

Decision No. 41529

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
THE WESTERN TELEPHONE COMPANY for authority
to establish rates for new services; and to
increase rates for other services in its
VOLCANO territory.

Application No. 28997

W. Gilman Snyder and F. V. Rhodes, for Applicant;
F. V. Rhodes, Secretary, for California Independent
Telephone Association; J. J. Deuel and Edson Abel
by Edson Abel for California Farm Bureau Federation;
H. A. Higdon, President, for West Point Progressive
Club; Howard E. Davenport, President, for Calaveras
Chamber of Commerce; Claude Smith, Supervisor, for
West Point District of Calaveras County.

O P I N I O N

An application was filed on January 8, 1948, by W. Gilman Snyder, doing business as The Western Telephone Company, requesting increases in the amount of approximately \$5,220 annually in the exchange and toll rates and charges applicable in the Volcano exchange, Amador and Calaveras Counties, revision of the exchange area boundary, and establishment of a base rate area boundary at Volcano. An amendment to the application was filed on April 22, 1948, requesting further increases of approximately \$8,500 per year in exchange charges, reductions of approximately \$6,000 per year in toll charges, establishment of the toll center for the Volcano exchange at a point several miles southeast of the central office at Pioneer Station, and an increase from five cents to ten cents in the rate for exchange messages from public coin-box telephones.

A public hearing was held before Examiner Knerr in Volcano on April 28, 1948, at which time the Applicant amended the application to:

1. Eliminate the differential between wall, desk, and hand set rates.

2. Make the toll station guarantee \$5 per month on an annual basis thereby making it possible for seasonal stations to cover the guarantee during the summer months.

3. Provide a schedule covering semipublic coin-box service.

The Applicant also introduced exhibits showing the form and content of the schedules he wished to file for mileage rates, service connection charges, and move and change charges, the rates for which were included in the original application.

The Applicant operates two exchanges, one serving the town of Weaverville and surrounding territory in Trinity County, and the other, to which this application pertains, serving the communities of Volcano, Pine Grove, West Point and surrounding territory in Amador and Calaveras Counties. Both exchanges provide 24-hour service and serve a number of toll stations on lines owned and operated by the Applicant. Toll telephone service to and from points outside the area served by the Applicant in Amador and Calaveras Counties is made by connection with facilities of The Pacific Telephone and Telegraph Company at Jackson, direct rates applying thereto. As of December 31, 1947, there were 130 stations being served from the Volcano switchboard. The Applicant's witness testified that there are about 25 signed applications for service being held pending availability of facilities. The record shows that the present Volcano switchboard has a capacity of 20 lines, all of which are in use, and that this switchboard is scheduled to be replaced in the summer of 1948 with a rebuilt 60-line magneto switchboard, thereby providing sufficient facilities to furnish the higher grades of service proposed for the Volcano base rate area.

Witness for the Applicant testified that labor costs had risen substantially in recent years, and that since filing the original application a policy of paying the operators time and a half for Sundays, holidays, and overtime work has been inaugurated.

The Applicant, in his application and at the hearing, introduced testimony and exhibits showing the operating results for the year 1946, and estimated results for the years 1947 and 1948. The rate of return on the depreciated rate base derived from the recorded figures for 1946, and the estimated rate of return for 1947 at the present and proposed rates were shown. The Commission's staff, through witnesses, introduced exhibits showing the rate of return for 1947, on a depreciated rate base calculated by the staff, and estimated rates of return for 1948 at the present rates, company's proposed rates, and two schedules of trial rates. The following tables show figures of the Applicant and the staff:

From Applicant's Exhibits C&D

Item	Actual 1946	Estimated		
		Present Rates 1947	Prop. Rates* 1948	Prop. Rates* 1948
Total Oper. Revenue	\$ 7,933	\$ 13,591	\$ 16,020	\$ 18,766
Oper. Exp., Excl. Depr. and Taxes	9,920	13,290	18,156	17,756
Depreciation (Str. Line)	1,410	1,292	1,300	1,300
Taxes	470	230	500	500
Interest	-	155	155	155
Total Oper. Exp.	\$11,800	14,967	20,111	19,711
Net Operating Revenue	(3,867)	(1,376)	(4,091)	(945)
Avg. Depreciated Rate Base	13,295	16,200	19,980	19,980
Rate of Return	(29.08)%	(8.4)%	(20.5)%	(4.7)%

(Red Figure)

* Including revisions shown in amended application.

From Commission's Exhibit 10

Item	Actual	Estimated 1948 (Proposed Salaries)		
	1947	Pres.Rates	Prop.Rates	Tr.Sched.No.2
Total Oper. Revenue	\$13,825	\$16,400	\$19,600	\$20,050
Oper.Exp., Excl. Depr. and Taxes	13,198	16,050	16,050	16,050
Depreciation (Str. Line)	1,242	1,300	1,300	1,300
Taxes	396	735	1,055	1,165
Total Oper. Exp.	14,836	18,085	18,405	18,515
Net Oper. Revenue	(1,011)	(1,685)	1,195	1,535
Avg. Depr. Rate Base	23,300	24,600	24,600	24,600
Rate of Return	(4.34)%	(6.85)%	4.86%	6.24%

(Red Figure)

The figure of \$155 shown as interest in the Applicant's exhibit is not an operating expense. The record shows that construction activities in the area are adding substantially to the toll revenues, and that such activities are expected to terminate by the end of 1948. The Applicant testified that the salary of the outside plant man had been increased to the proposed level, that the salaries of the operators had not been increased to the proposed level, that no date was scheduled for such increase, and that the amount shown in the staff's exhibit for Mr. Snyder's salary should be increased due to his education, experience, and time devoted to the task. Consideration has been given to the effect of the above factors on the revenues and operating expenses estimated for 1948.

A comparison of the present rates, the rates requested by the Applicant and the rates contained in Trial Schedule No. 2 is shown below:

Grade of Service	Rate per Month - Wall, Desk or Hand Set Station					
	Business Service			Residence Service		
	Present	Req'd.	Tr.Sch.2	Present	Req'd.	Tr.Sch.2
Ind. Line	\$ -	\$5.00	\$5.00	\$ -	\$4.25	\$4.25
2-Party Line	-	4.50	4.50	-	3.75	3.75
4-Party Line	-	-	-	-	3.00	3.00
10-Party Line (Suburban)	-	6.25	4.00	-	4.75	3.50
Multi-party Line	2.25*	-	-	2.25*	-	-
Ext. Stations	-	1.50	1.25	-	1.25	1.00

*Wall set service - 25¢ less.

The Applicant's request for semipublic coin-box service has been considered. The record shows that the Applicant requested a minimum charge of 30 cents per day so that the monthly rate would be greater than the rate for individual line business service. A minimum charge of 20 cents per day would provide an average monthly revenue in excess of \$6, which is \$1 greater than the individual business rate requested by the Applicant, and the following Order will provide for such a charge, as well as a charge of five cents for each exchange message.

Increases are also requested in the rates for supplemental equipment, toll guarantee per station, local calls from public pay stations, installation charges, service connection charges, and move and change charges. All the increases requested are authorized in the following Order except the increases in supplemental equipment rates and local calls from public pay stations. The record shows that an increase in the rate for local calls from public pay stations would produce very little additional revenue and might possibly result in a decrease in such revenue. The record also shows that the supplemental equipment rates contained in Trial Schedule No. 2 are the same as those in effect at the Applicant's Weaverville exchange.

Several subscribers appeared at the hearing to express views relative to the application. The record shows that four subscribers located in the Mokelumne Hill exchange area of the Pacific Company and six subscribers located in the Jackson exchange area of the Pacific Company are being served by the Applicant on an irregular basis. Applicant testified that negotiations were started with the Pacific Company more than six months ago for the purpose of regularizing these services, but that to date no agreement had been reached. Applicant stated that these negotiations would be continued and every effort made to regularize these services as soon as possible. Several of the

subscribers expressed themselves as opposed to a transfer of the four stations in the Mokelumne Hill exchange to the Pacific Company stating that their community of interest was with the West Point area of the Volcano exchange. Although service to customers outside of Applicant's Volcano service area is not contemplated under the present or proposed tariffs, the Commission is advised of the desires of the subscribers using the stations now located in the Mokelumne Hill exchange area. Attention will be given to the development of satisfactory arrangements for the termination of existing irregularities.

A witness for the West Point Improvement Club introduced, as an exhibit, a copy of a petition signed by 115 residents of the West Point area requesting various grades of party-line and suburban business and residence service. Witness for the Applicant stated that these requests for service had been and were being given consideration by the company. It appears that the best method of serving the West Point area would be by a dial unit which would cost approximately \$10,000 installed, including the building. The cost of station equipment and outside plant would be not less than \$10,000 so that the total cost of facilities for providing the desired service would be in excess of \$20,000. This would require the raising of additional capital which the company claimed it cannot do until its earning position is improved, and the quoted delivery date for dial equipment is 24 to 30 months. The possibility of providing additional circuits from Volcano to provide partial relief for the West Point area was raised, and the witness stated that the present poles would support an additional phantom group comprising three circuits and that other circuits could be provided by means of carrier equipment. At present the West Point area is served by three circuits, and the record indicates that additional circuits are required to provide a satisfactory grade of service.

The proposed rates do not provide for the offering of ten-party line service in the new Volcano base rate area. However, there are 15 multiple-party services located in said area and the following Order will provide for the continuation of these services on a deviation basis until the company can provide the equipment necessary to upgrade them to the normal base rate area services.

In authorizing the increases set forth in the following Order, the Commission expects the Applicant to proceed with due diligence to complete the plant construction and improvement program scheduled for 1948, to provide service for waiting applicants, to regularize the services being furnished in the Mokelumne Hill and Jackson exchanges of the Pacific Company, to develop a program for providing the grades of service desired in the West Point area, and to reduce the number of parties on suburban lines to a maximum of ten.

O R D E R

The Applicant, W. Gilman Snyder, having applied for an Order authorizing increases in exchange rates, toll rates, and charges in the Volcano exchange, 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 in accordance with General Order No. 96 the schedule of rates set forth in Trial Schedule No. 2 shown in Exhibit 10, revised to provide for a toll station guarantee on an annual basis.
2. Applicant is authorized to file and publish the mileage rate schedule, the move and change charge schedule, and service connection charge schedule filed as Exhibits 3, 4, and 5, respectively, at the hearing.

3. Applicant is authorized and directed to file and publish a map showing the base rate area as set forth in the application, modified to show the westerly boundary line to be 50 feet westerly of the westerly lines of Main and Baptist Street.
4. Applicant is authorized and directed to file and publish a map showing the exchange area as set forth in the application.
5. Applicant is authorized to furnish ten-party line service in the base rate area until normal service can be provided. The rate for ten-party business service shall, in the interim, be applied to such business service and the rate for four-party residence service shall be applied to such ten-party residence service. No new ten-party lines shall be established in the base rate area after the effective date of this Order.
6. Applicant is authorized to file the semipublic service schedule introduced as Exhibit 6, revised to provide a charge of five cents for each exchange message, and a minimum charge per day of 20 cents.
7. Applicant's request for relocation of the Volcano exchange wire center, for the purpose of determining mileages on toll calls, be dismissed without prejudice.
8. Applicant is authorized after not less than three (3) days' notice to the Commission and to the public to make said rates effective on and after June 1, 1948 for bills covering service furnished on and after June 1, 1948.

This Order shall become effective fifteen (15) days after the date hereof.

Dated at San Francisco, California, this 11th day of May, 1948.

B. J. Induray
Justus F. Gairner
Gray K. Russell
Harold P. Hulse
Samuel D. Lott
Commissioners.