

Decision No. 7548

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of A. B. TOGNINI, G. GHEZZI and
F. DALIDIO, partners doing business
under the name of Tognini, Ghezzi
and Dalidio Telephone Company, for
an order authorizing the increase
of certain rates and charges for
telephone service now in effect,
and establishing a rate for the
installation of telephones.

Application No. 5830.

C. P. Kactzel for Applicants.

BY THE COMMISSION.

O P I N I O N

Applicants apply for authority to increase rates charged for telephone service in and about Cayucos, San Luis Obispo County.

A public hearing upon the application was held by Examiner Westover at San Luis Obispo, December 9, 1920.

The telephone system owned by these applicants consists of about 25 miles of line with 107 subscribers' stations. The central office is located at Cayucos and long distance service of The Pacific Telephone and Telegraph Company is connected at this point.

Applicant's present rates are \$1.00 per month where all equipment is owned and maintained by the applicants, seventy-five cents per month where instruments are owned and batteries supplied by the subscribers, and \$3.00 per year for farmer line service, - the subscriber owning and maintaining his line and telephone. There are but seven subscribers receiving the seventy-five cent rate and

and one subscriber receiving the farmer line rate.

Applicants ask that the class of service first named above be raised to \$1.50 per month and that the other classes of service be eliminated. Application is made for the establishment of a switching charge of ten cents per call for non-subscribers, each such charge to be paid by the subscriber through whose telephone such call is made.

The estimated reproduction cost new of the system as of May 10, 1917, was found by the Commission to be \$5677.66, as shown by its Decision No. 4644 of September 14, 1917. (See Opinions and Orders of the Railroad Commission, Vol. 14, p. 73). Applicants' books show additions to plant since then amounting to \$285.40, making the reproduction cost on an historical basis \$5963.00.

The net operating revenue earned during the past four years, as shown by applicants' exhibits revised and corrected by data furnished by both the company and the Commission's engineer, is as follows:

	<u>1917</u>	<u>1918</u>	<u>1919</u>	<u>1920 11 Months Only</u>
Revenue	\$1305.56	\$1376.81	\$1320.35	\$1317.17
Expense	<u>975.48</u>	<u>952.71</u>	<u>1098.07</u>	<u>1051.71</u>
Net Operating Revenue,	\$ 330.08	\$ 424.10	\$ 222.28	\$ 265.46

The Commission's engineer submitted estimates of future annual revenue and expenses as follows:

Revenue under present rates,.....	\$1354.00
Revenue under proposed rates,.....	2026.00
Expenses of maintenance and operation,.....	1222.00
Annuity for depreciation, estimated at,.....	270.00

It will be noticed that the present rates are not sufficient to provide maintenance, operation and depreciation. The proposed rates would provide a net revenue of \$534.00 if there are no further increases in operating expenses, or a return of 9% on

the investment of \$5963.00. There is no prospect at this time of any increase in revenue due to increase in number of subscribers. In fact, the number of subscribers has fallen off since 1917 from 129 to 107.

The subscribers' lines composing this system are overloaded. The testimony shows that the service is inferior on some of the lines which have from seventeen to nineteen subscribers each. Good service cannot be given on lines operated in this manner, and the applicants are not entitled to earn a fair return without giving good service.

Additional lines should be constructed in order to relieve those lines which are overloaded. This will result in an increase in capital investment. An estimate of the cost of the necessary construction has not been submitted to the Commission. If, after a trial of the rate authorized in the order herein, it is found that the net return is insufficient, considering the increase in capital, the applicants may then apply to the Commission for a further increase.

The attitude of the subscribers who attended the hearing was that there was no objection to an increase in rates provided good service was furnished, but some desire was expressed for longer hours of service. The present hours on week days are from 8:00 A.M. to 6:00 P.M. and 7:00 to 8:00 P.M., and on Sundays from 10:00 A.M. to 1:00 P.M. with service during other hours for emergency calls. It is not feasible to require longer hours on this particular system as it would necessitate a still further substantial increase in rates.

The utility did not present any evidence which would justify imposing a switching charge for non-subscribers in addition to the subscribers and toll rates. It would not be practical to require subscribers to collect and account for such charges to be

imposed upon non-subscribers as is proposed by applicant.

The rate referred to in the order is deemed sufficient to provide unlimited service over each subscriber's station. If they desire, the applicants may establish booths and pay stations for the use of the public, and collect a switching charge, provided such charge be first included in applicants' rates filed with the Commission, and the consent of the Commission obtained.

Much trouble is experienced in furnishing service to the seven subscribers who own their telephone instruments, due to the failure of some of them to renew the batteries when necessary. A uniform rate for all should be in effect and all of the facilities should be owned and maintained by the utility. This could be accomplished through purchase from subscribers who own any interest in either lines or instruments. In the event that any subscriber should refuse to sell, the utility should have the right to charge the uniform rate notwithstanding.

ORDER

A public hearing having been held upon the above entitled application, the matter being submitted and ready for decision,

The Railroad Commission hereby finds that the rates at present in effect by the above described utility are non-compensatory and inadequate, but that a rate of \$1.50 per month for first class service is just and reasonable.

Basing its decision upon the above finding of fact and upon all of the statements of facts contained in the opinion preceding this order,

IT IS HEREBY ORDERED that A. B. Tognini, G. Ghezzi and F. Dalidio, doing business under the name of Tognini, Ghezzi and Dalidio Telephone Company, be and they are hereby authorized to establish and make effective a uniform rate of \$1.50 per month to

