

Decision No. 40459

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application
of
Los Gatos Telephone Company, a
corporation, for authority to
increase certain rates and change
certain schedules applicable to
the Los Gatos exchange.

Application No. 28214

C. B. Leib for Applicant, Los Gatos Telephone Company;
F. V. Rhodes for Applicant and for the California
Independent Telephone Association; J. J. Deuel for
California Farm Bureau Federation; R. D. Crowe for
Dos Palos Telephone Company, Inc.; J. H. Evans for
Evans Telephone Company; and Talbot Kendall for Manteca
Telephone Company.

MITTELSTAEDT, Commissioner:

O P I N I O N

An application was filed by the Los Gatos Telephone Company on February 14, 1947, which requested an increase in exchange rates and charges applicable to its Los Gatos exchange located in Santa Clara and Santa Cruz Counties, in the amount of approximately \$34,500 annually. Notification of the rate increase application was given the Office of Temporary Controls.

Public hearings were held in Los Gatos on March 5 and April 10, 1947 and in San Francisco on June 9, 1947. At the hearing of June 9, the Applicant modified its request in order to obtain approximately \$28,300 of added revenue or \$6,200 annually less than originally requested.

Applicant operates one exchange only, serving in and around the Town of Los Gatos. Connection for toll service is made with facilities of The Pacific Telephone and Telegraph Company at the Los Gatos switchboard. At the end of 1946, Applicant served 3,134 telephone stations, all of them being company-owned. Applicant reported as of December 31, 1946, total telephone plant in service of approximately \$369,500; and for the year 1946, revenues of approximately \$152,000 of which 54.5% was derived from local

service, 43.3% from toll service, and the balance or 2.2% from miscellaneous services.

During the period May 1, 1945 to April 1, 1947 traffic and plant department employees' pay roll expense increased an average of 49% and 40%, respectively, due in part to wage increases. In June of this year, the company entered into agreements resulting in further wage and salary increases to its employees amounting to in excess of \$12,000 annually. These wage increases will become effective on various dates between October 1, 1947 and January 1, 1948. Prices paid by the Applicant for materials and equipment also have increased in the past two years. It is because of these increases in wages and material costs that Applicant seeks increases in rates at this time.

The evidence as to earnings presented by the company and the Commission's staff relates to the results for the years 1946 and 1947.

These results are:

| Item | Year 1946 Recorded | Estimated Year 1947 | |
|-------------------------|-----------------------|---------------------------|---|
| | | Under Present Rates | Under Company's Proposed Rates as Shown in Exh. 8 |
| Total Revenues | \$152,483.46 | \$ 180,000 | \$ 208,345 |
| Total Expenses | 141,433.42 | 182,642 | 188,979 |
| Balance Net Revenue | 11,050.04 | (2,642) | 19,366 |
| Rate Base (Depreciated) | 283,100 | 331,300 | 331,300 |
| Rate of Return | 3.90% | (.80)% | 5.85% |

(Red Figure)

The revenues and expenses shown for the year 1946 are as reported by the company and as set forth in Exhibit 4. Revenues for the year 1947 under present rates are as estimated by the Commission's staff in Exhibit 6. To the revenues for the year 1947 under present rates has been added the estimated increase resulting from the requested rates in arriving at the revenues for 1947 under the company's proposed rates as shown in Exhibit 8. The expenses for the year 1947 are as estimated by the Commission's staff but modified to reflect the full annual effect of the recently negotiated wage increases and the increased expense associated with the addition of one position of switchboard and the employment of one additional employee.

to care for increased commercial and revenue accounting functions. These increased expenses were not apparent at the time the staff's estimates were prepared. State corporation franchise and Federal normal income tax and surtax have been adjusted to reflect the estimates of revenues and expenses. The rate bases for the years 1946 and 1947 are as shown in Exhibit 6 and are arrived at by deducting the straight-line depreciation reserve from the undepreciated base. Straight-line depreciation expense is included in total expenses.

The full expense effect of the company's proposed pension plan (Exhibit 15) is reflected in the 1947 estimate. The Commission expects the company to act promptly and place this pension plan into effect by September 1, 1947.

A comparison of the present rates and the rates requested by the company as shown in Exhibit 8 for the principal classes and grades of service is as follows:

| Grade of Service | Rate per Month - Desk or Hand Set Station* | | | |
|-----------------------------|--|-----------|-------------------|-----------|
| | Business Service | | Residence Service | |
| | Present | Requested | Present | Requested |
| Individual Line | \$ 2.75 | \$ 4.75 | \$ 2.25 | \$ 3.25 |
| Two-party line | 2.25 | 4.00 | 2.00 | 2.75 |
| Four-party line | - | - | 1.75 | 2.50 |
| Eight-party line (Suburban) | 3.25 | 3.50 | 2.75 | 3.00 |
| Extension station: | | | | |
| With bell | 1.00 | 1.25 | 1.00 | 1.00 |
| Without bell | 1.00 | 1.25 | .50 | 1.00 |

* Present rates for service with a wall set are 25 cents less than for a desk or hand set. Requested rates for service with a wall set are the same as those for a desk or hand set.

Increases are also requested in certain mileage rates, rates for hotel and commercial private branch exchange service, key system service, semipublic service, supplemental equipment, joint user service, and for service connection charges.

The evidence shows that at the hearings in this matter seven subscribers expressed their views in favor of the requested increase in rates, and two subscribers were opposed to the increases. In addition, the Commission has received letters from two interested parties, one favoring the

increase, and one opposed to the increase. There appeared to be considerable interest on the part of the subscribers in an improved service and in having extended service available. A witness for the company outlined future plans for dial operation and the offering of extended service in Los Gatos exchange.

In authorizing the increases in rates herein ordered, the Commission expects the company to proceed with due diligence in furnishing service to the more than 430 waiting applicants, and in offering extended service with cross-boundary subscriber dialing of local calls for extended service subscribers upon conversion to dial operation.

The following form of Order is recommended:

O R D E R

Los Gatos Telephone Company having applied to the Public Utilities Commission of the State of California for an order authorizing increases in exchange rates and charges, public hearings having been held, and the matter having been submitted for decision, the Public Utilities Commission of the State of California hereby finds as a fact that the increases in rates herein ordered are justified, therefore,

IT IS HEREBY ORDERED that the Los Gatos Telephone Company be and hereby is authorized to file and publish, in accordance with General Order No. 96, the rates and charges set forth in Exhibit 8 filed in this proceeding and, after not less than five (5) days' notice to the Commission and to the public, make said rates effective on and after August 1, 1947 for bills covering service furnished on and after August 1, 1947.

This Order shall become effective twenty (20) days after the date hereof.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Public Utilities Commission of the State of California.

Dated at San Francisco, California, this 28th day of June, 1947.

Harold P. Huber
Justus J. Cravens
Walter Powell
A. J. Johnson
Kenneth Potter
Commissioners