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Decision No. 7830

BEFORE THE RAILROAD COMMISSION

OF THE STATE OF CALIFORNIA

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In the matter of the application of)
REEDLEY TELEPHONE COMPANY for per-) Application No.5605
mission to increase rates.)

A. Terkel, for applicant.

BRUNDIGE, Commissioner

O P I N I O N

The Reedley Telephone Company in Application 5605 asks the Commission's authority to increase rates for telephone service, alleging that the present rates which were made effective in January of this year by the Commission's decision No. 7027 are inadequate to meet the present and anticipated increased cost of operating the plant and at the same time yield a fair return upon its investment in plant.

A hearing was held in Reedley on May 19, 1920. It was developed at the hearing that the company had been doing an unusual amount of maintenance work during the period covered by the application and that a fair return had been made upon its investment even under these exceptional conditions.

The applicant based its contention for an increase in rates almost exclusively upon expenditures which it anticipated

would be necessary to secure operators in the future rather than for actual expenses at present. The Commission has repeatedly declared that it recognizes existing pay rolls as a legitimate item of operating expense and that it can not base rates upon prospective increases in pay of employes. I believe this rule is founded upon sound public policy and that in this case there is no reason for departing from the rule.

At the hearing the applicant stated that the discount of 25¢ for prompt payment of bills was an added burden to its accounting system and did not reduce the amount of uncollectible bills, requesting that this discount be discontinued. It is my opinion that a net rate should be permitted under the circumstances set forth above but that this net rate should be equivalent to the present rates, less 25 cents.

Removing the discount as indicated above would make the following rates effective:

Per Month

		Business	Residence
Main Line	wall	$ 2.75	$ 2.25
2-party line	"	2.25	2.00
4 " "	"	----	1.75
6 " "	"	----	1.50
Suburban	"	2.25	2.00
*Extensions		1.50	1.00
*Farmers lines		.60	.40

Desk telephones are 25¢ additional per month on all classes of service except those marked with asterisk. All rates are net.

The present rates, rules and regulations not herein specifically provided for shall continue in effect until the further order of the Commission.

I recommend the following Order:

O R D E R

Application having been filed with the Railroad Commission by Reedley Telephone 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 for increased rates be and it is hereby denied.

IT IS FURTHER ORDERED that the applicant is authorized to establish and file with the Commission within thirty (30) 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 conditions set forth in Decision No. 7027.

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 9th day of July, 1920.

Commissioners