

Decision No. 41880

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application
of the San Joaquin Associated
Telephone Company, a corporation,
for authority to increase certain
rates and charges applicable to
telephone service.

Application No. 29395

R. H. Guthrie and Marshall K. Taylor, for the
Applicant; J. J. Deuel and Edson Abel, for
California Farm Bureau Federation; Ernest H.
Tuttle, City Attorney, for the City of Reedley;
E. M. Danielson, Mayor, and C. B. Patchen,
City Superintendent, for the City of Lindsay.

O P I N I O N

In this application, the San Joaquin Associated Telephone Company requests authority as follows: (1) Immediately to place in effect certain proposed increases in rates so as to augment its operating revenues some \$25,000 annually, or 12.3%, (2) to increase directory advertising rates commencing with the next issue of all directories, resulting in increased revenues of some \$1,600 on an annual basis, and (3) to expand the base rate areas in the Lindsay and Reedley exchanges.

Public hearings were held in this proceeding in Reedley, California, on June 21 and July 2, 1948 before Examiner Gannon.^{1/}

^{1/} At the hearing in this matter on June 21, 1948, a petition was filed by the City of Reedley, requesting that the proceeding be continued for a period of six months in order that the city might make a full and complete investigation of the matter, and a representative of the City of Lindsay asked for three months' time in which to study the applicant's request. At that hearing, the applicant made its direct showing, and its witnesses were cross-examined, after which the matter was adjourned to July 2, 1948, at which time the applicant's witnesses were further cross-examined and evidence was presented by the Commission's staff. No request for a further continuance was made at the second hearing and the matter was submitted for decision.

The applicant is engaged in a general exchange and toll telephone and telegraph business in Fresno and Tulare Counties, California. It is a wholly owned and operated subsidiary of Associated Telephone Company, Ltd. of Santa Monica, California, which in turn is controlled through stock ownership by the General Telephone Corporation of New York. The applicant furnishes exchange service at Fowler, Lindsay, and Reedley, and surrounding territory, and operates certain toll lines extending from Reedley to the General Grant Grove of the Kings Canyon National Park. Connection is made at each of the three exchanges with toll facilities of The Pacific Telephone and Telegraph Company. The applicant's financial statement, Exhibit A, shows fixed capital as of April 30, 1948 of \$794,551 and total operating revenues for the 12 months ending April 30, 1948 of \$203,531.83, of which 53% was from local service, 46% from toll service, and 1% from miscellaneous service.

During the period 1937 to 1947, the applicant's revenues increased 149% whereas during the same period the applicant's expenses before taxes and depreciation increased 247%. Since October 1, 1941, six wage increases have been made effective, two of which occurred during 1947. The over-all increase of the last wage award made in June, 1947 over wage levels in effect on October 1, 1941 for all types of employees, is about 114%. It is estimated that the wage awards made in 1947 increased pay roll expenses approximately \$20,000 a year of which about \$16,000 would be chargeable to operations with the balance being chargeable to construction. Material prices for major items of outside plant construction in 1948 are approximately 58% higher than in 1939. The applicant's investment in telephone plant in service has increased from \$270,165.80 at the end of 1937 to \$652,969.17 at the end of 1947, an increase of 142%. By the end of 1948, the applicant estimates its investment in telephone plant in service will approximate \$975,620. It is because of these increases in operating expenses and investment and the corresponding decline in earnings that applicant is seeking increases in rates at this time.

The applicant presented testimony as to the earning results for the period August 1, 1947 to January 31, 1948 on an annual basis under present rates and proposed "interim" rates. The applicant also presented evidence as to the estimated earning results based upon estimated conditions as of December 31, 1948 under present, "interim," and "objective" rates.^{2/} The Commission's staff presented evidence as to the results of operation for the year 1947 under present rates, and for the nine months ending April 30, 1948 on an annual basis under present rates, company proposed "interim" rates and a schedule of rates suggested by the Commission's staff. These earning results are summarized as follows:

Item	Revenues	Expenses	Balance: Net	Avg. Rate: Base	Rate: of
Company (Exhibit C)					
6 Mos. Ending 1-31-48 Annual Basis:					
Present Rates	\$203,549	\$194,870	\$ 8,679	\$474,770	1.82%
Co. Proposed "Interim" Rates	228,624	202,652	25,972	474,770	5.47
Est. Conditions as of 12-31-48 Annual Basis:					
Present Rates	258,883	260,095	(1,212)	846,940	(.14)
Co. Proposed "Interim" Rates	289,914	265,477	24,437	846,940	2.89
Co. Proposed "Objective" Rates	336,008	283,748	52,260	846,940	6.17
CPUC Staff (Exhibit No. 9)					
Year 1947, Present Rates	187,928	182,490	5,438	408,000	1.33
9 Mos. Ending 4-30-48 Annual Basis:					
Present Rates	208,873	196,261	12,612	503,000	2.51
Co. Proposed "Interim" Rates	235,299	204,914	30,385	503,000	6.04
Staff Proposed Rates	231,805	203,007	28,798	503,000	5.73

(Red Figure)

^{2/} The applicant requests that its proposed rates be established as "interim" rates, and also presented proposed "objective" rates. The latter term was used to indicate possible further increases, which applicant may need and request after the construction program is completed, probably early in 1949. However, it was indicated that before requesting the establishment of specific "objective" or higher rates, it will be necessary for the applicant to review financial results of operations at that time. The applicant also indicated the possibility that a supplemental application would be filed herein requesting further increases. But the applicant is not now requesting such higher rates. Under the circumstances, the establishment of "interim" rates is of doubtful propriety, and any request for further increases will be considered when and if the applicant requests authority therefor.

The principal differences in the company and staff results come about due to the more current period used by the Commission's staff, and adjustments made by the staff in operating expenses to exclude pension costs for service prior to the effective date of the company's pension plan. Revenues reflect amounts received from local, toll, and miscellaneous services less uncollectibles. Expenses include maintenance and operating expenses, depreciation expenses calculated on a straight line basis, and taxes. The rate base reflects weighted average plant, materials and supplies and an allowance for working cash less the depreciation reserve adjusted to a straight line basis.

The Commission staff's results shown in the preceding tabulation reflect reductions of approximately \$1,850 in pension expense for service prior to January 1, 1944, the effective date of the company's pension plan, and other minor amounts. The full current service pension costs are included.

In order to obtain the amount of additional revenue, which the company states it needs, it seeks authority at this time to make effective the "interim" rates as set forth in Exhibit B. The principal changes in rates may be summarized as follows:

<u>Item</u>	<u>Estimated Annual Amount Applied to Six-Month Period Ending January 31, 1948</u>
1. Increase rates for individual and party-line service in all exchanges and expand base rate areas	\$ 18,060.00
2. Increase rates for business extension stations	450.00
3. Increase rates for PBX trunks	144.00
4. Increase rates for farmer line service	1,839.00
5. Increase the guarantee for semipublic service	531.00
6. Eliminate the discount for prompt payment of bills	<u>4,123.95</u>
Total	25,147.95

The applicant is faced with a large construction program, which it estimates will increase its investment during the next

several years in excess of 50% over the present book amount. This program is required to improve service and to provide telephones to the more than 500 waiting applicants. Included in the company's construction program, set forth in Exhibit C, are amounts for additional facilities, including the replacement of the Strathmore central office with a larger dial installation and the construction of outside plant facilities. The company also has plans for the conversion of the Lindsay central office to dial operation during 1949. This construction program will necessitate the securing of additional capital on the part of the company.

Because of the decline in earnings coupled with the necessity of raising comparatively large amounts of capital in order to carry out the company's construction and improvement program, it appears that some relief in the way of increased rates is justified at this time.

In reference to the rates, it should be observed that full consideration has been given to the evidence as to the lack of uniformity of certain exchange rates and, accordingly, the order provides increases of varying amounts and percentages as between the different exchanges.

The basic rates for business services are increased in amounts up to \$1.25 per month and the residence rates up to \$0.50 per month.

Extension station rates are made uniform at \$1.25 for business and \$1 for residence service. Rates for PBX trunks are established at a uniform level, 150% of the rate for individual line service. The minimum guarantee for semipublic service is increased and expressed on a daily basis. Rates for farmer line service have been increased and changed from an annual to a monthly basis. The minimum rate per farmer line circuit is equal to the charge for five farmer line residence stations.

Increases in service connection and move and change charges are authorized for applications received by the company on and after August 21, 1948 to provide a charge of \$6 for the installation of a business primary station, \$4 for the installation of a residence primary station, \$2.50 for a business extension station, and \$2 for a residence extension station and for a move or change.

Mileage charges for off-premises extension stations are based on airline rather than circuit measurements. Rates are also increased for items of supplemental equipment, interexchange receiving service, directory listings, and directory advertising service.

The discount allowed for prompt payment of bills in the Lindsay exchange is authorized to be discontinued. Certain foreign exchange rates are increased and telegraph rates are increased to the Western Union level.

The base rate area of the Lindsay and Reedley exchanges and the Strathmore special rate area are to be expanded as shown in Exhibit B, pages 9 and 10. At the present time the company is furnishing service to approximately 50 subscribers to farmer line service and to a number of subscribers to suburban service in the area to be included in the expanded base rate areas. Facilities are expected to be available in the near future to upgrade the affected suburban and farmer line services to four-party line service. The company proposes, however, to continue to serve affected farmer line subscribers who indicate a preference for farmer line service on a deviation basis.

The above outlined rate changes are estimated to increase annual revenue approximately \$23,000 applied to the period August 1, 1947 through April 30, 1948 on an annual basis and to result in a rate of return of 5.73%.

O R D E R

Request having been made by the San Joaquin Associated Telephone Company for an Order authorizing increases in telephone

rates and charges, the matter having been submitted for decision, and the Commission hereby finding that the increases in rates and charges hereinafter set forth 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 rates and conditions set forth in Exhibit A attached hereto, provided that there be filed simultaneously therewith the base rate and special rate area maps set forth in Exhibit B, pages 9 and 10 of the application.
2. Applicant is authorized, as a deviation from its filed tariffs, to continue farmer line service to present subscribers in those portions of the suburban area being included in the revised base rate and special rate areas of the Lindsay and Reedley exchanges, until further Commission order.
3. Applicant is authorized, on not less than five (5) days' notice to the Commission and to the public, to make said rates and conditions effective by billing periods on and after August 21, 1948 for bills covering service furnished on and after August 21, 1948 except rates and conditions applicable to telegraph service, installation charges, service connection charges, move and change charges, and directory advertising service which may be made effective as follows:

<u>Service</u>	<u>Effective Date</u>
a. Telegraph service	August 21, 1948
b. Installation charges, service connection charges, and move and change charges for applications received by the company on and after	August 21, 1948
c. Directory advertising service for the next issues of the:	
Fowler and Lindsay directories, on or about	April 1, 1949
Reedley directory, on or about	March 1, 1949

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

Dated at San Francisco, California, this 20th day of July, 1948.

P. F. Dunsen
Justice F. Calver
W. P. Powell
Harold H. Hill

Commissioners.

EXHIBIT A

Schedule No. A-1

GENERAL SERVICE

Fowler, Lindsay, and Reedley Exchanges

	<u>Rate Per Month</u>	
	<u>Residence Service</u>	<u>Business Service</u>
RATES:		
Each individual line desk set station	\$3.00	\$4.25
Each two-party line desk set station	2.50	3.50
Each four-party line desk set station	2.25	-
Each extension desk set station	1.00	1.25

CONDITIONS:

Lindsay only:
Delete Condition No. 4

Schedule No. A-1 (a)

GENERAL SERVICE

Strathmore Special Rate Area

	<u>Rate Per Month</u>	
	<u>Residence Service</u>	<u>Business Service</u>
RATES:		
Each individual line desk set station	\$5.00	\$6.25
Each two-party line desk set station	-	4.90
Each four-party line desk set station	3.25	-
Each extension desk set station	1.00	1.25

CONDITIONS:

Delete Condition No. 4

Schedule No. A-3

SEMI-PUBLIC SERVICE

Fowler, Lindsay, and Reedley Exchanges

	<u>Rate</u>
RATES:	
Each individual line coin-box wall set station:	
Minimum Charge:	
Fowler, Lindsay and Reedley	\$0.15 per day
Strathmore special rate area	.15 " "
	plus 2.00 per month
Each exchange message	.05
Each extension desk set station without coin box, per month	1.25

EXHIBIT A

Schedule No. A-3 (Cont'd)

CONDITIONS:

Revise Condition 4 to read as follows:

"Service under this schedule is furnished on a daily guaranteed basis. Collections will be made as nearly as practicable at monthly intervals. When the amount found in the coin box, which has been collected for local messages, is less than the guaranteed minimum charge, the subscriber will pay the deficit."

Schedule No. A-4

MILEAGE RATES

Fowler, Lindsay, and Reedley Exchanges

Rate Per Month
For each 1/4 mile
Airline measurement

RATES:

Revise Rate (2) as follows:

(2) Off Subscriber's Premises and Within the Exchange Area:

(a) Same subscriber where terminals are:
Within 300 feet of the primary station
on the same continuous property:

Business	\$0.50
Residence	No Charge

Beyond 300 feet of the primary station on the same continuous property	1.00
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On non-continuous property:	
First 1/4 mile or fraction	2.00
Each additional 1/4 mile or fraction	1.00

(b) Different subscriber:	
First 1/4 mile or fraction	2.00
Each additional 1/4 mile or fraction	1.00

CONDITIONS:

Delete Condition 1.

Revise Condition 2 to read as follows:

"No mileage charge is applicable to residence extension station lines. Terminals of all residence station lines must be located on the same continuous property and within 300 feet airline measurement of the primary station, and within the exchange area."

EXHIBIT A

Schedule No. A-5

SUBURBAN SERVICE

Fowler, Lindsay, and Reedley Exchanges

	<u>Rate Per Month</u>	
	<u>Residence Service</u>	<u>Business Service</u>
RATES:		
Each ten-party line desk set station	\$2.50	\$3.50
Each desk set extension station, without bell	1.00	1.25

CONDITIONS:

Lindsay Exchange:
Delete Condition 3

Schedule No. A-6

FARMER LINE SERVICE

Lindsay and Reedley Exchanges

	<u>Rate Per Month</u>	
	<u>Residence Service</u>	<u>Business Service</u>
RATES:		
Farmer line service, each station	\$.60	\$1.00
Minimum charge is \$3 per month per circuit.		

Schedule No. A-7

PRIVATE BRANCH EXCHANGE SERVICE

Lindsay and Reedley Exchanges

	<u>Rate Per Month</u>	
RATES:		
Trunk rate:		
Each trunk line:		
Lindsay and Reedley base rate area		\$6.25
Strathmore special rate area		8.25

CONDITIONS:

Lindsay Exchange:
Delete Condition 6

Schedule No. A-14

DIRECTORY LISTINGS

Fowler, Lindsay, and Reedley Exchanges

	<u>Rate Per Month</u>
RATES:	
Additional listings and lines of information:	
Each business listing	\$0.50

EXHIBIT A

Schedule No. A-15

SUPPLEMENTAL EQUIPMENT

Fowler, Lindsay, and Reedley Exchanges

RATES:	<u>Installation Charge</u>	<u>Rate Per Month</u>
Ordinary extension bell	\$ 2.50	\$0.50
Loud ringing bell	3.00	.60
Buzzer circuit, including one push button, one buzzer and 50 feet of wire	2.50	.40
Each additional push button	.75	.20
Each additional buzzer	.75	.20
Each additional 50 feet of wire	2.50	-
Each intercommunicating line between two or more stations	2.50	1.00
Each cam lever switch or key	2.00	.30
Cords - Long:		
Two, three, or four conductor cords:		
Each 10-foot cord	2.00	-
Each 15-foot cord	3.00	-
Each 25-foot cord	4.00	-
Each cord other than above but not longer than 25 feet, the charge for the next longer cord, plus	1.00	-
Chest transmitter and single head receiver on standard 1-position PBX switchboard in addition to standard transmitter	-	1.25
Chest transmitter and single head receiver substituted for a standard telephone set on business extension station or PBX station to meet special requirements, desk set rate, plus	-	.75
Head receiver with 6-foot cord:		
Single head receiver	-	.30
Double head receiver	-	.60
Industrial signals:		
Relay	2.50	.75
Signal and relay	3.00	1.35
Booth	10.00	2.00
Jacks:		
Each two, three, or four contact jack	6.00	-
Cancel rates in Lindsay and Reedley exchanges for:		
(a) Local talking circuit, including battery and 50 feet of wiring.		
(b) Chest transmitter on standard 1-position PBX switchboard to be used in place of standard transmitter.		

EXHIBIT A

Schedule No. A-15 (Cont'd)

CONDITIONS:

Revise conditions as follows:

Cords exceeding standard length:

The installation charge for cords substituted for regular desk set and hand set cords applies in connection with each installation and each replacement of such cord except under the following conditions:

- (a) Where replacement of such cord is initiated by the company and required for the proper maintenance of the equipment or service.
- (b) Where instrumentalities in place include such a cord and the applicant for service has ordered a cord of the same type and length.
- (c) Where a subscriber's desk set or hand set equipped with such a cord is moved to another premises of the same subscriber within the same building.

Schedule No. A-19

FOREIGN EXCHANGE SERVICE

RATES:

	<u>Rate Per Month</u>
Dinuba Farmer Line Service in Reedley:	
Residence	\$1.20
Business	2.00
Parlier Farmer Line Service in Reedley:	
Residence	1.10
Business	1.75

Schedule No. A-20

FOREIGN EXCHANGE SERVICE

RATES:

	<u>Rate Per Month</u>
Fresno Service in Fowler:	
Residence flat rate:	
1-Party	\$3.75
2-Party	3.00
4-Party	2.50
Suburban	3.00
Business message rate service:	
1-Party	200-\$16.75-5¢

Schedule No. A-21

INTEREXCHANGE RECEIVING SERVICE

Fowler, Lindsay, and Reedley Exchanges

RATES:

	<u>Rate Per Month</u>
Each interexchange receiving service furnished	\$5.00

EXHIBIT A

Schedule No. A-22

AUTOMATIC PRIVATE BRANCH EXCHANGE SERVICE

Lindsay Exchange

	Rate Per Month	
	<u>Residence Service</u>	<u>Business Service</u>
RATES:		
Trunk Rate:		
Each Trunk:		
Lindsay base rate area	\$4.50	\$6.25
Strathmore special rate area	6.50	8.25

CONDITIONS:

Delete Condition 1.

Schedule No. A-23

MULTIPLE LINE KEY CABINET SERVICE

Lindsay Exchange

	Rate Per Month	
	<u>Residence Service</u>	<u>Business Service</u>
RATES:		
Each individual line:		
Base rate area	\$3.00	\$4.25
Special rate area	5.00	6.25

CONDITIONS:

Delete Condition 6.

Schedule No. A-29

MOVE AND CHANGE CHARGES

Fowler, Lindsay, and Reedley Exchanges

	<u>Charge</u>
RATES:	
(1) Subscriber's telephone sets:	
Moving from one location to another on the same premises, each set	\$2.50
Change of subscriber's set, not required by change in class, type, or grade of service:	
Change between desk set and wall set	2.50
Change between hand set and wall set	2.50
Change between hand set and desk set	2.50
Change between manual and dial set where no change in type of set is involved	2.50
Other changes	2.50
Other equipment and wiring	Actual Cost

EXHIBIT A

Schedule No. A-30

SERVICE CONNECTION CHARGES

Fowler, Lindsay, and Reedley Exchanges

RATES:	<u>Service Connection Charges</u>
New and Additional Business Service:	
Each primary station	\$6.00
Each extension station	2.50
Each PBX station	2.50
Each PBX trunk	6.00
New and Additional Residence Service:	
Each primary station	4.00
Each extension station	2.00
Each PBX station	2.00
Each PBX trunk	4.00
Instrumentalities in Place:	
Each station line, including all stations connected to that line	2.00
Each PBX system as a unit	2.00

Schedule No. C-1

TELEGRAPH SERVICE

RATES:	<u>Rate</u>
Telegrams:	
First 10 words or less	\$0.36
Each additional word	.03
Day Letters:	
First 50 words or less	.54
Each additional 10 words or less	.096
Night Letters:	
First 25 words or less	.288
Each additional 5 words or less	.012

CONDITIONS:

Add Condition: "In the determination of the total charge for a message when using the tables above, a fraction of a cent is considered as a whole cent."

EXHIBIT A

Schedule No. D-1

DIRECTORY ADVERTISING SERVICE

Fowler, Lindsay, and Reedley Exchanges

RATES:	<u>Rate Per Month</u>		
	<u>Fowler</u>	<u>Lindsay</u>	<u>Reedley</u>
(1) Classified Display Advertisements:			
One-half double column, each	\$5.00	\$9.00	\$7.00
One-half column, each	2.50	4.50	3.50
One-quarter column, each	1.25	2.25	1.75
(2) Classified Column Advertisements:			
Informational inch, each	1.00	1.50	1.25
Trade Mark:			
Heading, each	1.25	2.00	1.75
Bold type listing, each	.35	.50	.40
Regular type listing, each	.25	.25	.25
Trade name listing, each	.40	.60	.50
Two or more, each	.40	.60	.50
With display space, each	.40	.60	.50
Bold type listing, each	.35	.50	.40
Two or more, each	.35	.50	.40
With display space, each	.35	.50	.40
Regular type listing, each	.25	.25	.25
Regular type line of information, each	.25	.25	.25
Trade name cross reference heading, each	.40	.65	.50