

Decision No. 34751

ORIGINAL

## BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
EXETER TELEPHONE COMPANY, LTD., a  
corporation, for an order authorizing  
a revision of its rates for telephone  
service.

Application No. 24113

Ernest Irwin, for Applicant  
J. J. Deuel, for California Farm Bureau Federation  
H. R. Mehrten, for Utility Department, Tulare  
County Farm Bureau  
George T. Young, Mayor, for the City of Exeter

HAVENNER, COMMISSIONER:

O P I N I O N

In Application No. 24113, Exeter Telephone Company, Ltd., requests authority to revise its rates for telephone service in Exeter Exchange.

Applicant serves the incorporated city of Exeter, about fifty miles southeast of Fresno, and surrounding rural territory, all located in Tulare County. The exchange area includes approximately 89 square miles.

A hearing was held in Exeter on April 30, 1941, at which time Mr. Ernest Irwin, engineer for the Company, presented in evidence exhibits showing an inventory and historical cost appraisal of plant and equipment as of December 31, 1939 of \$115,901.99, net additions for the year 1940 of \$2,750.92, or a total of \$118,652.91 as of December 31, 1940. The witness also submitted a schedule of proposed rates, together with an estimated rate base for 1941 of \$124,553, revenues with proposed rates \$31,016, expenses including depreciation and taxes \$28,563, and net revenue \$2,453. Under present rates he estimated that the amount available for return on the investment would be \$1,313. After the Company's engineer had

completed his presentation of evidence, the hearing was adjourned with the understanding that the Commission's Staff would conduct an independent investigation and present the results of the study at the adjourned hearing. It was also agreed that cross-examination of the Company's witness would be deferred until that time.

An adjourned hearing was held on October 23, 1941, at which time the results of the investigation by the Commission engineers were presented in evidence. Mr. P. E. Dufour, engineer in the Commission's Valuation Division, presented an estimated historical cost appraisal of the property as of December 31, 1940 in the amount of \$105,186. The witness estimated the historical cost as of December 31, 1941 to be \$106,926. These valuation figures were adjusted in preparation of a rate base to exclude land and buildings which are jointly used by Mr. DeCarteret as a residence and the Company for telephone business purposes. The amount deducted for land and buildings for the year 1941 was \$24,295. A monthly allowance of \$100 was made in the estimated reasonable operating expense to cover rental of space for equipment, business office, pole yard and garage. After these adjustments a theoretical apportionment of the land and buildings to determine that portion used for utility purposes is unnecessary.

Upon cross-examination by Mr. J. J. Deuel of the California Farm Bureau Federation, Mr. Dufour stated that certain items of plant and equipment had been procured from Mr. DeCarteret's personal stock and actual purchase prices were not available. No objections were offered to Mr. Dufour's valuation figures.

In Exhibit No. 8 Mr. Dufour estimated the average total telephone plant of Exeter Telephone Company, Ltd., for the year 1941 to be \$82,761 after adjustments, materials and supplies \$2,400 and working cash \$1,800. We find that the reasonable rate base for the purposes of this proceeding is \$87,000.

Mr. W. E. Wessells of the Commission's Telephone Division presented a report on the results of operation of the Company for the years 1940 and 1941. The report also included a trial schedule of rates developed by the Commission's Staff. Upon cross-examination Mr. Wessells testified that this schedule, in his opinion, represented a reasonable schedule for the Exeter Exchange.

The Commission engineers estimated that the rate of return for a normal year, based on 1941 development and growth, using the 5% sinking fund method, would be 2.8% with present exchange rates, 6.5% with the Company's proposed rates and 5.9% with the trial schedule of rates developed by Commission engineers.

Full consideration should be given to compliance with the specific recommendations as set forth in Chapter XI of Exhibit No. 9.

Mr. Irwin, in commenting on the trial schedule, stated that if two-party business service should be offered the Company would desire to continue the offering of four-party business service in order to obtain certain economies in the use of its plant. Applicant's Exhibit No. 4 shows the subscribers as of January 1, 1941. There were 148 individual, 36 two-party and 9 four-party line business subscribers. This does not indicate any substantial requirement for business four-party line service. The Order will provide for business individual and two-party line service.

The record shows that the revenues of the Company are insufficient for a fair return. No one appeared at the hearings to protest the granting of the application. Commission engineers estimate that the trial schedule will produce net revenue in the amount of \$5,150 and, giving effect to the Revenue Act of 1941, will result in a return of 5.8% on the historical cost 5% sinking fund basis.

I recommend the following form of Order:

O R D E R

Exeter Telephone Company, Ltd., having made application to the Railroad Commission for authority to revise its rates for telephone service, public hearings having been held and the matter having been submitted for decision,

THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA hereby finds as a fact that filing and making effective the rates and charges herein authorized are justified.

Based upon the record and upon findings of fact and conclusions contained in the above Opinion,

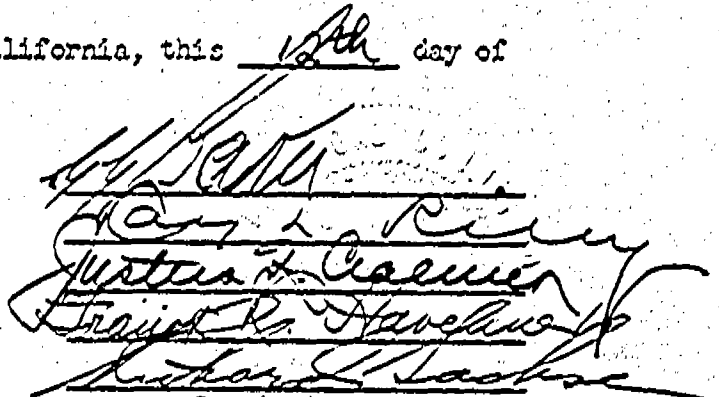
IT IS HEREBY ORDERED that Exeter Telephone Company, Ltd., may file with the Railroad Commission, to become effective on or before February 1, 1942, the schedule of rates set forth in Table 12 of Exhibit 9 and designated "C.R.C. Staff Trial Schedule," together with such rates, rules, regulations and conditions as the Commission may approve.

IT IS HEREBY FURTHER ORDERED that such schedules of rates, rules and regulations shall be submitted for filing in accordance with General Order No. 68 not later than fifteen (15) days immediately preceding the effective date thereof.

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

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 18th day of November, 1941.

  
Commissioners