

Decision No. 7577

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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In the Matter of the Application of )  
the FOWLER INDEPENDENT TELEPHONE COM- )  
PANY, a corporation, for authority )  
to increase its rates for telephone )  
service. )

ORIGINAL

Application No. 4982

J. D. Magill, for Fowler Independent  
Telephone Company.

BRUNDIGE, Commissioner.

O P I N I O N

In this application the Fowler Independent Telephone Company, hereinafter referred to as the Company alleges that its present rates put into effect December 27, 1913 do not yield sufficient revenue to pay operating expenses, depreciation and a fair return on its investment in plant.

The Company filed with its application a statement of its operating revenues and expenses.

The rates at present on file with the Commission and in effect, herein referred to as the present rates, and the rates which the applicant desires with the authority of the Commission to make effective, herein referred to as the proposed rates are as follows:

	<u>Present Rates</u>		<u>Proposed Rates</u>	
	<u>Business</u>	<u>Residence</u>	<u>Business</u>	<u>Residence</u>
Main Line - Wall	2.50	2.00	3.25	2.75
" " - Desk	2.75	2.25	3.50	3.00
Two Party - Wall	2.00	1.75	2.75	2.50
" " - Desk	2.25	2.00	3.00	2.75
Four Party - Wall	-	1.50	-	2.25
" " - Desk	-	1.75	-	2.50
Suburban - Wall	1.50	1.25	2.25	2.00
" - Desk	1.75	1.50	2.50	2.25
Extension with bell, Wall or Desk	1.00	1.00	1.00	1.00
Extension without Bell Wall or Desk	.50	.50	.50	.50
Extension Bells only	.25	.25	.25	.25
Farmers Line Service	.60	.30	.60	.30

Providing that a radius of one mile from the central exchange shall be established by the applicant, within which radius exchange service shall be offered at the rates herein provided.

Mileage charges present and proposed are for exchange service, (one or two party, business, or one, two or four party residence) beyond the exchange radius, the following charges for mileage in addition to the schedule rate for exchange service shall apply:

One Party, 50 cents per month per quarter mile or fraction thereof.

Two Party, 35 cents per month per quarter mile or fraction thereof.

Four Party, 25 cents per month per quarter mile or fraction thereof.

A public hearing was held in Fowler on December 10, 1919. It was stipulated at the hearing that the Commission through its Engineering Department should make whatever investigation was deemed necessary and that any and all reports of the department dealing with the valuation and with matters of operation and service should be considered in evidence in the case.

An inventory and appraisal of the applicant's property not having been submitted at or prior to the hearing it was also stipulated that it would be submitted as soon as it could be proposed and that a report on valuation would then be prepared by

the Commission's engineers, which report together with applicant's appraisal would be considered in evidence in the proceeding.

An inventory not including an appraisal, was made and submitted as of January 1, 1920 by the Company.

The inventory as submitted was checked and prices were added by the Commission's engineers.

The reproduction cost of this property, based on historical unit prices, as of the date of the inventory January 1, 1920, and as found by the Commission's engineers is \$35,347.00.

The above reproduction cost less depreciation is \$22,871.

The Company did not submit a reproduction cost figure.

The Company's annual report for 1919 shows a total fixed capital charge of \$33,973.44.

At the hearing the applicant submitted evidence showing an increase in operating expenses due to increase in salaries, wages and cost of material.

A detailed study of operating conditions and expenses made by the Commission's engineers shows that under the present rates the applicant is not earning a fair return upon its investment.

There is no protest from the applicant's patrons against an increase in rates, but it is protested that the service is poor. The applicant admits this to be the fact but claims that its income is insufficient to pay the salaries and wages necessary to obtain competent help.

The applicant is entitled to a fair return upon its investment, and in turn the patrons of the company are entitled to expect and receive service that is entirely satisfactory.

The Company has been showing on its books an annual amount presumably set aside into a depreciation reserve fund. However, no such reserve fund has been set up or exists at this time.

This method of carrying a depreciation reserve fund should be corrected and the Commission will insist that it be done.

A depreciation annuity is allowed and the Commission will require that the depreciation reserve fund be set up and used only for the purposes for which it is created, except as may be otherwise authorized by the Commission.

The Commission's engineers find that an amount set aside each year equal to four and one-tenth (4-1/10%) per cent of the depreciable plant using the Commission's reproduction cost as of January 1, 1920, plus all subsequent, depreciable additions and betterments as the basis of the plant value will be sufficient.

It is our opinion that the following schedule of rates will yield a fair income and will constitute reasonable rates in this case.

I recommend that the Commission authorize applicant to make effective a schedule of rates as follows:

	<u>Per Month</u>	
	<u>Business</u>	<u>Residence</u>
Main Line - Wall	2.75	2.25
Two Party - Wall	2.25	2.00
Four Party - Wall	-	1.75
Suburban - Wall	2.25	2.00
Extension with Bell, Wall or Desk	1.00	1.00
Extension without Bell, Wall or Desk	.50	.50
Extension, Bell only	.25	.25
Farmers Line Service	.60	.30

For desk telephones, except for extensions, 25 cents additional per month will be charged.

Providing that a radius of one mile from the central exchange shall be established by the applicant, within which radius exchange service shall be offered at the rates herein provided.

For all classes of exchange service not including sub-urban service beyond the exchange radius, the following charges for mileage in addition to the schedule rates for exchange service shall apply:

Per quarter mile or fraction thereof, per month

Main Line	\$ .50
Two Party Line	\$ .35
Four Party Line	.25

All rules and regulations for service and service charges shall be as provided in this Commission's Decision No. 2879 decided November 5, 1915.

I recommend the following form of Order:

#### ORDER

Fowler Independent Telephone Company having filed with the Commission its application for an order authorizing an increase of rates, a public hearing having been held, the matter having been submitted and the Commission basing its conclusions on the foregoing Opinion and finding as a fact that the rates authorized on the classes of service enumerated in the foregoing opinion are just and reasonable,

IT IS HEREBY ORDERED, that the applicant be and it is hereby ordered to 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. Applicant is 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 annuity equal to 4-10 per

cent of the depreciable portion of the reproduction cost as of January 1, 1920, plus all subsequent depreciable additions and betterments shall be set aside in monthly installments, for the purpose of maintaining the plant in good condition and shall be used for such purposes only, and as may be authorized by this Commission.

- (c) This Commission's decision No. 2879 decided November 5, 1915, establishing rules and regulations governing the operations of telephone utilities shall be continued in effect in so far as they apply to this utility and be strictly observed.

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 17<sup>th</sup> day of May, 1920.

Edwin O. Edgerton  
H. D. ...  
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Commissioners.