

Decision No. 7583

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

ORIGINAL

In the Matter of the Application of)	
O. F. GOODRICH, doing business under)	
the fictitious name and style of)	
ANTELOPE VALLEY TELEPHONE COMPANY,)	Application No. 5071
for an order authorizing an increase)	
in charges.)	

N. B. Bachtell and Ernest Irwin, for
Antelope Valley Telephone Company.

BRUNDIGE, Commissioner.

O P I N I O N

The Antelope Valley Telephone Company, hereinafter referred to as the Company, in Application No. 5071, asks authority to increase its rates for telephone service, alleging that its present rates are inadequate and noncompensatory, due to greatly increased costs of labor and material used in the maintenance and operation of its plant.

A hearing was held in Lancaster on December 27, 1919. At that hearing the applicant presented a valuation of its property and introduced evidence as to past operating expenses and also a comparative statement of the income to be derived under the present rates and those proposed by applicant.

An engineer of the Commission checked the quantities as shown in the Company's inventory of the plant, and secured data for the preparation of an appraisal. This appraisal has

now been completed and is considered as evidence in this proceeding according to a stipulation made at the hearing. The value found by both the engineer for the Company, and the engineer for the Commission is approximately the sum of \$14,300, and represents an estimate of the investment cost.

It is our opinion that this application^{pt} is entitled to a fair return upon the above sum of \$14,300.

The gross revenue received by the Company during the period, December 21, 1918, to November 21, 1919, was \$4,080.91. At the same rate per month, the revenue for twelve months would have been \$4,452. Expenses for twelve months are estimated to have been \$3,815. This includes taxes and an allowance of \$644. for depreciation. This left a net income to the company of \$637.

For 1920, it is estimated that operating expenses including taxes and depreciation will amount to \$4,087. It may not be assumed that there will be any increase in revenue due to increase in business.

Therefore, it is apparent that the Company is entitled to an increase in rates in order that it may earn a reasonable return upon the value of its property.

The rates now in effect and the rates proposed by the applicant are as follows:

	<u>Present Rates</u>		<u>Proposed Rates</u>	
	<u>Wall</u>	<u>Desk</u>	<u>Wall</u>	<u>Desk</u>
<u>Business Service</u>				
Main Line	2.50	2.75	3.00	3.25
Two Party	2.00	2.25	2.50	2.75
Four Party	1.75	2.00	2.25	2.50
Ten Party	1.50	1.75	2.00	2.25
Extensions	1.00	1.00	--	--
<u>Residence Service</u>				
Main Line	2.00	2.25	2.50	2.75
Two Party	1.75	2.00	2.25	2.50
Four Party	1.50	1.75	1.75	2.00
Ten Party	1.25	1.50	1.50	1.75
Extensions	1.00	1.00	--	--

In addition to the above proposed rates the applicant desires to charge for ten party service beyond the town limits of Lancaster as follows:

Ten Party line service, under five miles,
50 cents per month additional.

Ten Party line service, over five miles,
\$1.00 per month additional.

The one, two and four party service as proposed by the applicant is not confined to any definite area. It is our opinion that a primary rate area should be established and that one, two and four party service should be offered beyond the limits of that area at mileage rates. Suburban service should also be offered to those desiring ten party service beyond the primary rate area.

We are not advised as to the number of subscribers located within each of the suburban rate zones which applicant proposes to establish, hence the Commission's engineers are unable to estimate the amount of revenue that might be expected under applicant's proposed rates.

I recommend that the Commission order the Company to offer the following classes of service and authorize the following rates:

		Per Month	
		Business	Residence
Main Line	- Wall	\$ 2.75	\$ 2.25
Two Party Line	- Wall	2.25	2.00
Four Party Line	- Wall	2.00	1.75
Ten Party Line	- Wall	1.50	1.25
Suburban Line	- Wall	2.25	2.00
Extension Sets		1.00	1.00

Desk Telephones are 25 cents additional per month on all classes of service except extensions.

The primary rate area is bounded by a circle, whose center is the central office and whose radius is one-half mile.

Beyond the primary rate area mileage charges apply for each quarter mile, or fraction thereof as follows:

1 Party Line	\$.50 per month
2 Party Line	.35 " "
4 Party Line	.25 " "

All service rules and regulations now in effect and not affected by this opinion shall remain as formerly.

It is estimated that the revenue that may be expected from these rates with the present number of subscribers together with the revenue from toll service is the sum of \$5,237. It is our opinion that this will provide a fair return to the applicant upon an investment of \$14,300.

In regard to depreciation, I am of the opinion that the sum collected from the subscribers for this purpose, should be set aside in a fund and so held that the money will be available when renewals are necessary, and that this fund should be used for no other purpose unless authorized by the Commission.

I recommend the following form of order:

O R D E R

Antelope Valley Telephone Company having filed with the Commission its 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 applicant is authorized 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 for all classes of service.
- (b) A depreciation reserve of \$648 per annum in installments of \$54 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 17th day of May, 1920.

Erin O. Edgerton
H. S. L. ...
John P. ...
H. B. ...
David ...
Commissioners.