

Decision No. 30272

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of  
WILLARD F. SMITH, of the Capay Valley  
Telephone System, for an order  
authorizing an increase in rates.

Application No. 27329

WILLARD F. SMITH, in propria persona  
LESLIE BUTTON, interested party

O P I N I O N

Willard F. Smith, applicant in this proceeding, requests authority to increase rates for telephone service in Brooke exchange, Yolo County. Appropriate notification was given the Office of Price Administration. A hearing was held at Guinda on May 22, 1946 before Examiner Wessells.

The telephone system owned by applicant serves the communities of Capay, Cadanassa, Brooks, Guinda and Rumsey and surrounding rural territory, all in Capay Valley, situated in the western portion of Yolo County. A central office with magneto switchboard is operated at Brooks where switching service is furnished to 64 subscribers connected to four local lines from 7 a.m. to 9 p.m. on weekdays and from 7 a.m. to 12 noon on Sundays and holidays, with emergency service furnished after the 9 p.m. closing hour. Toll telephone and telegraph services are furnished by means of a toll line between Brooks central office and Capay toll station, at which point connection is made with the toll lines of The Pacific Telephone and Telegraph Company.

Willard F. Smith, as a witness testified that the present rates do not provide sufficient revenues to pay adequate wages to the operators and to make a return on the investment. Applicant's present rates for exchange telephone service and the rates for such service requested by him at the hearing in this proceeding are as shown in the tabulation on the following page.

<u>Service</u>	<u>Present Rates</u>	<u>Requested Rates</u>	<u>Increase</u>
(1) Business: Rate per month			
Each party line station:			
Wall set	\$ 1.75	\$ 2.50*	\$ .75
Desk set	2.00	2.60*	.60
Hand set	2.25	2.50*	.25
(2) Residence: Rate per month			
Each party line station:			
Wall set	1.50	2.25*	.75
Desk set	1.75	2.35*	.60
Hand set	2.00	2.25*	.25
(3) Service to other than subscribers:			
Each exchange message	.05	.05	-
(4) Ringing charge for emergency service after 9 p.m.	-	1.00#	1.00
(5) Service connection charges:			
New service, each station	3.50	5.00	1.50
Additional service, each station	3.50	5.00	1.50
Where instrumentalities are in place and no change in type or location of facilities is involved, one or more units	1.50	5.00	3.50

No changes are requested in applicant's toll telephone and telegraph rates. Likewise, no improvements in service are contemplated by applicant under the increased rates requested.

Applicant presented no valuation of his telephone property, but estimated his investment at \$4,132.57 for the year 1945. That amount is reported as total telephone plant in applicant's 1945 annual report to the Commission. He testified the net revenues for return on the investment for the year 1945 amounted to a loss of \$181.85. However, the evidence shows that had the filed rates been applied in all instances, applicant's gross revenues in 1945 would have been increased by \$193.04.

Engineers of the Commission's Telephone and Telegraph Division presented a report on the results of operation of the Capay Valley Telephone System for the year 1945 and the estimated year 1946 (Exhibit No. 1) and an estimated historical reproduction cost appraisal of the properties as of April 26, 1946, in the amount

\* A discount of 25 cents applies on quarterly bills if payment is made within ten days after presentation.

# The charge is for 15 minutes' service and does not apply on outgoing doctor or death calls.

of \$8,405.65 (Exhibit No. 2). From that appraisal Commission engineers estimated the average total telephone plant of the system for the year 1946 to be \$7,688 after adjustments. To that amount \$350 materials and supplies and \$160 working cash were added and \$3,900 average depreciation reserve requirement was deducted in developing an average depreciated rate base of \$4,300.

Revenues, expenses and net revenues for the year 1945 and estimated year 1946 under present rates are shown by Commission engineers in Table No. II of Exhibit No. 1 to be as follows:

	<u>Year 1945</u>	<u>Estimated Year 1946</u>
Revenues	\$2,162.18	\$2,409
Expenses, including taxes and depreciation	<u>2,103.10</u>	<u>2,255</u>
Net revenues	\$ 59.08	\$ 154

The above figures for 1945 are as reported by applicant except that revenues have been increased by \$193.04 to reflect the additional amounts which would have been obtained had the filed rates been applied in all instances; maintenance expenses have been reduced \$242.22 to exclude capital expenditures reported as maintenance, and taxes on income of \$14.77 and depreciation expense of \$250 have been included.

The above estimates for the year 1946 include \$85 a month for operators' wages; an increase of \$5 a month above the amount paid in 1945; \$12.50 a month for general office salaries; an increase of \$2.50 a month above the amount paid in 1945; and \$2 a month for office rent, the same amount as paid in 1945. While applicant did not present a complete estimate of revenues and expenses for a normal year's operations, he testified that to maintain the service it would be necessary to pay \$125 a month for operators' wages, \$20 a month for general office salaries, and \$5 a month for office rent.

Under present conditions of operation with expenses allowed which, in our opinion should provide for reasonable maintenance, operating costs, taxes, and a fair allowance to provide for depreciation, it is indicated by the following tabulation that applicant would experience a loss of \$73 under present rates, a profit of \$296 under rates requested by him, and a profit of \$165 under rates set forth in Appendix A hereto.

	<u>Present Rates</u>	<u>Rates Requested by Applicant</u>	<u>Rates Set Forth in Appendix A hereto</u>
Revenues	\$ 2,409	\$ 2,852	\$ 2,688
Expenses, including taxes and depreciation	2,482	2,556*	2,523#
Net Revenues	(73)	296	165
Rate Base (Depreciated)	4,300	4,300	4,300
Rate of Return	(1.7)%	6.9%	3.8%

(Red Figure)

\* Includes \$74 taxes on income which is not applicable under present rates.

# Includes \$41 taxes on income which is not applicable under present rates.

Four subscribers to applicant's service and one non-subscriber testified they were opposed to any increase in rates unless service improvements were made.

Their complaints against the present service were principally the following:

1. Overload condition of the local lines.
2. Limited hours of service and no service on Sunday and holiday afternoons.
3. Poor transmission on toll calls.
4. Delays in completing toll calls.

Leslie Button, a non-subscriber who appeared at the hearing, testified he had a requirement for Esparto exchange farmer line service to be furnished at his premises located within the Brooks exchange but that applicant had refused to offer such foreign exchange service. While the offering of that service does not fall within the scope of this application, applicant should give consideration to the possible establishment of that type of service.

The evidence shows applicant has 18 orders for service which are being held because of insufficient facilities. The local exchange lines are at present overloaded, there being from 14 to 18 subscribers on a line. Applicant estimated that to reduce the number of present subscribers on a line to 10 or 12 would require the stringing of 30 miles of wire at a total cost of \$1,000 and that it would take a year to complete such a project. Commission engineers estimated that it would cost \$2,300 and require 69 miles of wire to reduce the number of subscribers on a line to not more than 10 and to provide for growth of 10 subscribers. These lines should be divided so that no more than 10 stations are connected to any one local line. When applicant follows out this recommendation, he will be entitled to proper compensation for the increased investment and expenses and, upon completion of these improvements, he may file an appropriate supplemental application requesting the necessary changes in rates.

The evidence in this proceeding shows that applicant is entitled to an increase in rates for telephone service. We do not believe, however, that a full return upon the investment should be allowed him until needed improvements in the service have been completed. The Order following will provide some increase in revenue necessary at this time.

In recent years a number of utilities have eliminated discounts for prompt payment of bills. As the requested prompt-payment discount does not appear necessary, it will not be authorized. The increased rates herein authorized, together with those present rates which will be unchanged, should, in our opinion, be adequate to cover emergency service after filed hours and service connection charges. Therefore, the requested ringing charge of \$1 and the increase of \$1.50 in the service connection charge will not be authorized.

Full consideration should be given to compliance with the recommendation, as set forth on Page 19 of Exhibit No. 1, relative to applying the filed rates in all instances, maintaining records in accordance with the System of Accounts prescribed by the Commission, and providing continuous service at a public toll station at Brooks.

Upon consideration of all the facts of record, we are of the opinion and find that the increased rates and charges provided for in this Order for the conditions of operation of this utility are just and reasonable.

O R D E R

Based upon the evidence of record, and on the conclusions and findings set forth in the preceding Opinion,

IT IS HEREBY ORDERED that Willard F. Smith may file with the Railroad Commission to become effective on and after September 1, 1946, the schedule of rates set forth in Appendix A hereto. Necessary tariff filings, in accordance with General Order No. 96, shall be made not later than five days immediately preceding their effective date.

This Order shall become effective on the twentieth day after the date hereof.

Dated at San Francisco, California, this 30 day of July, 1946.

Harold Rudman  
Justus F. Cassels  
Stewart  
Leah Powell  
Harold P. Hull  
Commissioners

## APPENDIX A

Exchange Service Schedule No. A-1Business and Residence Party Line ServiceAPPLICABILITY

Applicable to business and residence party line flat rate service.

TERRITORY

Within the exchange area of the Brooks exchange as said area is defined on a map filed as part of the tariff schedules.

RATES

	<u>Rate Per Month</u>
(1) Business Service: Each party line station	\$2.50
(2) Residence Service: Each party line station	2.00

CONDITIONS

1. All facilities in connection with the above service are maintained by Capay Valley Telephone System including one replacement of subscribers' station battery per year.

2. The above rates apply to service furnished with a wall, desk, or handset instrument.