

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
Home Telephone Company of Covina,  
Los Gatos Telephone Company,  
Monrovia Telephone & Telegraph Company,  
Nevada, California & Oregon Telegraph  
& Telephone Company,  
Ontario & Upland Telephone Company,  
Pomona Valley Telephone & Telegraph  
Union,  
Roseville Telephone Company,  
Sacramento Valley Telephone Company,  
Santa Barbara Telephone Company,  
Santa Monica Bay Home Telephone Company,  
Southern California Telephone Company,  
Southwestern Home Telephone Company,  
The Home Telephone & Telegraph Company  
of Pasadena,  
The Pacific Telephone & Telegraph Company,  
The Tulare Home Telephone & Telegraph  
Company,  
Union Home Telephone & Telegraph Corpor-  
ation,  
Whittier Home Telephone & Telegraph Com-  
pany,  
for an order modifying General Order No.57.

ORIGINAL

Application No.5767.

- F. H. Wright for Home Telephone Company of Covina.  
D. S. Parker " Pomona Valley Telephone & Telegraph Union.  
L. C. Torrance " Santa Monica Bay Home Telephone Company.  
James T. Shaw " Southern California Telephone Company,  
" Ontario & Upland Telephone Company,  
" The Home Telephone & Telegraph Company of  
Pasadena.  
Chas. A. Rolfe and Carl D. Rolfe for Southwestern Home Telephone  
Company.  
W. W. Butler and Sam R. Heffley for Union Home Telephone and  
Telegraph Corporation.  
A. Wardman for Whittier Home Telephone & Telegraph Company,  
and Downey Home Telephone & Telegraph Company.  
Walter F. Dunn " Monrovia Telephone & Telegraph Company, and  
San Fernando Telephone & Telegraph Company.  
T. A. Gould " Redondo Home Telephone Company.  
R. R. Ferguson and Vernon Wilder for Interstate Telegraph Company.  
J. S. Campbell for Corona Home Telephone & Telegraph Company.  
A. E. Wright " Valley Telephone Company.  
C. H. Button " Lindsay Home Telephone & Telegraph Company.  
W. E. Farman " Sierra Madre Telephone & Telegraph Company.  
C. C. Johnson " Smeltzer Home Telephone Company.

- ✓ H. D. Pillsbury and James T. Shaw for The Pacific Telephone & Telegraph Company, and Sacramento Valley Telephone Company.
- Ernest Irwin for Consolidated Utilities Company of Compton, Antelope Valley Telephone Company, Turlock Home Telephone & Telegraph Co., and McFarland Telephone Company.
- ✓ Chickering and Gregory, by Allen Chickering, for Santa Barbara Telephone Company.
- ✓ A. B. Roehl and G. C. Harris for Tulare Home Telephone Company.
- W. E. Hills for Nevada, California & Oregon Telegraph & Telephone Company.
- J. V. Leithold " Knights Landing Telephone Company.
- A. Terkel " Reedley Telephone Company.
- H. F. Knapp " Sanger Telephone Company.
- W. F. Ferguson " California Telephone & Light Company.
- C. W. Forbes " Manteca Telephone Company.
- F. H. Crosby " Santa Paula Telephone Company,  
" Colusa County Telephone Company, and  
" Oxnard Home Telephone Company.
- ✓ Jess Stephens and H. Z. Osborne for City of Los Angeles.
- Clyde Woodworth for the Cities of Inglewood, El Segundo and Beverly Hills.
- T. C. Gould and Grant W. Lorraine for the City of Alhambra.
- Albert Laurer for the City of Fullerton and the City of Brea.
- M. Estudillo " " " " Riverside.
- C. G. Sellick " " " " San Diego.
- D. R. Efrey " " " " Coronado.
- Victor R. McLucas " " " " Santa Monica.
- Leon E. Gray " " " " Oakland.
- Frank W. Cornish " " " " Berkeley.
- W. J. Locke " " " " Alameda.
- W. E. Simpson " " " " Fresno.

LOVELAND AND BRUNDIGE, Commissioners.

### O P I N I O N

On November 5, 1915, the Railroad Commission rendered a decision, known as Decision No. 2879, in the matter of the practice of water, gas, electric and telephone utilities requiring deposits before rendering service, Case No. 683. The order in this decision established certain rules and regulations which were made applicable to the utilities specified, among which was a rule known as Rule 14, providing, with reference to the cost of disconnecting and reconnecting service connections, as follows:

"Under reasonable, non-discriminatory rules and regulations, to be prepared in the first instance by the utility, subject to review by the Railroad Commission, a water, gas, electric or telephone utility may provide that the cost of disconnecting and reconnecting service connections may be (1) charged directly to the new or the resuming consumer; or (2) distributed over the periodic payments over a reasonable period of time; or (3) merged in the general operating expenses. The so-called 'cancellation charges' of water, gas, electric and telephone utilities are hereby abolished."

In compliance with the requirement of Decision No. 2879, that the utilities specified therein should revise and refile the rules and regulations at the time on file, if inconsistent with the rules and regulations therein established, the telephone utilities of this state quite generally adopted and filed a rule, also known as Rule 14, providing as follows:

"A charge of \$3.50 shall be made to all applicants for the establishment of service, provided that no charge shall be made applicants who sign for service to be rendered by the use of telephone instruments as then in place. If a charge of \$3.50 has been made for the establishment of service, and service is continued at the same address for twelve months, this amount, without interest, shall then be returned to the subscriber.

"A charge of \$1.00 will be made for restoration of service when service has been temporarily disconnected on account of non-payment, subscriber's temporary absence, or for any other reason for which the subscriber is responsible, except a change in class of service or location of facilities."

It is to be noted that while Rule 14, as established by Decision No. 2879, refers to the cost of disconnecting and reconnecting service connections, Rule 14, as adopted and filed by telephone utilities, is made applicable to all applicants for the establishment of service except those making application for service to be rendered by the use of telephone instruments as then in place, thus providing a charge for the establishment of service in those cases in which disconnection and reconnection is not at once involved. This is for the reason, principally, that in making installations of telephones not only is it the exception that an installation is made by the reconnection of a service connection

previously disconnected, even though the installation may be made in a premise in which there has been service previously, but even an initial installation, which eventually will involve a disconnection also, involves a cost properly falling within the provisions of the rule established by the Commission.

It is to be noted also that in the rule filed by the utilities under the provisions of this decision, it is provided that no charge shall be made applicants for whom service is to be provided by the use of telephone instruments as then in place and, in those cases in which the charge is applicable, it is made returnable if service is continued at the same address for twelve months. This rule had the effect of denying the utility the right to collect a disconnection or reconnection charge if the service applied for could be provided by an existing installation, thus requiring the utility to carry the cost under operating expense; of requiring the utility to return the charge to the subscriber after continuance of service for twelve months, thus also requiring that the cost be carried under operating expense, and of permitting the utility to place the cost upon the subscriber incurring the expense if the service were of shorter duration than one year.

This rule continued in effect until nullified during Federal control and was again ordered restored at the termination of Federal control by General Order No. 57 of the Railroad Commission.

In this application, seventeen of the principal telephone utilities of the State have joined in asking the Commission for a modification of General Order No. 57 in so far as it relates to these charges, therein referred to as service connection charges and installation charges. What is desired by petitioners is an order permitting them to collect and permanently retain the following charges:

A. A charge of \$3.50 for each of the following listed units of facilities upon application for installation:

1. Individual or party line service,  
each station, \$3.50
2. Each extension station, 3.50
3. Private Branch Exchange Service:
  - (a) Each trunk line to  
the central office, 3.50
  - (b) Each station (except  
operator sets), 3.50

B. A charge of \$1.50 for the establishment of service by use of instrumentalities in place on subscriber's premises; if at subscriber's request a change is made in location or type of facilities, the charges for Moves and Changes are applicable to the change, provided the total charges shall not exceed the charges for the initial establishment of service, as specified in Paragraph A.

C. The service connection charge shall be applicable to all service except farmer line service.

D. A charge of \$1.00 for restoration of service temporarily disconnected for non-payment, subscriber's temporary absence, or for any other reason for which the subscriber is responsible except a change in class of service or location of facilities.

Realizing that such order as the Commission may issue in this proceeding should be made to apply uniformly to all of those telephone utilities now or hereafter filing rules and regulations providing for the collection of service connection charges and installation charges from applicants for service, the Commission, on June 21, 1920, addressed a letter to seventy-nine of the telephone utilities of California which had not joined in this application and which had filed rules and regulations under Decision No. 2879, calling their attention to this proceeding and giving an opportunity to appear before the Commission as interested parties at the hearings in this proceeding. Notices of the hearings were also given to the cities and to the boards of supervisors of the counties of the State. Public hearings were held in Los Angeles on July 1, 1920, and in San Francisco on July 13, 1920. Appearances of

forty-five attorneys and representatives were entered, representing thirty-six utilities and fifteen cities.

The utilities take the general view that there are certain definite expenses incurred in all telephone service installations, peculiar to the operation of telephone utilities, which are now borne by the utility as a part of operating expense; that these expenses are largely created by the more or less transient use of the service; that in the last analysis, if the utility is to be allowed rates sufficient to yield a reasonable return on investment after meeting its legitimate obligations, the permanent patron will be called upon to pay a higher rate for service than would be necessary if each patron were required to bear the expense created by his individual demands and that, as a result of rapidly increasing costs of operation, additional revenues are a vital necessity.

The issue presented here is whether rates sufficiently high to carry the expense of all service installations, including those for short term usage which are abnormal because of their frequency, shall be imposed upon all rate payers, including the more or less permanent users of the service, or whether the expense of installation, at least in part, by the imposition of uniform installation charges upon each person requiring an installation, shall be assessed against the individual incurring the expense.

During the year 1918, - this year being taken because of abnormal conditions existing during the year 1919 as a result of consolidation proceedings and because later figures are not available, - The Pacific Telephone and Telegraph Company throughout its California exchanges reported that in connecting new subscribers to its system, taking out telephones ordered disconnected from the system, disconnecting and reconnecting service for superseding subscribers and for subscribers moving to different addresses, completed in excess of 200,600 separate and distinct operations while gaining

but 9,600 stations over what it had at the close of the previous year. During the year 1919, Southern California Telephone Company, operating in the City of Los Angeles, in the same way completed 83,600 transactions while gaining 14,667 stations. In receiving and completing these various classes of orders, it is necessary to perform for each order and in each department of the company's organization required to handle them numerous operations, including the following:

In the Commercial Department:

Preparation of directory copy.  
Preparation of directory delivery routing card.  
Checking of daily printed directory addendum.

In the Plant Department:

Assignment of conductor pairs.  
Posting of Wire Chief's cable records.  
Assigning necessary equipment and posting same in equipment records and on work orders.  
Preparation of transmitter number plates and switchboard plates.  
Providing necessary connections in the central office.  
Testing the completed installation to insure proper working condition, and recording details of test.  
Posting of Plant Department records.  
Reporting essential information to Traffic Department.

In the Traffic Department:

Correcting equipment following completion of installation by Plant Department.  
Making necessary entries in records of information operators.  
Checking these records against directory records.  
Preparation and filing of line card, office record and posting of line and station records.  
Checking work order against various records and transmitting same to various departments.

The operations here enumerated are the chief but not the only operations necessary for each and every new installation of service and which, in the operation of other classes of utilities, are not performed in the acceptance and completion of orders for service connections. Practically the same or similar operations,

either in the same order or in the reverse order, are necessary in handling orders for discontinuance, supersedures and changes from one address to another. It is necessary also that other operations, such as are necessary in preparing to furnish service and in preparing and maintaining office records for billing purposes, similar to those which other utilities are required to perform, be performed by telephone utilities in handling its various classes of orders. But while it does not in the least concern a consumer of water, gas or electricity, whether his neighbor or his grocer, baker, butcher or other merchant or the banker with whom he may transact business is provided with water, gas or electric current from the same feeders which supply him with these necessities, or indeed whether they require such service at all, it is of vital concern to the user of telephone service, - if his service is of any value to him, - not only that those with whom he is required to maintain business and other intercourse also have telephone service, but it is also of concern to him what feeders provide the means of service, and the utility serving him must constantly maintain such equipment and other means, highly intricate in their operation, as will constantly make possible intercommunication with all other users of the service.

We are of the opinion that in the operation and conduct of the telephone industry there are numerous necessary transactions involved in meeting the demands of those desiring telephone service installations, each involving a greater or less expense, and which are not involved by other classes of utilities in meeting the demands of their patrons. It is, of course, obvious that if a telephone company is required, as it is at present, to carry such expenses as a part of operating expense, the result must be reflected in rates or the company must bear such loss, if any, as may result. Under the provisions of the rule governing service connection charges and installation charges now in effect, if a patron who has



paid a service connection charge fails to continue service for twelve months the charge is forfeited to the company and to a great extent, we believe, both the company and the permanent patron is protected against excessive installation expenses which may be created by short term usage of service. To the extent, however, if any, that this rule does not provide adequate protection, the company, as well as its patrons who do not create unreasonable expenses, are justly entitled to further relief.

Rule 14 of the Commission's Decision No. 2879 provides that the cost of disconnecting and reconnecting service connections may be,

- (1) Charged directly to the new or resuming consumer,
- (2) Distributed over the periodic payments over a reasonable period of time, or,
- (3) Merged in the general operating expenses.

Petitioners now ask that they be permitted to charge these expenses, to the extent set forth in the proposed rule, as provided in method (1) above.

The effect of granting this petition, in addition to permitting the utilities to retain permanently installation charges which they now are required to return to patrons after one year from date of installation, would also permit the collection of charges not now permitted, as follows:

Installation of each extension telephone,	\$3.50
Installation of each private branch exchange trunk line,	3.50
Each private branch exchange station (except operator sets),	3.50
Establishment of service by use of instrumentalities in place on subscriber's premises at time of application for service (known as supersedures),	1.50

The adoption of the proposed charges for private branch exchange installations would, on the other hand, abolish the present practice of billing subscribers who discontinue service within one year for the actual cost of installation, including all labor and

material costs, and of charging the actual cost of moving private branch exchanges to subscribers who move at any time to other locations.

According to the evidence and to numerous exhibits presented by the various petitioners, the average expense of installation, exclusive of costs which are chargeable to capital account, for all classes of installations is very considerably in excess of the amount of installation charges for which Commission approval is desired. These costs vary with the different companies from \$5.00 to \$6.50, approximately, for new installations, and from \$2.00 to \$2.65, approximately, for supersedures.

Except that, in our opinion, the charge for installation of extension telephones and for additional private branch exchange stations installed after the initial installation should not exceed \$1.50 per station, and upon condition that the charges heretofore exacted for installing and moving private branch exchange systems should be abolished, it is our opinion that this petition should be granted.

It is urged by a few of the small companies, by reason of applications filed with the Commission at or about the time of termination of Federal control, seeking authority to retain installation charges and service connection charges, that such charges collected subsequent to July 31, 1919, were not collected with the assurance of their return after one year, and that the Commission should not now require that they be returned. In other cases in which companies proceeded after the issuance of General Order No. 57 to issue receipts calling for the return of these charges, it is not urged that those collected between July 31, 1919, and August 1, 1920, be retained. Under the provisions of the rules and regulations filed with the Commission by these utilities, restoration of which is ordered under the Commission's General Order No. 57, it is clearly provided that if service is continued at the

same address for twelve months the charge is returnable to the subscriber and there is no justification for assuming that there is any question as to whether service connection charges and installation charges which have been collected since the termination of Federal control are subject to the provisions of those rules and regulations unless otherwise ordered by this Commission. In those cases, however, in which the utilities, by reason of applications at the time pending before the Commission, proceeded in good faith to issue receipts not guaranteeing return after twelve months, we are disposed to recommend that they be permitted, if they so desire, to retain the charges so collected. We are also of the opinion that the order herein should apply to all telephone utilities operating within this State and furnishing the classes of service as to which the charges herein provided for are designed to apply.

The following order is recommended.

#### O R D E R

Application, as entitled in the preceding Opinion, having been filed with the Railroad Commission asking for an order modifying General Order No. 57, heretofore issued by this Commission on August 1, 1919, in so far as said General Order relates to petitioners' rules and regulations appertaining to the return of service connection charges and installation charges to subscribers and patrons of said petitioners, and asking for authority to file and make effective a revised rule establishing the service connection charges and installation charges as set forth in the preceding Opinion, public hearings having been held, the matter having been submitted and being now ready for decision,

IT IS HEREBY ORDERED that all telephone utilities operating within the State of California and furnishing the classes of telephone service as to which the charges herein provided for are designed to become applicable, be and they are hereby authorized

to file with the Commission within thirty (30) days of the date of this Order a revised rule establishing and making effective on and after August 1, 1920, a schedule of charges as set forth and as modified in the Opinion preceding this Order.

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 24<sup>th</sup> day of September, 1920.

Edwin C. Edgerton

H. S. Loveland

L. B. Brundage

Owing Mason

Commissioners.