

ORIGINAL

Decision No. 939

In the matter of the application of :
E. Powers to increase telephone :
charges of Manteca Telephone and :
Telegraph Company. :

Application No. 667.

Appearance.

E. Powers for Manteca Telephone and Telegraph Company,

GORDON, Commissioner.

O P I N I O N.

The application herein is for permission to increase the rate for so-called "Farmer Line" service from 75¢ per month to \$1.00 per month in consideration of establishing continuous twenty-four hour service instead of thirteen hour service which is at present maintained.

The applicant holds that to increase the hours of service to meet the demands of his patrons will necessitate the employment of an additional operator at a cost of \$25.00 per month, and that the present returns from the business do not justify this increased operating expense. The demand for longer hours of service was presented in a petition circulated by the applicant among his subscribers and signed by them in which they agree to pay the increased rate prayed for in the application.

A statement of operating expenses and revenues was submitted indicating that the telephone system was being operated at a considerable loss, but an examination of this statement shows that even accepting the various items of operating costs which have been charged against the exchange the present rates are yielding a profit on the investment. It is also to be observed that, while the statement of operating expense does not include a sum paid out for taxes, under legitimate charges to expenses of operation, the net revenue would show a still greater return on the investment.

The telephone exchange is located in the same office and the telephone business is conducted in conjunction with and by employees devoting a portion of their time to other business interests

of the applicant. It does not appear that sufficient allowance for this association of these various business interests of the applicant has been made in the charges against the expenses of operating the telephone business.

Farmer line service, in the sense that this term applies generally in the telephone business, involves a service in which the subscriber is required to provide and maintain at his expense a portion of the equipment placed in service. It also contemplates a rate which is considerably lower than the rates charged those other classes of service which do not require the subscriber to provide such equipment. While in the present instance, these conditions are imposed with reference to equipment the rate charged for the service is already very considerably higher than is generally charged for like service at other points throughout the state.

The chief difficulty in this case appears to be due to a lack of consideration due those general, distinguishing principles of exchange and rural service which, in this instance, seem to demand a complete revision and reorganization. X

It may appear that if the rate payers voluntarily agree to pay an increased rate for an added service which they seek to obtain, to deny the rate would be to deprive them of a necessary service. It is not apparent, however, that the remedy sought is the only relief possible nor is it clear that a rate which appears to be already higher than it should be, should be still further burdened when the relief prayed for may be obtained by other means. I am accordingly of the opinion that the application should be denied and would suggest that the business be so reorganized with reference to exchange and rural service as to enable the owners of the system to meet such reasonable requirements for an efficient service as can be normally supported by the business.

The hearing developed the further fact that the appli-

cant company is operating its exchange under a contract with The Pacific Telephone and Telegraph Company for the interchange of long distance telephone toll service, under the terms of which The Pacific Company allows the local company a commission of 15% of The Pacific Company's tolls collected by the local company. Under similar circumstances in other cases, The Pacific Company has conceded a commission of not less than 30% on originating paid toll business or the equivalent thereof divided between originating and incoming business. There appears to be no reason why the applicant company should not benefit to the extent of this increase in compensation for interchange of business with The Pacific Company, and the opinion herein contemplates the opening of informal negotiations with The Pacific Company looking to a revision of its contract with this local company to provide for this increase in compensation for the interchange of traffic. The following order is, therefore, recommended.

O R D E R.

Application having been made by E. Powers to increase telephone charges of Manteca Telephone and Telegraph Company for farmer line service from 75¢ per month to \$1.00 per month, and a hearing having been held thereon and it appearing that the present rate of 75¢ per month charged for farmer line service is greater than the rate charged at other points in this state for similar service, and no adequate reason appearing in justification of the increased rate prayed for.

IT IS HEREBY ORDERED that the application of E. Powers, operating a telephone system as a public utility in the town of Manteca, San Joaquin County, California, to increase telephone charges of Manteca Telephone and Telegraph Company be and the same is hereby denied.

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 11th
day of September, 1913.

John W. Eschleman

Max Theiler

Edwin J. Edgerton

Commissioners.