

**ORIGINAL**  
**RECORDED**

Decision No. 2011

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
 J. L. Randolph, doing business under  
 the name of Turlock Home Telephone  
 and Telegraph Company, for authority  
 to increase rates for telephone ser-  
 vice; and for authority to execute a  
 mortgage of all his property to secure  
 payment of a promissory note.

Application No. 5487.

A. B. Roehl, for applicant.  
 Wm. N. Graybeil, for protestant.

Brundige, Commissioner.

O P I N I O N

Mr. J. L. Randolph, who is furnishing telephone service in the City of Turlock and adjacent territory under the name of Turlock Home Telephone and Telegraph Company and who will hereinafter be referred to as the applicant, in Application No. 5487, asks the Commission's authority to increase rates for telephone service, alleging that its present rates are inadequate to meet the increased cost of labor and material and at the same time yield a fair return upon the present value of the plant; for authority to execute a mortgage on all the telephone property of the applicant, as set forth in Exhibit B, to the First National Bank of Turlock to secure the payment of a promissory note for Fifteen Thousand (15,000) Dollars, bearing interest at the rate of seven (7) per cent per annum and maturing December 31, 1920.

The record shows that applicant proposes to use the

proceeds from the issue of the note to refund a \$3,200.00 promissory note dated December 1, 1919, in favor of First National Bank of Turlock, to acquire property and to extend its facilities so as adequately to meet present demands and future needs of the public.

The present and proposed monthly rates as set forth in Exhibit "D" are as follows:

	<u>Business</u>		<u>Residence</u>	
	<u>Present</u>	<u>Proposed</u>	<u>Present</u>	<u>Proposed</u>
Main Line Wall	\$2.50	\$3.50	\$2.00	\$2.50
Two-party Line Wall	--	3.00	--	2.00
Four-party Line Wall	2.00	--	1.50	1.75
Suburban Line Wall	1.50	3.50	1.50	3.00
Extension with Bell	1.00	1.00	1.00	1.00
Farmer Lines	.37½	.50	.37½	.50

Note: Desk telephones 25¢ additional on all classes of service, except farmer lines; Grabaphones 50¢ additional on all classes of service except farmer lines. Each farmer's line must produce a minimum revenue equivalent to five subscribers per line under proposed rates.

It is proposed to charge the following mileage outside of the primary rate area for each quarter mile or fraction thereof based upon the air-line distance from the primary rate area:

Main Line	\$.50
Two-party Line	.35
Four-party Line	.25

A hearing was held in Turlock on April 28, 1920. At the hearing the applicant submitted a valuation of the property and presented a statement showing the revenue and expenditures during the year 1919, together with the increase in revenue under the proposed rates.

The Commission's engineers and a representative of the applicant made a new inventory of the plant and the former made and presented an independent valuation of the used and useful property of the applicant. After analyzing the appraisals submitted by the applicant and the engineers of the Commission, I am of the opinion that for rate making purposes, a fair valuation

of this property as it existed at the time the appraisals were made would amount to approximately Thirty-one thousand (31,000) Dollars. It is impossible to determine accurately, at this time, the increase in fixed capital after the proposed construction work is completed. This amount should be Thirty-one thousand (31,000) Dollars plus the amount expended for additions and betterments, minus the value of the portions of the plant retired from service. The books of the applicant should be set up so as to show these transactions in detail and these accounts at all times will be subject to the inspection and the approval of the Commission.

The gross revenue of the applicant for the year ending April 1, 1920 was Nineteen thousand seven hundred ninety-six (19,796) Dollars. Allowing for an increase in revenue of 10 per cent due to increased volume of business during the coming year, the total revenue would amount to Twenty-one thousand seven hundred seventy-five (21,775) Dollars.

A careful estimate of the <sup>annual</sup> expenses which the applicant will have to meet beginning July 1, 1920, amounts approximately to Twenty-three thousand (23,000) Dollars. This reflects a material increase in expense over previous years due to a necessary reorganization of the operating and the accounting departments in order that the service to the public may be greatly improved. It is apparent that even if the anticipated increase in the volume of business is fully realized the applicant still would be unable to earn a fair return under the present rates.

In my opinion there is no justification for increasing the rates to the figure requested by the applicant or for modifying the rules and regulations, as asked for in the application.

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

	<u>Per Month</u>	
	<u>Business</u>	<u>Residence</u>
Main Line, Wall	\$3.25	\$2.50
Two-party Line, Wall	2.50	2.25
Four-party Line, Wall	2.25	2.00
Suburban Line, Wall, Ten-party	2.50	2.25
*Extension, with or without bell,	1.00	1.00
Extension bells only	.25	.25
*Farmers Lines	1.00	.50

Desk Telephones are 25¢ additional, and grabaphones 50¢ additional per month, on all classes of service except those marked with an asterisk.

All rates, except extension bells and those marked with an asterisk, are subject to a discount of 25¢ if paid on or before the 10th day of the month in advance.

The following mileage charge may be made outside of the city limits based upon the air-line distance from the primary rate area:

Main Line \$.50 per month per quarter mile or fraction thereof.  
Two-party Line \$.35 per month per quarter mile or fraction thereof.  
Four-party Line \$.25 per month per quarter mile or fraction thereof.

The primary rate area shall be defined as the city limits of Turlock.

All miscellaneous rates not provided for in this schedule shall be submitted to the Commission for its approval. All services, rules, and regulations not covered in this Opinion shall remain as provided for in the Commission's Decision No. 2879, decided November 5th, 1915.

#### Service and Rates.

The service furnished by the applicant was criticised during the hearing. It appeared from the testimony that the organization responsible for the maintenance and operation of the system was not large enough to give the best service. The applicant stipulated that he would put into effect such changes as were necessary to give first-class service. This necessarily has increased and will increase operating expenses very materially and necessitates higher rates, but it has been my observation that the public prefers paying slightly higher rates for good service

to having lower rates with inferior service.

While applicant's present rates ~~restrict~~ limit the number of stations which may be connected to any circuit, <sup>other than farmers' lines,</sup> /this maximum number has been exceeded in certain cases. This practice should stop, and within ninety (90) days of the date of this order, all such conditions should be removed.

A telephone company cannot be expected to render good service if the farmer lines which connect with the company's exchange are not properly built and maintained. For this reason I recommend that applicant be authorized to refuse to permit any farmer's line to connect with his system one year from the date of this order having more than ten (10) subscribers upon it, or which does not conform to standards of construction or maintenance consistent with good telephone practice. The subscribers or the applicant shall refer any disputes over this recommendation to the Commission for settlement.

The applicant has made no provision for replacement of plant as it becomes necessary to do so. It is my opinion that the plant has reached the age where this is an unsound policy and that in the future a depreciation fund should be set aside and so held that money will be available for this purpose and should be used for no other purpose without the consent of this Commission.

I recommend the following form of Order:

O R D E R

J. L. Randolph, furnishing telephone service to the City of Tarlock and surrounding territory under the name of Tarlock Home Telephone and Telegraph Company, having filed with this Commission his application for an increase of rates and for authority to issue a note secured by mortgage with which to secure

money to make additions and extensions to his property, a hearing having been held, the matters 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; and it appearing to the Railroad Commission that the money, property or labor to be procured or paid for by the issuance of said note and mortgage is reasonably required for the purpose specified in the order and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED that the applicant is authorized to 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 and, upon approval, may be established in this exchange. 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 of \$1,920.00 per annum in installments of \$160.00 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.

(c) The stipulations made by Mr. Randolph, through his attorneys, concerning the operating force and the accounting department shall be fulfilled within ninety (90) days of the date of this Order

(d) Effective ninety (90) days from the date of this Order no telephone line shall have more subscribers connected thereto than is specified in the schedule of rates herein authorized for the particular class of service furnished.

IT IS HEREBY FURTHER ORDERED that J. L. Randolph be, and he is hereby, granted authority to execute a mortgage upon

his public utility property described in Exhibit "B" attached to the petition herein, to secure the payment of a seven (7) per cent promissory note due December 31, 1920, in the principal amount of Fifteen thousand (15,000) Dollars, such mortgage to be substantially in the form as that attached to the petition herein marked Exhibit "E."

The authority herein granted to execute a mortgage and to issue a note is subject to the following conditions:

1. \$3,200.00 of the proceeds from the note herein authorized shall be used to refund the \$3,200.00 note dated December 1, 1919, in favor of First National Bank of Turlock, and the balance, \$11,800.00, for the acquisition of the property and the extensions and improvements required in Exhibit "C" filed with the application herein.

2. The approval herein given of said mortgage is for the purpose of this proceeding only, and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said mortgage as to other legal requirements to which said mortgage may be subject.

3. Within thirty (30) days after the execution of the mortgage herein authorized, applicant shall file with the Railroad Commission a verified copy of such mortgage.

4. J. L. Randolph shall keep such record of the issue of the note herein authorized and of the disposition of the proceeds as will enable him to file on or before the twenty-fifth day of each month a verified report as required by the Commission's General Order No. 24, which Order, in so far as applicable, is made a part of the Order.

5. The authority herein granted shall not become effective until applicant has paid the fee prescribed by Section 57 of the Public Utilities Act.

6. The authority herein granted to issue a note and to execute a mortgage shall apply only to such note as may be issued and to such mortgage as may be executed on or before December 31, 1920.

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 27<sup>th</sup> day of August ~~July~~, 1920.

Edwin O. Edgerton

H. H. Leland

Frank P. Denton

H. R. Bundege

Commissioners.

Recd \$25<sup>00</sup>/<sub>100</sub>

H. Mathews