

Decision No. 7675

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application
of HONEY LAKE VALLEY MUTUAL TELEPHONE
ASSOCIATION, a corporation, for per-
mission to revise its present schedule
of rates.

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)
) Application No. 4984.
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H. A. Encell and E. T. Bussello for
applicant.

BY THE COMMISSION:

O P I N I O N

Honey Lake Valley Mutual Telephone Association, applicant in this proceeding, owns and operates a small telephone system in Lassen County, California, by which it provides telephone service in the town of Buntingville and adjacent territory. In its petition applicant sets forth that the present rates, which were established by an order of this Commission issued during the year 1914, are not now sufficient by reason of advanced costs of operation to meet the present requirements of its business and its obligations to its stockholders. It is, therefore, seeking authority to increase these rates.

Hearing upon this application was held in Susanville before Examiner Westover.

The rates heretofore established by order of the Commission, herein referred to as the present rates, and the rates which applicant now proposes to charge, herein referred to as the proposed rates, are as follows:

	<u>Present Rates</u>	<u>Proposed Rates</u>
Business Stations,	\$2.50	\$3.00
Stations located within 5 miles of the town of Susanville and connected directly with the Susanville Exchange of the Ne- vada, California and Oregon Telegraph and Telephone Company,	2.00	2.50
Other Residence Stations,	1.50	2.00
Extension Telephones,	-	1.00
Extension Bells,	-	.25

Applicant has submitted as its Exhibit "A" an inventory and appraisal of its property, compiled as of January 1, 1918, by Mr. E. T. Busselle, who appeared as engineer for the applicant.

In this appraisal, the valuation is shown as follows:

Reproduction Cost New,	\$42,527.00
Present Value,	33,922.00

It was admitted by Mr. Busselle at the hearing that the appraisal herein referred to was not made for rate fixing purposes and that applicant does not urge this property value as a rate base.

The Commission's order, Decision No. 1716, decided August 5, 1914, establishing the rates above referred to is based upon operating conditions then existing and upon a property valuation which the Commission then found to be approximately \$19,000.00. Since that time, applicant has added to plant in additions and betterments approximately \$2000.00. Applicant now claims that a reasonable valuation for rate fixing purposes is approximately \$23,000.00 or \$24,000.00.

According to the annual reports on file with the Commission, applicant has earned a small income, exclusive of annual interest charges, during the years 1917 and 1918, but after deducting interest charges a deficit is shown. The annual report for the year 1919 shows a deficit of \$381.24, exclusive of interest

and taxes, and a deficit of \$1304.65 after payment of these items. An examination of applicant's income statements, made by the Commission's Telephone and Telegraph Engineer, discloses certain irregularities in the charges made by applicant to operating income and expense during these years, the correction of which, however, would still show insufficient net earnings. Since this application was prepared, the management of the company has been changed through a transfer of stock ownership and the operating expenses heretofore incurred can not fairly be taken as a basis for estimating future expenses of operation. It appears, however, that under economic management satisfactory service cannot be maintained with present revenues and that applicant is entitled to an increase in rates.

All of applicant's present service is provided by party lines, many of them extending for considerable distances into the rural districts and many of them now are heavily overloaded. Complaint has not been made as to the adequacy or efficiency of this service, but it is nevertheless apparent that satisfactory service can not be provided with lines as heavily overloaded as are applicant's present lines. The present management has declared its intention of promptly providing facilities to divide the present overload and limit the number of stations per line to ten stations as far as it may be practicable to do so. This improvement will improve the service and it should be made without delay. It is also to be noted that the present management is now in the hands of competent telephone men and we feel assured that the public interest will be benefitted by improved service.

It is our opinion that the proposed rates hereinabove set forth are just and reasonable rates in this case and that applicant should be authorized to make them effective, present rates for other classes of service and present rules and regulations to con-

tinue in effect until the further order of the Commission.

O R D E R

Honey Lake Valley Mutual Telephone Association, a corporation, having filed its application with the Railroad Commission for authority to increase its rates for telephone service in the town of Buntingville, Lassen County, California, and adjacent territory, and a public hearing having been held,

IT IS HEREBY FOUND that the rates heretofore charged for telephone service by said applicant are unjust and unreasonable and that the rates hereinafter provided are just and reasonable, and basing its conclusions thereon,

IT IS HEREBY ORDERED that said applicant be and it is hereby authorized to file with the Railroad Commission and place in effect within thirty days from the date of this order the schedule of rates set forth below:

	<u>Proposed Rates</u>
Business Stations,	\$3.00
Stations located within 5 miles of the town of Susanville and connected directly with the Susanville Exchange of the Nevada, California and Oregon Telegraph and Telephone Company,	2.50
Other residence stations,	2.00
Extension telephones,	1.00
Extension bells,	.25

The authority herein is granted subject to the condition that adequate and efficient telephone service shall

be provided at all times to all of applicant's patrons and subscribers.

Dated at San Francisco, California, this

8th

day of June, 1920.

Edwin O. Edgerton
H. L. Davidson
Printing Matter

Commissioners.