

Decision No. 26783

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
WILLOW CREEK TELEPHONE COMPANY for  
Authority to Increase Rates, and to  
Amend Schedule of Rates.

Application No. 24359

John J. Hutchins, for Applicant

BY THE COMMISSION:

O P I N I O N

LaRue Smith, operating a small telephone utility under the fictitious name of Willow Creek Telephone Company in the vicinity of Paso Robles, San Luis Obispo County, California, herein requests authority to increase present rates and to file additional rate schedules.

Railroad Commission records show that this utility was operated for a number of years by Charles L. Cruwell who, on February 6, 1929, applied to the Commission for authority to increase his rate for telephone service from \$1.50 to \$2.00 per month. In Decision No. 21114, dated May 16, 1929, the Commission "ORDERED, that Willow Creek Telephone Company, after a showing to the Railroad Commission that it has completed construction work necessary to reduce the number of primary stations connected to each of its telephone circuits to a maximum of ten, and upon supplemental order from the Railroad Commission, may file and make effective: (1) Rates for service as shown in Exhibit 'A', attached hereto." Exhibit "A" in that proceeding set forth a monthly rate of \$2.00 per month for each suburban party-line wall set station. No showing was made, no supplemental order was issued by the Commission, and the rate of \$1.50 per month has been and is now on file with the Railroad Commission for the service referred to.

In Application No. 20784, dated September 16, 1936, LaRue Smith asked the Commission for an order authorizing the transfer of the Willow Creek Telephone Company to him. It was stated in the application that the Willow Creek Telephone Company property had been transferred by Charles L. Cruwell to Ernest M. Fox who sold the property to LaRue Smith on the 11th day of July, 1935. In Decision No. 29192, in Application No. 20784, the Railroad Commission on October 13, 1936 authorized LaRue Smith to adopt and render service under the rates, rules and regulations pertaining to the service then on file with the Commission, provided he file with the Commission his written acceptance of the authorization granted. Such acceptance was duly filed with the Commission.

At a hearing in Application No. 24359, held before Examiner Fry in Paso Robles on October 9, 1941, Mr. Smith testified that records in his possession showed that Mr. Cruwell had increased his rate to \$2.00 per month and that at all times thereafter the charges had been made at that rate. The testimony shows that, at the present time, the system consists of two circuits each with ten telephones, one circuit with six telephones, and one circuit with eight telephones.

In Exhibit "A" attached to the present application the gross receipts for the first six months of 1941 are shown as \$420. The total expenses for the same period are shown as \$241.21 made up of taxes, \$11.21; The Pacific Telephone and Telegraph Company's service charges \$95; wages and car mileage, \$75; repairs, \$20; and depreciation, \$40. The net income shown for the six months is \$178.79. Mr. Smith testified that a fair estimate of the results of operations for the calendar year 1941 would be double the amounts quoted above. The revenues are based upon charges for service at \$2.00 per month. The witness stated that the amount shown for total expenses included all expenses and that the amount which the revenues quoted exceeded the total expenses quoted was properly the return on the investment.

In Exhibit "A" attached to the application the cost of plant and equipment is shown as \$3,000. In Exhibits Nos. 1 and 2 filed at the hearing

the cost of plant and equipment is shown as \$3,210. The cost of plant and equipment is shown as \$3,360 in Exhibit No. 3 which purports to be the 1933 annual report of Willow Creek Telephone Company. These figures are for different dates and are not expected to be the same. Exhibit No. 4 filed at the hearing shows a valuation of the properties of the utility of \$2,816, dated September 1, 1941. The witness stated that this last amount is close to reproduction cost now at present day prices less a "little bit of depreciation."

The rate of return from the net revenues amounting to \$357.58 for service at \$2.00 per month on a \$2,816 investment (the smallest of the valuation or cost figures submitted) is 12.7 per cent per year. If the filed rate of \$1.50 per month is used for the estimate for 1941, the gross revenues would have been reduced to \$630 and the net revenue to \$147.58. Using the same expense figures the return on the investment estimated at \$2,816 would be 5.2 per cent for 1941. Based upon the record, a rate base would be expected to be something less than \$2,816 and the ratio of the net revenue to the rate base would be greater than 5.2 per cent with the \$1.50 per month rate.

Later in his testimony, Mr. Smith answered questions about expenses not itemized in Exhibit "A" of the application, which were very substantial and which if actual would amount to more than the net revenue under either the \$1.50 per month or the \$2.00 per month schedules. As there were no records to support such expenses, they may not be used in this proceeding.

Applicant desires to file a rate of seventy-five cents per month for a wall set extension station and a rate of \$1.00 per month for a desk set extension station. We believe that this request is reasonable and should be granted with modifications as set forth in Exhibit "A" attached hereto. The authority herein granted for a monthly rate for extensions on ten-party suburban lines will be for extensions without bells. The \$1.00 per month rate for extension stations should apply to both desk set and hand set telephones.

Request is made for a rate for individual line service. It appears that such service should be offered in accordance with the schedule set forth in Exhibit "A" attached hereto.

Application is made for authority to increase the rates twenty-five cents per month for service when desk set or hand set telephones are used. The present schedule of rates is for service with wall telephones only. As this twenty-five cents per month increase is the differential generally in effect in California, and no service with this equipment is now furnished, we believe the schedule should be filed as modified and shown in Exhibit "A" attached hereto.

Applicant desires to file a line extension charge schedule. Such a schedule of rates is generally in effect for such service. Applicant will be authorized to file the Line Extension Service Schedule set forth in Exhibit "A" attached hereto.

The record in this proceeding indicates that LaRue Smith has very few records of the operations of this utility property. The showing made does not justify increasing the present rate of \$1.50 per month to \$2.00 per month. The new services herein authorized should bring in some revenue which, added to the revenues from the present party-line service at \$1.50 per month, would allow a reasonable return on the plant and equipment valuation presented by LaRue Smith using his expense figures as set forth in the application.

#### O R D E R

LaRue Smith operating a public utility under the fictitious name and title of Willow Creek Telephone Company, having made application to the Railroad Commission for authority to increase rates, a hearing having been held, the matter having been taken under submission, and careful consideration having been given to the matters at issue,

THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA hereby finds as a fact that the filing of the rate schedules shown on Exhibit "A" attached hereto are justified.

Basing its decision upon the foregoing finding of fact, and such other findings or conclusions which appear in the Opinion which precedes this Order,

IT IS HEREBY ORDERED that LaRue Smith may make effective in his Willow Creek Telephone Company service territory on or before February 1, 1942 the schedules of telephone rates and charges set forth in Exhibit "A" attached hereto and hereby made a part of this Order, provided said schedules are submitted to the Railroad Commission for filing on or before the tenth day immediately preceding their effective date.

IT IS HEREBY FURTHER ORDERED that the request of LaRue Smith for authority to increase his rate for party-line service from one dollar and fifty cents (\$1.50) to two dollars (\$2.00) per month is denied.

For all other purposes the effective date of this Order shall be twenty (20) days from and after the date hereof.

Dated at San Francisco, California, this 25<sup>th</sup> day of November, 1941.

W. B. Park  
Ray R. Rice  
Justice D. Cassin  
Francis R. Havenner  
Edward H. Harker  
Commissioners.

A.24359

Exhibit "A"

Telephone Rate Schedules

## EXCHANGE SERVICE - SCHEDULE NO. A-1

## INDIVIDUAL LINE SERVICE

## SERVICE:

Applicable to individual line flat rate service furnished within the territory served.

## RATE:

Rate per Month

## (1) Station Rate

Each individual line desk set or hand set primary station	\$ 4.50
Each extension desk set or hand set station	1.00
Each wall set station - desk set or hand set station rate less \$.25 per month	

Rate per Each One-Quarter  
Mile or Fraction Thereof  
per Month

## (2) Mileage Rate

Each individual line primary station	\$ .50
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## CONDITIONS:

1. The total charge will be the sum of the charges determined under Rates (1) and (2) above.
2. The mileage charge in Rate (2) above is based on the air-line distance from the subscriber's primary station to the nearest point on the base rate area boundary of the Paso Robles exchange.
3. Under this schedule, the Company owns and maintains all telephone lines and equipment, including telephone instruments.
4. Extension stations at the above rates are installed only on the premises on which the primary station is located.

EXCHANGE SERVICE - SCHEDULE NO. A-5

SUBURBAN SERVICE

SERVICE:

Applicable to suburban ten-party line flat rate service furnished within the territory served.

RATE:

Rate per Month

Each ten-party line desk set or hand set primary station	\$1.75
Each extension desk set or hand set station without bell	1.00
Each wall set station - desk set or hand set station rate less \$.25 per month	

CONDITIONS:

1. Under this schedule, the Company owns and maintains all telephone lines and equipment including telephone instruments.

2. In no case will the total number of primary stations connected to one circuit exceed ten (10) stations.

3. Extension stations without bells at the above rates are installed only on the premises on which the primary station is located.



## EXCHANGE SERVICE - SCHEDULE NO. A-4

## LINE EXTENSION CHARGES

## SERVICE:

Applicable to charges for line extensions within the territory served.

## RATE:

Charge

## Line Extension in Suburban Area:

- |   |           |
|---|-----------|
| (1) Extensions to pole line plant for distances of 750 feet or less per primary station   | No charge |
| (2) Extensions to pole line plant for distances of more than 750 feet per primary station - Each 100 feet or fraction thereof beyond 750 feet | \$2.00    |

## CONDITIONS:

1. The routing of line extensions will be determined by the Company.
2. Payments for line extensions are not refundable.
3. All line extensions will be owned and maintained by the Company. The applicant if he so elects, may furnish and set the required poles in accordance with the construction standards of the Company, in lieu of the charges applicable, but in all instances the ownership of facilities shall be entirely vested in the Company.
4. Line extension charges do not apply when Company pole line facilities are in place within 750 feet of the applicant's premises and do not apply for wire extensions only.