

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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In the Matter of the Application of
M. C. and C. W. LANGSTAFF, for per-
mission to increase the rates of
the FOREST HILL TELEPHONE EXCHANGE

)
: Application No. 5633
)

M. C. Langstaff for Applicants.

BY THE COMMISSION,

O P I N I O N

The applicants own and conduct a telephone exchange in Forest Hill, Placer County, and vicinity and furnish toll connections for its subscribers with the lines of The Pacific Telephone and Telegraph Company. There were thirty subscribers' stations on this system on August 1st, 1920. The rates in effect at present are as follows:

Party-line Service:

Wall sets,	per month	\$1.50
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Party-line Service:

Desk sets,	per month	2.00
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Farmer-line Service:

	per year	3.00
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Inside or outside
Extensions:

	per month	1.00
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Applicants requested in their application that the

following rates be established:

<u>Business:</u>	Party line,	Wall,	per month	\$2.50
	"	"	Desk	3.00
<u>Residence:</u>	Party line,	Wall	per month	\$2.00
	"	"	Desk	2.50
<u>Farmer lines:</u>			per year	\$4.00
<u>Inside or outside Extensions:</u>			per month	1.50

This increase was asked on account of the increase in labor, supplies and material, and the allegation that the present income did not provide a return on the investment.

A public hearing was held on the application by Examiner Satterwhite. At this hearing applicants stated that they desired to modify their application; they desired to leave the fixing of the increases to the judgment of the Commission, rather than to ask for any specific rates.

An engineer of the Commission made an inspection of the plant and prepared and offered, as an exhibit, an inventory and appraisal as of July 31st, 1920. This appraisal shows a reproduction cost on an historical basis of \$2,855.00. The original cost of this property is not available. An examination of the applicants' records of operating revenue and expenses was made for the period from August 1st, 1919 to July 31st, 1920. Gross revenue was found to have been \$720.94; total expenses, \$697.70, nothing being included for depreciation of plant. This resulted in a net income of \$23.24. Since this time the salary of the operator has been increased. An estimate of all expenses properly chargeable, including operator's present salary, and allowance as salary for the actual time devoted to the maintenance of the plant by the manager and an allowance for depreciation, is the sum of \$1,266.00. We estimate that the rates hereinafter authorized will not quite provide this sum, nor will any interest on investment be earned.

It is our opinion that the applicants should seek to further increase their revenue by securing additional subscribers rather than by obtaining any further increases in rates beyond those provided in the attached Order. The Commission desires, if possible, to fix rates which will provide a fair return upon the investment in addition to the cost of operation and maintenance. This utility has been steadily losing its subscribers. It had fifty-four subscribers'

stations in 1915, while on August 1st, 1920, it had thirty. Were this process to continue, the point would be reached where the remaining subscribers would have to pay exorbitant and prohibitive rates in order to provide all the cost of operation and maintenance plus a return upon the investment. It would appear, therefore, that the applicants have made an unfortunate investment, and the subscribers cannot be expected to pay undue operating costs arising from this cause.

The rates provided vary but slightly with those asked for by applicants. The scale of rates provided is a more just apportionment of the cost to the different classes of service furnished. The total revenue will be somewhat greater under these rates than under those asked by applicants.

In estimating the amount of revenue to be expected, we have taken into account the fact that a few of the subscribers take service for a part of each year only. These consist of certain mines, remote from the central office. This state of affairs means a loss of revenue to the applicants from idle equipment. Applicants are put to the further expense, in these cases, of disconnecting and reconnecting the services each year.

Applicants are entitled to make a fixed charge for installing instruments, and thereby defray the cost of such installations in the most equitable way. The Commission's Decision No. 8146 in Application No. 5767, rendered September 24, 1920, gave permission to any telephone utility to file within 30 days a rule fixing the following charges:

Installation of individual or party line service, each station,	\$3.50
Installation of each extension station,	1.50
Installation of service by use of instrumentalities already in place on subscriber's premises, each station,	1.50

These charges are not applicable to former line service. The time for filing such a rule has expired, but in view of the unusual conditions obtaining herein, it is our opinion that this rule should be put into effect on the applicants' system.

The rates contained in the Order contemplate the maintenance, as at present, by the applicants, of all lines in which ownership is claimed and which, in general, and according to the testimony, extend from three to five miles from the central office. There are certain lines extending further into the mountains as continuations of the applicants' lines, principally those serving the mines, above referred to. To maintain these lines would place an abnormal and unreasonable burden upon the applicants. These extensions were built by former subscribers, some of whom have now departed and apparently relinquished their title to the lines. Applicants do not claim the title to these extensions.

O R D E R

M. E. and C. W. Langstaff, having filed an application with the Railroad Commission for authority to increase rates for service rendered in the applicants' exchange known as the Forest Hill Telephone Exchange, Forest Hill, Placer County, California, and a public hearing on the said application having been held, it is hereby found that the rates heretofore charged for telephone service by said applicants are unjust and inadequate. The rates hereinafter provided are found to be just and reasonable.

Basing its conclusion herein upon said finding and upon the facts set forth in the Opinion preceding this Order,

IT IS HEREBY ORDERED, by the Railroad Commission that said M. E. and C. W. Langstaff be, and they are, hereby authorized to file with the Railroad Commission, within thirty days from the date of this Order, and thereafter to charge and collect rates in accordance with the following schedule:

<u>Class of Service:</u>	<u>Rate per month:</u>
Business service, 4-party, wall	\$2.25
Business service, suburban, wall	2.50
Residence service, 4-party, wall	2.00
Residence service, suburban, wall	2.25
Farmer line service, Residence (Per Yr)	3.00
Farmer line service, Business (Per Yr)	6.00
Extension, wall or desk, inside,	1.00
Extension, wall or desk, outside,	1.50

Desk telephones per month 25¢ extra except for extensions and farmer line service.

IT IS HEREBY FURTHER ORDERED by the Railroad Commission that M. C. and C. W. Langstaff be, and they are, hereby authorized to file with the Railroad Commission within 30 days and put into effect the rule fixing charges for installation of service as set forth in the preceding opinion.

The authority herein is granted, subject to the condition that adequate and efficient telephone service shall be provided.

Dated at San Francisco, California, this 24th day of June, 1921.

H. B. Brundage
H. W. Langstaff

H. B. Brundage

 Commissioners