

Decision No: 41100

ORIGINAL
RECEIVED

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
MCCLOUD TELEPHONE COMPANY
for Increase in Service Rates

Application No. 28492

Thomas Coakley and C. B. Daveney for Applicant;
J. J. Deuel by Edson Abel for the California Farm
Bureau Federation.

O P I N I O N

An application was filed on June 3, 1947, by the McCloud Telephone Company requesting increases in the amount of approximately \$2,500 annually in the exchange rates and charges applicable in the McCloud exchange located in Siskiyou and Shasta Counties. A public hearing was held in McCloud on December 17, 1947.

The Applicant operates one exchange only serving the town of McCloud and surrounding territory. The Applicant's stock is wholly owned by the McCloud River Lumber Company, which company also owns all the property and improvements in the town of McCloud, except for the railroad properties. Connection for toll telephone service is made with the facilities of The Pacific Telephone and Telegraph Company at Mount Shasta, California. As of August 20, 1947, 470 stations were served from the McCloud exchange, 452 being company-owned and 18 being subscriber-owned, and there were 35 held applications for service.

The Applicant reported as of December 31, 1946, total telephone plant in service of approximately \$9,500. For the year 1946, reported revenues were approximately \$13,300, of which 54% was derived from local service, 37% from toll service, and the balance of nine per cent from miscellaneous services. Witness for the Applicant testified that the lumber company performed a number of services for the telephone company at no charge or at actual cost excluding overheads, that labor and material costs had increased substantially during the

past two years, and that the recorded plant figure did not represent the actual value of the plant in service because of the plant which had been donated to the telephone company by the lumber company.

The evidence, as to the earnings presented by the Commission's staff, as shown in the staff's Report on Results of Operation introduced at the hearing as Exhibit 1, is tabulated below:

Rate of Return

	Year 1947 Estimated			Year 1948 Estimated		
	Present	Proposed	Schedule	Present	Proposed	Schedule
1946 Recorded	(30.91)%	(37.72)%	(7.72)%	(3.83)%	(24.75)%	1.31% 4.30%

(Red Figure)

The Applicant, in Exhibit H of the application, estimated for 1947 a loss of \$1,885 at present rates and a profit of \$515 at proposed rates. No rate base or rate of return calculations are included in said exhibit, and no estimate of the operating results for 1948 was made.

The Commission's staff's estimated results of operation for 1948, from which were calculated the rate of return figures shown in the preceding tabulation, are summarized below:

Item	Estimated Year 1948		
	Present Rates	Applicant's Proposed Rates	Trial Schedule
Total Revenues	\$ 16,150	\$18,850	\$ 19,250
Operating Expenses, Excl. Depreciation and Taxes	17,750	17,750	17,750
Depreciation (straight-line)	455	455	455
Taxes	470	511	606
Total Operating Expenses	18,675	18,716	18,811
Net Operating Revenues	(2,525)	134	439
Rate Base (Depreciated)	10,200	10,200	10,200
Rate of Return	(24.75)%	1.31%	4.30%

(Red Figure)

A comparison of the present rates, the rates requested by Applicant as shown in Exhibit I of the application, and the trial rates contained in Exhibit 1 introduced at the hearing is shown on the following page. The trial

rates provide a differential for the higher grades of service which the Applicant is now furnishing at uniform party-line rates.

I t e m	: Rate per Month - Wall, Desk, or Hand Set Station :					
	: Business Service :			: Residence Service :		
	:Present:	:Requested:	:Trial :	:Present :	:Requested:	:Trial :
	\$	\$	\$	\$	\$	\$
Individual line	-	-	4.75	-	-	3.25
Two-party line	-	-	4.00	-	-	-
Four-party line	-	-	-	-	-	2.25
Eight-party line	2.50	3.00	2.75	1.00	1.50	1.50
Extension station	-	-	1.00	-	-	.75
Farmer line	2.50	3.00	1.50	2.50	3.00	1.50
Farmer line, minimum chg.	-	-	4.50	-	-	4.50
Extension bell	-	-	.25	-	-	.25
Telecode relay	-	-	1.00	-	-	1.00

At the hearing, the Applicant amended the application to include a request that the present initial period of five minutes on calls between McCloud and Mount Shasta be reduced to three minutes, stating that this change would provide less than \$100 per year additional toll revenue. The requested change would provide a uniform initial period for all toll calls from McCloud.

The evidence shows that three subscribers appeared at the hearing in this matter, but there was no objection to the proposed increases in rates. Some dissatisfaction with the present magneto service was indicated and considerable interest in the possibility of converting to common battery operation was expressed.

The Applicant provides magneto service on all of its lines. A study should be made to determine the relative costs of converting the exchange to common battery manual and to common battery dial operation in light of the improved service which would be realized thereby.

O R D E R

The McCloud Telephone Company having applied for an order authorizing increases in exchange rates and charges, a public hearing 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 authorized are justified, therefore,

IT IS HEREBY ORDERED as follows:

1. Applicant is authorized to file and publish the schedules set forth in Exhibit A attached hereto.
2. Applicant is ordered to submit to the Commission before January 1, 1949, a study showing the investment, revenue, and expense effects of converting the exchange to common battery manual and to common battery dial operation.
3. Applicant is authorized after not less than one (1) day's notice to the Commission and to the public to make said rates effective on and after February 1, 1948 for bills covering service furnished on and after February 1, 1948.

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

Dated at San Francisco California, this 6th day of January, 1948.

Harold P. Kuls
Justin J. Gorman
Wesley Powell
R. Z. [unclear]
Samuel P. [unclear]
Commissioners

EXHIBIT A
Page 1 of 5

Schedule No. A-1

FLAT RATE EXCHANGE SERVICE

APPLICABILITY

Applicable to individual and party line business and residence flat rate service.

TERRITORY

Within Zone 1 of the McCloud exchange, as said zone is defined on the map filed as part of the tariff schedules.

RATES

	<u>Wall, Desk, or Hand Set Station</u>	
	<u>Rate per Month</u>	
	<u>Business Service</u>	<u>Residence Service</u>
Each Individual Line Primary Station	\$4.75	\$3.25
Each Two-Party " " "	4.00	-
Each Four-Party " " "	-	2.25
Each Eight-Party " " "	2.75	1.50
Each Extension Station	1.00	.75

SPECIAL CONDITIONS

1. The Company will provide, own and maintain all lines and facilities used to furnish individual and party line service.

EXHIBIT A
Page 2 of 5

Schedule No. A-6

FARMER LINE SERVICE

APPLICABILITY

Applicable to business and residence farmer line service.

TERRITORY

Within Zone 2 of the McCloud exchange as said zone is defined on the map filed as a part of the tariff schedules.

RATES

	<u>Rate per Month</u>	
	<u>Business Service</u>	<u>Residence Service</u>
Each Farmer Line Station	\$1.50	\$1.50
Minimum Charge per Line	4.50	4.50

SPECIAL CONDITIONS

1. The Company will provide, own and maintain all lines and facilities used to furnish farmer line service to the boundary of Zone 1.
2. The subscriber will provide, own and maintain all lines and facilities beyond the boundary of Zone 1 and within Zone 2.
3. The above service will be furnished, provided the line owned by the subscriber or subscribers is properly constructed and maintained in an operating condition.

EXHIBIT A
Page 3 of 5

Schedule No. A-8

SUPPLEMENTAL EQUIPMENT

APPLICABILITY

Applicable to supplemental equipment furnished by the Company.

TERRITORY

Within Zone 1 of the McCloud exchange as said zone is defined on the map filed as part of the tariff schedules.

RATES

	<u>Rate per Month</u>
1. Extension Bell	\$0.25
2. Telecode Relay	1.00

SPECIAL CONDITIONS

1. The equipment covered by the above rates will be owned and maintained by the Company.

EXHIBIT A
Page 4 of 5

Schedule No. A-20

SERVICE CONNECTION CHARGES

APPLICABILITY

Applicable to charges for connection of business or residence service.

TERRITORY

Within Zone 1 of the McCloud exchange as said zone is defined on the map filed as part of the tariff schedules.

CHARGES

Service connection charges apply to all exchange service and facilities except farmer line service in accordance with the following provisions:

	<u>Charge</u>
(1) House not wired for telephone service	\$12.00
(2) House wired for telephone service, telephone not installed	5.00
(3) House wired for telephone service and telephone installed	No charge

SPECIAL CONDITIONS

1. The service connection charge is in addition to the regular schedule of rates and is payable at the rate of \$1 per month for twelve (12) months. If service is furnished for a period of less than twelve (12) months, the service connection charge will be prorated on the basis of one-twelfth of the charge for each month, or fraction thereof, of the period.

2. No service connection charge is applicable to farmer line service.

EXHIBIT A
Page 5 of 5

Schedule No. B-1

TOLL SERVICE

APPLICABILITY

Applicable to station-to-station, person-to-person and appointment and messenger service.

TERRITORY

Between McCloud and Mt. Shasta City.

RATE

<u>Airline Distance</u>	<u>Station-to- Station Rate</u>	<u>Person-to- Person Rate</u>	<u>Appointment & Messenger Rate</u>
10.2 Mi.	\$.10(3).05(2)	\$.15(3).05(1)	\$.20(3).05(1)

SPECIAL CONDITIONS

1. The above station-to-station rate \$.10(3).05(2) indicates that the charge is ten cents for an initial period of three minutes, and five cents for each additional two-minute period or fraction thereof.

2. Service between points on this Company's lines and points reached over the lines of connecting companies is provided at through rates (direct rates).