in-
crease of telephone rates.
.....)

) Application No. 5002.
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C. C. Johnson, Esq., for Smeltzer Home
Telephone and Telegraph Company.

MARTIN, Commissioner.

O P I N I O N

The Applicant asks the authority of the Commission to increase telephone rates as set forth in the application and to make certain changes in the rules and regulations established by the Commission.

In General Order No. 57 the Commission continued until further order the rates put into effect by the Postmaster General on such telephone systems as had, during the period of the war, been placed under Federal control. Applicant's plant was one of those systems. It appears that the rates asked for are substantially those covered by General Order No. 57.

A hearing was held in Santa Ana on December 3, 1919, and there are now before the Commission the operating and other data submitted with the application, the reports on the valuation and operating figures and conditions of the Commission's Engineering Department and the annual reports of the Applicant.

Valuation, Operating Revenues and Expenses and Finances.

The reproduction cost of this property as estimated by the Commission's engineers as of November 1, 1919, is \$24,278, and the reproduction cost less depreciation is \$15,409. The actual investment in the plant by the present owners cannot be accurately determined. It is apparent, however, that a large portion of the plant (and certainly in excess of \$10,000) has been invested since 1904 out of earnings in addition to such dividends and other earnings as have been paid out by Applicant. Another important item in connection with the valuation is the fact that a considerable portion of Applicant's present plant is not now actually used and useful. Since 1913, it appears, the Company's business has been declining from approximately 330 subscribers to the present approximate number of 220 subscribers. In considering a fair rate base, however, no deduction will be made because of this condition.

According to the statement of revenues and expenses prepared by the Commission's Engineering Department for the twelve months ending October 31, 1919, the Company has operated with a deficit of approximately \$250 after a depreciation allowance for the twelve months of \$975 has been taken into consideration. It is a fact, however, that since 1914 Applicant has paid a regular annual dividend of 10 per cent on all of the outstanding common stock and in the year 1918 a 20 per cent dividend was paid.

Considering all of the available figures, it is my belief that the Company will be able under the existing rates to maintain adequate and efficient service and to make proper provision for a depreciation fund to keep its plant in good service condition..

Method of Billing and Collecting.

The present rates for one-party line service are quoted as net monthly rates. The present rates for ten-party line service

are quoted as monthly rates subject to a discount of twenty-five cents per month if bills are paid on or before the tenth day of the month immediately following the quarter for which bills are rendered. The purpose of quarterly billing is, no doubt, to avoid the additional expense of billing, accounting and collecting which would be incurred if bills were rendered on a monthly basis. One of its effects, however, with this discount provision in effect, is to defer the payment of bills until three months' service has been furnished. There is no specific provision made in the rate schedules for quarterly billing for one-party-line subscribers, but the filed rules and regulations provide that all bills against subscribers receiving service at flat rates are due quarterly. We assume, therefore, that all bills, except for toll and telegraph service, are payable quarterly after the delivery of service. This practice is as unfair to the Company as it would be unfair to subscribers to permit the Company to demand payment for a period of three months in advance of delivery and, unless the Company has an ample reserve fund for working capital, may work an unreasonable hardship on the Company in meeting its current expenses. In addition to this objectionable practice, petitioner has stated that it has not, since the Company was organized, employed a collector, feeling that the cost of such employment would be greater than the amount which it would be unable collect without a collector. That the practices here referred to have resulted in a considerable loss of revenue is evidenced by the fact that uncollectible revenues charged off by petitioner during the past twelve years have averaged 3.9 per cent of the gross revenues, an amount entirely too great and one which, with ordinary diligence in the administration of reasonable rules and practices could and should be very materially reduced.

Rules, Regulations, Service and Rates.

I am not convinced that the proposed departure from, and the modification of, the rules heretofore prescribed by this Commission is justified or in the interest of efficient service to the consumers except insofar as these rules are modified in the following Order. It is apparent from the record in this and similar proceedings that telephone subscribers are far more interested in efficient and reliable service than they are in slight fluctuations in the rates. The Applicant should, therefore, be required to render every possible effort to give first-class service. It is my recommendation that the Commission through its Engineering Department keep in close touch with the situation so that it can be ascertained whether such service is actually given. Under the peculiar and somewhat abnormal conditions under which this applicant renders telephone service to widely scattered subscribers over a considerable area, I believe that it is just and reasonable to continue the present rates. Monthly collections instead of quarterly collections should be hereafter be made of all of the subscribers' accounts. It is also recommended that Applicant be required to keep a depreciation fund and to use this fund only for the purposes for which it is set aside and only under such rules and regulations as may be prescribed by the Commission. The amount estimated by the Engineering Department of \$975 per annum should be set aside for that purpose.

I recommend the following Order:

O R D E R

SMELTZER HOME TELEPHONE AND TELEGRAPH COMPANY having filed with the Commission its application for an order authorizing 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 present rates are just and reasonable:

IT IS HEREBY ORDERED that SMELTZER HOME TELEPHONE AND TELEGRAPH COMPANY is authorized to continue in effect and to file with the Commission within thirty days of the date of this order the following schedule of rates, which rates are the rates heretofore authorized by the Postmaster General of the United States and referred to in the preceding Opinion as the present rates:

<u>Business</u>	<u>Wall Set</u>	<u>Desk Set</u>
1 Party Line	\$ 3.00	\$ 3.25
10 " "	2.50	2.75
Extensions	1.50	1.75
Extensions (one way)	1.00	1.25
Extension bell	.50	.50
<u>Residence</u>		
1 Party Line	\$ 2.50	\$ 2.75
10 " "	2.00	2.25
10 " "		
to Ministers, Churches, Mis- sions, etc.,	1.00	1.25
Extensions	1.50	1.75
Extensions (one way)	1.00	1.25
Extension bell	.50	.50

The authority herein is granted upon and subject to the conditions following:

- (1) Adequate and efficient telephone service must be maintained at all times.
- (2) A depreciation reserve of \$975.00 per annum, in equal monthly installments, shall be set aside and shall be accounted for and used only for such purposes as will be prescribed or authorized by this Commission.

AND IT IS HEREBY FURTHER ORDERED that SMELTZER HOME TELEPHONE AND TELEGRAPH COMPANY shall until the further order of this Commission continue in effect the rules and regulations heretofore

filed with the Commission under Decision No. 2879 and in effect except as herein modified as follows:

- (a) Rule Number 9 heretofore filed and in effect shall be cancelled and superseded by Rule Number 9 providing as follows:

"All bills against subscribers receiving service at flat monthly rates may be rendered monthly in advance and may contain a notice that bills are due and payable when received and, if not paid within fifteen days of receipt by the subscriber, service is subject to discontinuance without further notice."

- (b) Rule Number 15 heretofore filed and in effect shall be cancelled and superseded by Rule Number 15 providing as follows:

"The Company will make, at its own expense, all ordinary extensions not to exceed one-quarter mile. Extensions beyond one-quarter mile shall be made under an agreement to be entered into between the company and the subscriber, subject to appeal to the Railroad 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 23rd day of March, 1920.

Edwin C. Egerton

H. D. Leonard

Frank R. Hollis

H. W. Bondage

Dwight Martin

Commissioners.