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Decision No. 8081

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application
of the Novato Utilities Company
for permission to raise telephone
rates.

Application No. 5372

J. W. Cain, and
C. E. Towle, for applicant.

By the Commission,

O P I N I O N.

Novato Utilities Company, hereinafter referred to as the Company, in Application No. 5372 asks authority to put into effect certain increases in rates for telephone service.

A public hearing upon the application was held by Examiner Satterwhite at San Francisco, June 8th, 1920.

The Company asks for the establishment of a private line charge of Ten Cents (10) on each incoming toll message to stations one-half mile or more from the central office and states in this application that they desire an increase in the rates to yield a reasonable return on the capital invested and to provide for an increase in employees' wages. At the hearing exhibits were filed showing the capital investment, the classification of the subscribers and the present and proposed rate for each, the past revenue

and expenses and a reproduction cost new of the telephone property.

The present rates and those proposed by the Company are as follows:-

	<u>Present Rate</u> <u>Wall Telephones</u>	<u>Proposed Rate</u> <u>Wall Telephones</u>
Individual Business	\$3.00	\$4.25
" Residence	2.50	3.25
Party-Line Business	2.50	3.50
" " Residence	1.50	2.25

The above rates apply within the exchange radius of one-half mile. For each additional one-half mile or fraction thereof, the present rate provides for Twenty-Five Cents (25) mileage charge on individual business or residence telephones. The proposed rates provide for a charge of Fifty Cents (50) for each additional one-half mile or fraction thereof, on individual business telephones and on individual residence telephones, and also provides for a Twenty-Five Cent (25) charge for each additional one-half mile or fraction thereof, on party line, business or residence telephones.

<u>Miscellaneous Charges</u>	<u>Present Rate</u>	<u>Proposed Rate</u>
Portable Telephones, additional	\$ 0.00	\$.25
Extra Bell,	.25	.25
Extensions, inside,	1.00	1.00
" outside,	1.00	1.50

An engineer of the Commission has made examination of the Company's books and vouchers and found that the total expenses including taxes and rent for the year 1919 amounted to \$2,292.19. Depreciation charged during 1919 was \$310.94, making a total of \$2,603.13.

The revenue for the past year was found to be \$2,013.22. This shows a loss in a twelve-month period of \$589.91.

We believe that mileage charges should be made beyond the primary rate area of one-half mile radius for all one, two and four-party services and this has been provided for in the following Order. The ten-party lines, however, should have one rate in common for all subscribers to this class of service. We have provided a rate for ten-party service within the exchange limits and another rate for suburban ten-party service beyond those limits.

The applicant's request for an Other Line Charge of Ten Cents (10) on incoming calls cannot be granted. The result of permitting the applicant to apply the proposed Ten Cent (10) charge on incoming calls would be to make the charge for long distance messages from outside points Ten Cents (10) higher than for messages going in the opposite direction between the same stations, a discrimination which can not be permitted.

In determining the amount of expenses to be provided for in the future out of rates, the Commission will always recognize reasonable salaries paid to employees but cannot act upon the assumption that increases in wages may be made in the future. The total expenses estimated for the coming year exclusive of salary increases is the sum of \$2,390.00. Depreciation at the rate of $4\frac{1}{2}$ per cent. on the total capital as shown in the Company's Exhibit "A"; namely, \$4,961.62 gives the sum of \$211.00. This makes a total of \$2,601.00. The revenue sufficient to meet these expenses and provide a fair return on investment is estimated to be the sum of \$2,988.00. This will give a net income of \$387.00, which is 7.8 per cent. on \$4,961.62. The rates hereinafter provided are deemed just and reasonable rates for the service rendered and for an exchange of this size; however, this Company must depend upon getting an increase in the volume of its

business of approximately 10 per cent in order to earn sufficient to provide a return of 8 per cent.

According to the Company's annual reports there were seventy-two (72) telephones in use on December 31st, 1918; eighty (80) telephones on December 31st, 1919, and the Company's Exhibit "B" shows a total of eighty-nine (89) instruments on June 1, 1920. The total exchange revenue in 1919 shows no increase over that for 1918.

O R D E R

Novato Utilities Company having filed with the Commission its application for an increase in rates, a public hearing having been held, the matter having been submitted and being now ready for decision,

THE RAILROAD COMMISSION hereby finds that applicant's rates now in effect are unreasonable and non-compensatory and that the rates set forth in the Order herein are just and reasonable rates.

Basing its action on the above finding of fact and upon the statements of fact contained in the Opinion preceding this Order,

IT IS HEREBY ORDERED. That the applicant is authorized to establish and file with the Commission within thirty (30) days from the date of this Order the following schedule of rates:-

	<u>B u s i n e s s</u>	<u>P e r M o n t h</u> <u>R e s i d e n c e</u>
Main Line Wall	\$3.00	\$2.50
Two-party "	2.50	2.25
Four-party "	2.25	2.00
Ten-party "	-	1.25
Suburban "	-	2.25
Extensions	1.00	1.00
Extra Bells	.25	.25

Desk sets Twenty-Five Cents (25) additional per month for all classes of service except extensions.

The above main line, two-party, four-party and ten-party line rates shall apply only within a radius of one-half mile in any direction by an air line from the central office switchboard.

For either business or residence service located beyond the one-half mile radius herein provided mileage charges as indicated for the class of service selected may apply in addition to the above rates for each air line one quarter mile, or fraction thereof, per month as follows:-

Individual line,	50	cents	per	month	per	quarter	mile	or	fraction
Two-party line,	35	"	"	"	"	"	"	"	"
Four-party line,	25	"	"	"	"	"	"	"	"

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 shall be set aside annually for the purpose of maintaining the plant in good condition and shall be used only for such purpose, or for such as may be authorized by the Commission. The amount thus set aside annually shall be determined by taking $4\frac{1}{2}$ per cent. of the sum of Four Thousand Nine Hundred Sixty-one Dollars Sixty-two Cents (4,961.62), (this being the total capital invested as shown in the Company's Exhibit "A"), plus additions to and betterments in physical plant made since June 1, 1920).

Dated at San Francisco, California, this 13th day of September, 1920.
~~August~~

Edwin O. Edgerton
H. J. Leonard

H. B. Prudigg

Commissioners.