

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
the Willits Telephone and Telegraph
Company for Authority to Increase
Rates for Telephone Service.

Application No. 5641.

and

In the Matter of the Application of
the Willits Telephone & Telegraph
Company for Authority to Abandon
Service on a Portion of its Lines.

Application No. 7273.

ORIGINAL

George E. Ellis, E. B. Mair and Merrill Williams for
Applicant.

By the Commission.

O P I N I O N

The Willits Telephone and Telegraph Company, hereinafter referred to as the company, in Application No. 5641, requested authority from the Commission to increase its telephone rates for exchange service, alleging that this increase is necessary on account of the increased cost of labor. A subsequent application was filed by the company, and assigned Application No. 7273, in which it asked authority to abandon service over its line running from the junction of the Westport Road and the Wilderness Lodge Road to the town of Westport. The company

states that there is only one telephone on this line and it is near Westport. These two proceedings were consolidated for hearing and decision.

A hearing was held in Laytonville by Examiner Sattorwhite on December 28, 1921.

The company furnishes telephone service in the towns of Laytonville, Longvale, Branscomb, Dos Rios and Covelo and in the surrounding territories. It has lines between these towns, a line to Willits and one to Westport. One central office is located in Laytonville and one in Covelo. The so-called local service is furnished from these two exchanges. Long Distance connections with the system of The Pacific Telephone and Telegraph Company are made at Willits and at Westport.

The present rates have been in effect for many years and are as follows:

Exchange Service.

Business, wall or desk telephone, per month	-	\$2.00
Residence, " " " " " "	-	1.50

These rates entitle subscribers to free connections with all points on the Company's system. The company furnishes only one classification of service. This would correspond to 10-party suburban service.

Toll service to non-subscribers.

From Willits to Laytonville	- 3 minutes	-	25¢
From Willits to Longvale, Branscomb, Westport, Dos Rios and Covelo	- 3 minutes	-	35¢

Overtime is paid for at the rate of 10¢ for each additional minute or fraction thereof over the initial 3 minute period.

The company requests permission to increase its exchange service rate 50 cents per month for both business and residence telephones, the toll rates to remain as at present. It

did not submit an inventory and appraisal of its property and a trial balance was the only statement presented concerning its revenue and expenses.

An inventory and appraisal of the company's property was made by the Commission's engineers. These were submitted at the hearing. The company states that the net additions to plant since August 1, 1920, the date of the appraisal, were negligible. After a careful analysis of this valuation and making allowance for the line which will be abandoned, we find the fair valuation of this property amounts to \$15,600 and we use this as a proper rate base.

The revenue and expenses of the company were analyzed by our engineers. This analysis indicated that for the year ending June 30, 1921 the net income, exclusive of interest deductions, amounted to \$415.96. The revenue amounted to \$3,767.19 and the expenses, including taxes and rent deductions (but making no allowance for depreciation reserves) amounted to \$3,351.23. The company, therefore, received a return of approximately 2.7% upon the above rate base during this period. A careful estimate of the revenue and expenses for the coming year, with the present rates in effect, has been made. We do not anticipate an appreciable increase in the volume of business in this territory during this period. The company may reasonably expect revenue amounting to \$3,800 and the expenses, including \$600 for depreciation, will amount to approximately the same figure. It is apparent, therefore, that an increase in rates is justified.

The rate structure requested by the company and authorized in the Order should yield a gross revenue of approximately \$4,550 during the coming year while the expenses will

be about \$3,800, leaving a net income of \$750. While this yields only 4.8 per cent upon the rate base, we feel that a further raise in rates would result in a loss of business, thereby defeating the purpose of the increase.

Depreciation.

The company has been making no provision for the replacement of property made necessary by depreciation. The Commission, in many decisions, has expressed the opinion that this is an unsound policy and we will require the company to set by a sum in a fund for this purpose.

Abandonment of Service.

The line over which the company desires to abandon service extends westward for a distance of about twelve miles from the junction of the Wilderness Lodge Road and the Westport Road to the town of Westport. The country traversed by it is mountainous and heavily wooded and the only subscriber on it is located within a few miles of Westport.

Obviously, the greater part of the expense of maintaining service on this line must be borne by the other subscribers on the system. Since connections with Westport can be made via Willits, abandonment of the line would not prevent communication with the former town, but the subscribers desiring this service would have to pay a toll charge for it. The company testified that the total toll revenue derived from this line during the past year amounted to \$6.65 and that the number of calls made over it by subscribers of the system did not average more than two or three calls per month. It stated further that the one subscriber on this line could receive former line service from Westport.

After weighing the evidence in this matter, we are of the opinion that it is more just and equitable to all the subscribers on the system to abandon this portion of the line than to continue the service and authorize the company to discontinue it in the following Order.

Accounting Methods.

The accounting methods used by the company do not conform to the Commission's Classification of Accounts for Telephone Companies. The present system does not show the true condition of affairs of the company without a thorough analysis of the revenue and expenses. We will require the accounts to be kept as prescribed by the Commission for companies of this size.

O R D E R

Willits Telephone and Telegraph Company, having filed with this Commission its application for an increase in exchange rates for telephone service and for authority to abandon service over its line from the junction of the Westport Road and the Wilderness Lodge Road to the town of Westport, a public hearing having been held, the matters having been submitted and the Commission basing its conclusions on the foregoing Opinion, finding as a fact that the rates authorized are just and reasonable and that the interests of the communities involved are best served by the abandonment of service over the above described line,

IT IS HEREBY ORDERED that the company is hereby authorized to file with the Commission within thirty (30) days from the date of this Order the following schedule of rates

which, upon approval, may be made effective:

Exchange Service, 10-Party Suburban.

Business, wall, per month	-	\$ 2.50
Residence, wall, " "		2.00

Desk telephones are 25 cents additional per month.

The above rates entitle subscribers to free connections with all points on applicant's system.

Toll Service to Non-Subscribers.

The present rates for toll service, as set forth in the Opinion, shall remain in effect.

These rates may be made effective subject to the following conditions:

1. Adequate and efficient telephone service shall be furnished at all times.
2. The company shall set aside into a depreciation fund the sum of \$600 per annum in monthly installments of \$50 for the purpose of taking care of such renewals and replacements as shall be covered by the fund. Suggestions for rules governing the functions and use of the depreciation fund shall be filed with the Commission by the company within thirty (30) days from the date of this Order and these rules shall thereafter go into effect as approved or modified by the Commission.

IT IS HEREBY FURTHER ORDERED that the company is hereby authorized to abandon service on that portion of its line for which application for abandonment was made and as set forth in the preceding Opinion.

Dated at San Francisco, California, this 31st
day of December, 1921.

H. B. Prudig

H. J. Lovland

David H. Lawrence

J. F. Pennington

Commissioners.