

Decision No. 7447

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
LINDSAY HOME TELEPHONE AND TELEGRAPH  
COMPANY, a corporation, for an order  
authorizing the increase of present  
telephone rates.

Application No. 4925.

Sanborn and Roehl, by A. B. Roehl,  
for Applicant.

BRUNDIGE, COMMISSIONER.

O P I N I O N

Lindsay Home Telephone and Telegraph Company, a California corporation, petitioner in this proceeding, owns and operates a telephone system serving the City of Lindsay and adjacent territory in Tulare County, California. In its application, petitioner states that the present rates are not sufficient to pay running expenses, to pay labor and to pay an adequate return on the money invested. It is also stated that the increased rates for which Commission authorization is asked will not be sufficient to meet increased labor costs, but that it relies on an increase in its business to meet the difference between the income from the proposed rates and its actual running expenses.

A hearing was held in Lindsay on December 12, 1919.

The rates at present being charged and those which petitioner proposes to charge are as follows:

	<u>Present Rates</u>	<u>Proposed Rates</u>
<u>Business Service</u>		
One-party, Desk or Wall Set,	\$ 2.75	\$ 3.50
Two-party, " " " "	2.25	2.75
Extension, " " " "	1.00	1.00
 <u>Residence Service</u>		
One-party, Desk or Wall Set,	\$ 2.50	\$ 3.00
Two-party, " " " "	2.00	2.50
Four-party, " " " "	1.75	1.75
Suburban, Wall Set,	1.50	2.00
Extension, Desk or Wall Set,	.50	.50
One-party, Farmer Line, Yearly,	30.00	36.00
Two-party, " " " "	15.00	18.00
Three-party, " " " "	10.00	12.00
Four-party, " " " "	7.50	9.00
Five-party, " " " "	6.00	7.20

Attached to this application are various exhibits, including petitioner's income statement for the first seven months of the year 1919, a statement showing estimated revenue increase based on the proposed rates, increases in salary and wage expense, and plant investment figures. Petitioner has also presented, since the hearing, an itemized inventory and appraisal of the company's property, compiled as of January 3, 1920. In the income statement here referred to, a net income of \$1030.65 is shown for this seven month period after payment of operating expenses, depreciation, taxes, insurance and interest charges. The estimated increase in revenue from the proposed rates is shown to be \$1541.40 per year, and the increase in salaries and wages to be \$1892.40 per year. On the basis of these exhibits, applicant's net annual income, after deducting the increased operating costs due to increased salaries and wages, would amount to approximately \$1400.00. Since this hearing was held, petitioner's annual report for the year ending December 31, 1919, has been filed with the Railroad Commission. The annual report shows an income of \$3057.31, exclusive of funded

debt and other interest charges and amortization of debt discount and expense, and a net income of \$2033.32 after deducting these items. This income is under present rates and, for a portion of the year, at the increased salaries and wages referred to above.

Estimating subscribers' station revenues upon the stations actually in service on December 31, 1919, at present rates, and basing toll, miscellaneous, (exclusive of service connection charges) and non-operating revenues upon actual receipts for the year 1919, it appears from estimates compiled by the Commission's engineers that petitioner's present gross annual receipts amount to \$14,566.60. The estimated annual expenses, including depreciation, taxes and insurance, will amount to \$10,852.68. This will leave an estimated income, exclusive of fixed charges for bond interest and amortization, of \$3713.92. The operating expenses estimated herein are based upon actual present expenses, inclusive of the salary and wage increases above referred to which are now in effect. It includes also depreciation amounting to 4.39% of the reproduction value of the depreciable property.

In the appraisal submitted by petitioner subsequent to the hearing, the reproduction cost of the property is shown to be \$49,620.86. A separate appraisal on an historical basis has been made by the Commission's engineers, showing the reproduction cost to be \$36,127.00 and the depreciated reproduction cost to be \$28,994.00. A copy of the Commission's appraisal has been furnished petitioner.

It will be noted that the present income under present rates will yield a return of 7.48% on petitioner's valuation as shown in its appraisal, or a return of 10.28% on the Commission's valuation, undepreciated. From this it appears that petitioner is not entitled to an increase in the present rates and that the application should be denied.

The following order is recommended.

ORDER

Application having been filed with the Railroad Commission by Lindsay Home Telephone and Telegraph Company for authority to increase its present rates, a hearing having been held, the matter having been submitted and the Commission being fully advised, and it appearing to the Commission, as set forth in the preceding Opinion, that an increase in petitioner's present rates is not justified,

IT IS HEREBY ORDERED that the application herein be and it is hereby denied.

This 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 19<sup>th</sup> day of April, 1920.

Edwin C. Edgerton

Stanley R. Dyer

H. B. Pounders

Dwight Martin  
Commissioners.