

Decision No. 28894

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of
PUBLIC UTILITIES CALIFORNIA CORPORATION
for an order authorizing changes in
inter-exchange telephone and telegraph
rates and report charges to be specified
and authorizing changes in toll practices,
rules and regulations governing inter-
exchange service to be specified.

Application No. 20521

A. J. Mathews and John Purdum, for
Public Utilities California Corporation.
J. C. Jarman, President, for Alturas Chamber
of Commerce, Interested Party.
Mrs. Oscar Gustavson, Interested Party.
Mrs. Mabel Johnson, Interested Party.

BY THE COMMISSION:

O P I N I O N

Public Utilities California Corporation, in this proceeding, requests the Railroad Commission to enter its order authorizing changes involving both increases and decreases in its telephone toll rates and changes involving decreases only in its telegraph rates.

Public hearings were held before Examiner Fry in Susanville on Tuesday May 12, 1936, and in Alturas on Thursday May 14, 1936. On this latter date the matter was submitted for decision.

Public Utilities California Corporation, sometimes hereinafter referred to as the Corporation, operates water, electric and telephone properties in the State of California under the general management of Mr. F. J. Keys, Vice President, with general offices located in San Francisco. The five telephone properties

operated by the Corporation include exchange operations at Elk Grove, Ferndale and Rio Vista, a toll line from Needles to the California State line and exchange, toll telephone and telegraph operations in the area involved in this proceeding designated as the Nevada, California, Oregon, and Bass Operation, which includes portions of Tehama, Shasta, Modoc, Lassen and Plumas Counties, California, with operating headquarters located at Susanville, Lassen County. These operations extend into Nevada and Oregon. In this area the Corporation operates over 600 miles of pole line through sparsely settled territory with the centers of population widely separated. A large portion of the area is semi-arid; the remainder, which includes much mountainous territory, is devoted primarily to grazing and lumbering, with scattered agricultural development.

The Corporation operates 18 exchanges in this area, the two principal exchanges being Alturas with 375 company stations and Susanville with 717 stations in December, 1935. The remaining 16 exchanges all have less than 100 stations and several of them have only subscriber-owned farmer line stations connected to the central office.

The Corporation's statements for the year 1935 show that telephone operations produced 31.6 per cent of the net revenue of the entire Corporation and represented 24.6 per cent of the total investment. The Nevada, California, Oregon, and Bass Operation in the year 1935 accounted for 84.2 per cent of the net operating income from all of the telephone operations, and 67.2 per cent of the total investment in telephone fixed capital.

A condensed balance sheet for the Corporation as of December 31, 1935, and an income statement for the twelve months'

period ending December 31, 1935, were introduced in evidence by Mr. John Purdum, Assistant Secretary of the Utility. He also presented an income statement for the Nevada, California, Oregon, and Bass Operation for the twelve months ending December 31, 1935, and by months for the first quarter of 1936.

Mr. A. J. Mathews, Manager located at Susanville, as a witness for the applicant introduced exhibits setting forth the present and proposed telephone toll rates and the basis of the proposed telegraph rates for service of the Nevada, California, Oregon, and Bass Operation. The witness also made comparisons of the present and proposed rates over selected routes.

Most of the present toll telephone rates are on a one-minute initial conversation period basis with a charge for each additional minute or fraction thereof. The proposed rates are on the basis of a three-minute initial period with a charge for each additional minute or fraction thereof and conform with the general practice in California in timing and rating toll calls. The proposal also extends the application of report charges uniformly throughout the Operation.

The proposed three-minute initial period rate is in many cases approximately the same as the present charge for a two-minute conversation but higher than the rate for the present one-minute initial period. In some cases, where the present rate is for an initial period of three minutes, the proposed rate is higher as a result of applying a uniform system of toll rates throughout the area. The proposed rates are for "person-to-person" service and apply to all classes of toll telephone messages transmitted, without reference to the time of

day or class of toll service which may be furnished by connecting companies.

The present toll rates of the Corporation are on an "other-line" basis; that is, the rates of this utility apply in addition to the rates and charges of connecting companies when service is rendered between a point on the lines of this utility and a point reached from the lines of connecting companies. There are also "other-line" rates in effect within the Operation between points located from Fall River Mills to Redding and the remaining points located in that portion of the Operation between Fall River Mills; Lakeview, Oregon; Reno, Nevada; Susanville, and Red Bluff. This condition resulted from the consolidation of two systems, each of which had different "other-line" toll rates. A similar condition exists in connection with the present telegraph rates. Both toll and telegraph rates are based upon a combination of route and air-line mileage, resulting in considerable irregularity in rates for service over similar distances.

The proposed toll rates will eliminate certain discriminatory rates which have resulted from using route mileage under the present basis and will also eliminate "other-line" rates within the Operation. The Corporation proposes to supersede the present telegraph rates with a schedule constructed on the "square" basis, which is generally used by The Western Union Telegraph Company to determine its rates. Under the proposal, the present routing in connection with both toll and telegraph traffic will be continued. No change is proposed in present practices in connection with the application of the toll and telegraph rates on an "other-line" basis where the lines of connecting companies are involved.

Mr. Mathews testified that the Corporation's proposal based on May, 1935, traffic would result in increases of \$3,000, decreases of \$8,400, or a net decrease of \$5,400 on an annual basis. The increase of \$3,000 is due, in part, to increased charges for one-minute conversations, and the decrease of \$8,400 applies generally to conversations of two minutes or longer and includes a \$700 reduction in telegraph revenue. Net revenue will be further reduced by an increase in expenses of \$2,000 per annum by the restoration, effective May 1, 1936, of certain past salary reductions. The effect of the total reduction on the earnings of the Nevada, California, Oregon, and Bass Operation may be determined from the information placed in evidence by the Commission's engineers in Exhibits 6 and 7.

Exhibit No. 6, introduced in evidence by Mr. Joseph Waithman, of the Commission's Valuation Division, sets forth in detail the rate base for the year 1935 and for an estimated future period for the properties involved in this proceeding, as follows:

Rate Base				
	Year 1935 Including		Future Including	
	Book	Estimated	Book	Estimated
	Intangibles	Intangibles	Intangibles	Intangibles
Rate Base	\$305,656.29	\$316,136.29	\$312,300.00	\$323,000.00

Of the \$316,136.29 set forth above, the amount of \$199,300.00 is assignable to the properties used in California intra-state operations.

No rate base figures, other than those submitted by the Commission's staff, appear in the record.

In forecasting the future results of the Utility's operations, Mr. Mathews estimated that on a rate base of \$323,000 and with his estimate of \$30,500 net revenue, with sinking fund depreciation and giving effect to the pay-roll increase, there would be a return of 9.4 per cent under present rates.

In Exhibit 7, introduced in evidence by Mr. W. B. Wessells of the Telephone and Telegraph Division of the Commission, the net revenue for the year 1935 was shown to be \$29,100. This net revenue related to the rate base with the book intangibles and to the rate base which includes the estimated intangibles results in a rate of return for the year 1935 of 9.5 per cent and 9.2 per cent, respectively, for the Nevada, California, Oregon, and Bass Operation. The net revenue of \$29,100 is substantially the result of using the revenues and expenses as recorded by the Corporation, except that depreciation expense was computed on the equivalent of a 6 per cent sinking fund basis instead of the straight line basis which the Corporation uses for accounting purposes.

After the reductions involved in the Corporation's proposal, modified to reflect certain offsetting items of expense, such as the service fee of $2\frac{1}{2}$ per cent paid the holding company and the commissions paid its agents and connecting companies, the Corporation may be expected to earn 7.8 per cent on its interstate and intrastate operations in the area under consideration under its proposed rates, assuming the present distribution of traffic. The earnings on the California intrastate operations will be somewhat lower.

In Chapter XII of Exhibit 7, Mr. M. M. Barnes of the Telephone and Telegraph Division of the Commission presented a separation of earnings between exchange, toll and telegraph for both interstate and intrastate operations, on both the board-to-board and station-to-station bases. In this operation area of the Public Utilities California Corporation, considerable traffic is handled over three interstate routes; the first between Alturas

and Lakeview, Oregon; the second between Alturas and Reno, Nevada, and the third between Susanville and Reno. The station-to-station separation study showed that the total intrastate earnings for the year 1935 were 7.8 per cent as compared with total interstate earnings of 11.6 per cent. The exchange earnings were 6.7 per cent, the intrastate and interstate toll earnings were 18.3 per cent, the intrastate and interstate telegraph earnings were .5 per cent and the combined intrastate and interstate toll and telegraph earnings were 10.3 per cent. The total interstate and intrastate earnings were 9.2 per cent. The results of the separation study clearly indicate that the toll telephone service is the higher earning class of service and it seems reasonable that the amount of the reduction which has been volunteered by the Corporation and which applies to both intrastate and interstate traffic should be used to reduce the toll telephone rates.

Mr. J. C. Jarman, President of the Alturas Chamber of Commerce, indicated that the proposal, particularly with respect to the three-minute initial conversation period was satisfactory. No one offered any objection to the Utility's proposal.

The proposed intrastate rates will be authorized by the Commission in accordance with the bases submitted by the applicant in Exhibits 3 and 4.

O R D E R

Public Utilities California Corporation having made application to the Railroad Commission for authority to revise its toll and telegraph rates in its Nevada, California, Oregon, and Bass Operation area, public hearings having been held and the matter being ready for decision,

THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

HEREBY FINDS AS A FACT that the toll telephone and telegraph rates proposed in this application are more uniform, are in the interest of the public, and will not result in unreasonable earnings in the area of the Nevada, California, Oregon, and Bass Operation, and

Basing its Order upon the foregoing finding of fact and such other statements of fact and conclusions as appear in the Opinion preceding this Order,

IT IS HEREBY ORDERED that Public Utilities California Corporation is hereby authorized to place in effect on or before September 1, 1936, intrastate rates for toll telephone and telegraph service in accordance with the plan set out in the attached Exhibit "A", together with such rules and regulations as may be approved.

IT IS HEREBY FURTHER ORDERED that the toll telephone and telegraph rates herein authorized shall be filed in accordance with General Order 68 between the thirtieth and the tenth day immediately preceding the day upon which said rates are to become effective.

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 15th day of June, 1936.

M. B. Lewis
John Whidely
W. J. Cain
Walter M. ...
Frank ...
Commissioners.

EXHIBIT "A"

TOLL TELEPHONE AND TELEGRAPH SCHEDULES.

TOLL SERVICE SCHEDULE NO. B-1SERVICE

Applicable to toll telephone service between stations and exchanges of the N.C.O. and Bass Operations.

BASIS OF RATES:

<u>Air-Line Mileage</u>				<u>Air-Line Mileage</u>			
: More: Than:	: Not: Than:	: Rate	: Report: Charge:	: More: Than:	: Not: Than:	: Rate	: Report: Charge:
0	6	\$.15(3).05(1)	.05	112	120	\$1.40(3).45(1)	.30
6	12	.20(3).05(1)	.10	120	128	1.50(3).50(1)	.30
12	18	.25(3).05(1)	.10	128	136	1.55(3).50(1)	.35
18	24	.30(3).10(1)	.10	136	144	1.65(3).55(1)	.35
24	32	.40(3).10(1)	.10	144	152	1.75(3).55(1)	.35
32	40	.50(3).15(1)	.10	152	160	1.80(3).60(1)	.40
40	48	.60(3).20(1)	.15	160	168	1.90(3).60(1)	.40
48	56	.65(3).20(1)	.15	168	176	2.00(3).65(1)	.40
56	64	.75(3).25(1)	.15	176	184	2.10(3).70(1)	.45
64	72	.85(3).25(1)	.20	184	192	2.15(3).70(1)	.45
72	80	.95(3).30(1)	.20	192	200	2.25(3).75(1)	.45
80	88	1.05(3).35(1)	.25	200	208	2.35(3).75(1)	.50
88	96	1.10(3).35(1)	.25	208	216	2.40(3).80(1)	.50
96	104	1.20(3).40(1)	.25	216	224	2.50(3).80(1)	.50
104	112	1.30(3).40(1)	.30	224	232	2.60(3).85(1)	.55

CONDITIONS

1. The rate of \$.15(3).05(1) indicates that the charge is fifteen cents for an initial period of three minutes and five cents for each additional minute or fraction thereof.

2. Rates are for "Person to Person" service and apply to all classes of toll telephone messages transmitted over the lines of the N.C.O. and Bass Operations without reference to the time of day or class of toll service which may be offered or furnished by connecting companies.

3. Rates shown in this schedule are in addition to the rates and charges of connecting companies for service furnished jointly over the lines of this company and connecting companies.

4. For the purpose of applying rates where the air-line distance between points is 40 miles or less, the distance shall be as the air-line distance between post offices as found on the Post Route Map.

5. Where the air-line distance between points is greater than 40 miles but not more than 350 miles, distance shall be determined as the air-line distance between the center of blocks seven miles

TOLL SERVICE SCHEDULE NO. B-1
(Continued)

square within which the points of communication are located.

6. The blocks and section scaling system for purposes of measuring toll rate distance between points more than 40 miles distant by direct measurement, shall consist of a grid containing sections 35 miles square, each section subdivided into 25 blocks 7 miles square, so placed on a polyconic projection of a Government survey map of the United States that section lines coincide with a line drawn approximately north and south through the center of the United States and with a line at right angles thereto passing through the northwestern point of the international boundary line in the Strait of Georgia.

LIST OF TELEGRAPH STATIONS

<u>Station</u>	<u>Square Number</u>	<u>Station</u>	<u>Square Number</u>
Adin	1225	Kelly's	1236
Alturas	1225	Lakeview	1212
Bella Vista	1251	Lee's	1236
Bidwell	1212	Likely	1225
Bieber	1225	Lookout	1225
Buntingville	1236	Madeline	1225
Burney	1245	McArthur	1245
Canby	1225	Merrillville	1236
Canyon Dam	1236	Mineral	1254
Cedar Pass	1200	Montgomery Creek	1245
Cedarville	1200	Morgan Springs	1236
Chester	1236	New Pine Creek	1212
Child's Meadows	1236	Paxton	1236
Convict Camp No. 20	1245	Pit No. 1	1245
Coppervale	1236	Quincy	1246
Corporation Ranch	1225	Ravendale	1213
Crescent Mills	1236	Red Bluff	1254
Davis Creek	1212	Redding	1261
Davis Creek Com'l	1212	Reno	1214
Dixie Canyon	1236	Seneca	1236
Doyle	1226	Shinnway	1213
Drakeshad	1236	Snowstorm	1213
Fall River Mills	1245	Susanville	1236
Greenville	1236	Taylorville	1236
Hayden Hill	1225	Terro	1213
Ingot	1245	Troxel	1236
Junction Point	1226	Walsh's Ranch	1236
Karlo	1213	Wendel	1213
Keddie	1246	Westwood	1236
Keddie Depot	1246	Willow Ranch	1212

TELEGRAPH SERVICE SCHEDULE NO. C-1SERVICE

Applicable to telegraph service between points within squares as listed below.

BASE RATES:

Squares	1200	1212	1213	1214	1225	1226	1236	1245	1246	1254	1261
1200	\$.30										
1212	.30	.30									
1213	.30	.30	.30								
1214	.36	.48	.30	.30							
1225	.30	.30	.30	.36	.30						
1226	.30	.36	.30	.30	.30	.30					
1236	.30	.30	.30	.30	.30	.30	.30				
1245	.30	.30	.30	.36	.30	.30	.30	.30			
1246	.36	.36	.30	.30	.30	.30	.30	.30	.30		
1254	.36	.36	.30	.36	.30	.30	.30	.30	.30	.30	
1261	.36	.36	.36	.48	.30	.36	.30	.30	.30	.30	.30

The above rates are applicable to Full Rate Messages of ten (10) words or less.

The above squares are those regularly used by The Western Union Telegraph Company in applying its rates. For rate purposes the entire country is overlaid with squares, fifty miles on each side, arranged in staggered fashion.

From a point in any given square to a point in the same square, or in next two adjoining squares, the base rate is 30¢; to points in the next following tier or circle of squares, 36¢; to points in the next following tier or circle of squares, 48¢.

Additional word rates and rates for other classes of messages are constructed in accordance with the filed rates of the Western Union Telegraph Company.