

Decision No. 7411.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

ORIGINAL

In the Matter of the Joint Application
of the CORONA HOME TELEPHONE AND
TELEGRAPH COMPANY, a Corporation, and
the CORONA UNION TELEPHONE AND TELE-
GRAPH COMPANY, a Corporation, for
authority to increase rates for tele-
phone service.

Application No. 4993.

Walter S. Clayson, for Applicants,
G. R. Freeman, for City of Corona.

MARTIN, Commissioner:

O P I N I O N

The Corona Home Telephone and Telegraph Company and the Corona Union Telephone and Telegraph Company, hereinafter referred to as the Company, in Application No. 4993, asks the Commission's authority to increase rates for telephone service, alleging that its present rates, which were established on May 15, 1919, upon approval of the Postmaster General of the United States, were inadequate to meet the increased operating costs due to higher cost of both material and labor and at the same time yield a fair return upon its investment in plant.

A hearing was held in Corona on November 22, 1919. At that time the Corona Home Telephone and Telegraph Company was the holding company and owned the system, while the Corona Union Telephone and Telegraph Company operated the system under a lease from the

holding Company. The officers of both companies were identical. On December 12, 1919, the Commission's authority to disincorporate the operating company was requested and on January 2, 1920, this authority was granted providing the holding company would operate the telephone properties covered by the lease. For this reason this application has been treated as if one company owned and operated the plant.

The rates in effect at present are as follows:-

<u>Classification</u>	<u>Business</u>	<u>Residence</u>
Individual line - Wall	3.00	2.25
Two-party line - Wall	2.75	2.00
Four-party line - Wall	2.50	1.75
Eight-party line - Wall	2.25	1.50
Extensions - Wall	1.00	1.00

Special Rates:-

Firemen, ministers and police call boxes - Wall, 1.25

Desk sets are 25 cents per month additional on all of above rates.

Extension bells2525

The rates herein shall apply within a radius of three miles in any direction by air line from the central office switchboard. For either business or residence service located beyond the three mile radius herein provided mileage charges as indicated for the class of service selected may apply in addition to the above rates for each airline mile or fraction thereof per month as follows:-

One party . . . . .	.50	cents	per	month	per	mile	or	fraction
Two party . . . . .	.35	"	"	"	"	"	"	or "
Four party . . . . .	.25	"	"	"	"	"	"	"
Eight party . . . . .	.15	"	"	"	"	"	"	"

At the hearing the company presented a valuation of its property and introduced evidence as to present operating revenue and expenses, together with estimates of operating revenue and expenses for the future.

The inventory quantities presented by the applicant were checked by the Commission's engineers who made and presented an independent valuation of the physical property, both used and useful, which was owned by the company. From an analysis of these appraisals submitted by the Company and the Commission's engineers I am of the opinion that a fair valuation of this property for rate-making purposes will be approximately \$55,000, and suggest this amount as a proper rate basis.

For the period November 1, 1918, to November 1, 1919, the books of the company show that the gross revenue of the company was \$15,657, and the total expenses including depreciation allowance, taxes and uncollectible revenue, was \$13,827.14, leaving a net income of \$1,830.01 for the company. It is apparent however that these figures cannot be used as criteria in estimating the net income for the future, when it is recalled that the company operated for seven months during this period under the rates authorized by the Commission on November 1, 1915. The rates at present effective are materially higher than the above, and have been in effect only since June 1, 1919. The reserve for depreciation requested by the company is \$1,600 per year higher than the Commission's engineers' estimated reserve required to replace the entire property in approximately fifteen years. Adding this \$1,600 excess for depreciation reserve, with about \$400 which should be amortized over a period of years and not all charged to one year's operating expenses, along with the \$1,800 net income shown for this period, it is my opinion that the Company has made a fair return upon their investment.

During the year 1920 the company may reasonably expect an estimated revenue of \$17,700, based upon a 3 per cent increase in business if the present rates are not changed. The Commission's engineers made a careful estimate of the expenses for the same period, and allowing an increase in pay to all employes of about 12 per cent,

find they amount to approximately \$13,400. It is apparent therefore that the company will receive adequate return upon its investment without increasing its rates.

I recommend that the Commission order the Company to provide the following classes of service and to charge the following rates:-

<u>Classification</u>	<u>Business</u>	<u>Residence</u>
Individual line - Wall	3.00	2.25
Two-party line - Wall	2.75	2.00
Four-party line - Wall	2.50	1.75
Eight-party line - Wall	2.25	1.50
Extensions - Wall or Desk	1.00	1.00
Extension bells	.25	.25

Desk telephones are 25 cents additional per month for all classes of service unless otherwise noted.

The rates herein shall apply within a radius of three miles in any direction by an air line from the central office switchboard. For either business or residence service located beyond the three mile radius herein provided mileage charges as indicated for the class of service selected may apply in addition to the above rates for each airline mile or fraction thereof per month as follows:-

Individual line	....	.50	cents	per	month	per	mile	or	fraction.
Two-party line	....	.35	"	"	"	"	"	"	"
Four-party line	....	.25	"	"	"	"	"	"	"
Eight-party line	...	.15	"	"	"	"	"	"	"

The rules and regulations heretofore established and filed with this Commission as provided in Decision No. 2879, decided November 5, 1915, shall continue in effect.

Service

The service furnished by the applicant appears to be satis-

factory to the subscribers, since very little complaint was made at the hearing. In investigating the equipment of the company the Commission's engineers, however, noticed several slight defects which would affect the service of the entire exchange and which could be eliminated entirely with closer supervision. In my judgment the company should make every effort to improve the service, although a general complaint has not been made against it.

The company is to be commended upon the fact that it is setting aside a depreciation fund for the replacement of worn out or inadequate plant when it becomes necessary to do so.

I recommend the following form of Order:

O R D E R

Corona Home Telephone and Telegraph Company and Corona Union Telephone and Telegraph Company having filed with the Commission their joint application for 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 and the classes of service prescribed in this Order are just and reasonable:

IT IS HEREBY ORDERED that the applicants establish and file with the Commission within thirty days of the date of this order a schedule of rates and services as outlined in the foregoing opinion. Upon approval by the Commission of the schedules so filed, applicants are authorized to put these rates into effect, subject to the following conditions:-

- (a) Adequate and efficient telephone service must be rendered at all times for all classes of service.
- (b) A depreciation reserve of \$2000 per annum in instalments of \$166.66 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 9th day
^{April}
of March, 1920.

Edwin O. Cuyler
W. D. Leonard
Frank R. Doherty
H. B. Amundson
Irving Martin
Commissioners.