

Decision No. 42152**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
THE J. P. THOMAS TELEPHONE AND
TELEGRAPH COMPANY for authority to
establish continuous service, and
for increases and changes in rates for
Telephone Service.

Application No. 29652

Mrs. Rae Downie, Mrs. E. T. O'Kane,
and Mr. W. G. Snyder, for applicant.

O P I N I O N

In this application, the J. P. Thomas Telephone and Telegraph Company operating in Humboldt and Mendocino Counties requests authority to increase rates for exchange telephone service approximately \$4,100 annually, coincident with the establishment of 24-hour service.

A public hearing was held at Garberville on October 14, 1948, at which time applicant amended the application by introducing as exhibits a public pay station schedule and revised schedules for mileage rates, move and change charges, and service connection charges. There was no opposition to the introduction of 24-hour service with increased rates expressed at the hearing, but several persons who appeared stressed the necessity for an improvement in service.

The applicant serves the town of Garberville and surrounding territory by means of a two-position magneto switchboard at which connection is made with The Pacific Telephone and Telegraph Company's circuits for toll service. The filed hours of service are 7 a.m. to noon, and 1 p.m. to 9 p.m. daily. The application states that the applicant has received numerous requests for establishment of continuous service and this statement was verified by several persons who

appeared at the hearing and stated they had a requirement for 24-hour service. Three of the persons represented the Garberville Chamber of Commerce, the Harris Grange, and the Garberville Business Men's Association, respectively.

A number of complaints against the service were expressed at the hearing, alleging poor transmission, excessive number of subscribers on the line, and delays in completing toll calls. The witness for the company, Mr. Snyder, testified that 12 of the suburban lines had more than ten stations connected, the number varying between 11 and 21, and averaging almost 17 stations per line, and that some of the suburban line stations were located within the base rate area of the Garberville exchange. He stated that he had been retained as a consultant by the company and that a construction program was being undertaken which should materially improve the service and reduce the number of subscribers to not more than ten per line. The program includes the conversion of the central office equipment from magneto to common battery manual operation and the construction of additional outside plant, at a total cost of approximately \$25,000 by the end of 1949. The company will be expected to proceed immediately with the construction program outlined at the hearing and will be required to furnish periodic reports of its progress. The Commission's staff will be instructed to investigate the subscribers' complaints.

Estimated results of operation for the year 1948, as shown in the application and as introduced in testimony by a member of the Commission's staff, are summarized in the following table:

	Estimated Year 1948				
	Company Estimate		Commission's Staff Estimate		
	Present Rates Ltd.Hrs.	Proposed Rates Cont.Hrs.	Present Rates Ltd.Hrs.	Co. Proposed Rates Cont.Hrs.	Trial Rates Cont.Hours
(1)	(2)	(3)	(4)	(5)	
Revenues	\$27,950	\$31,992	\$29,740	\$34,780	\$32,580
Expenses	26,006	30,400	27,099	30,920	30,480
Net Revenue	1,944	1,592	2,641	3,860	2,100
Rate Base	46,459	46,459	42,082	42,560	42,560
Rate of Return	4.2%	3.4%	6.3%	9.1%	4.9%

The revenue and expense estimates in column (1) were based on the first six months' operations expressed on an annual basis. The revenue and expense estimates in column (3) were based on the first eight months' operations expressed on an annual basis. All of the expense estimates shown provide for the retention of a consultant to engineer and program the necessary construction and advise the company on improved methods of operation.

The rate base figures included in the above tabulation are based upon available company records, which are admittedly inadequate, and their use in this proceeding is not to be construed as a finding of their reasonableness. An inventory and estimated original cost appraisal as of August 27, 1948, was submitted as Exhibit 6 at the hearing by the company's witness, who testified that the inventory of the plant in town was based on an actual count, while average plant units per mile were determined for the suburban lines and applied to scaled measurements. The company records were not available for determining unit costs, so average costs based on experience in other localities were used. The depreciation reserve requirement was determined by inspection of the properties. This appraisal varies considerably from the company records, particularly in the pole line account, and it does not appear necessary to pass upon its reasonableness at this time. The depreciated investment shown by the

inventory is \$42,795, and the depreciated investment shown by the company books, as of August 31, 1948, is \$40,600.

Included as Exhibit C of the application is a proposed semipublic coin-box service schedule, providing for individual line and suburban ten-party line coin-box stations at a minimum charge of twenty cents per day. The company's witness testified that the provision of semipublic service on suburban lines was desired by a number of business establishments and that about 11 were actually in service. Witness for the Commission testified that the provision of semipublic service on suburban lines was generally considered undesirable, because of the subscriber's liability for the monthly guarantee, coupled with the inability of the operator positively to identify stations on a ten-party line. This undesirable feature can be avoided by establishing public pay stations. However, due to the congested conditions of the applicant's suburban lines, provision of public pay stations in addition to regular suburban service for each of the 11 subscribers is impracticable, and the following order will provide for continuation of the existing semipublic services on a deviation basis, but the installation of new semipublic services on suburban lines will not be authorized. The requested rate of twenty cents per day would provide an average monthly revenue in excess of \$6, which is \$2 greater than the individual business line rate being authorized. A rate of fifteen cents per day will be authorized.

The record shows that the applicant has been purchasing directories from The Pacific Telephone and Telegraph Company for distribution to its subscribers. Mr. Snyder testified that the applicant was considering issuing its own directory which would include a classified advertising section. He estimated that approximately \$100 of additional revenue would be realized the first year, but stated that a set of directories with an "in service" life of one year had just been purchased, so that the first issue of the J. P. Thomas

Telephone and Telegraph Company's directory would not be before next summer.

An increase sufficient to compensate for the additional expense incurred in the furnishing of continuous service will be granted. Based upon the estimated results of operation for the year 1948, it appears that an increase of \$3,700 in revenue is required. It is estimated that toll revenue will increase \$500 due to the added hours of service; therefore, increases in exchange rates estimated to provide \$3,200 additional local service revenue will be authorized. If the revenues increase as estimated, the net income for the test year with 24-hour operation should be \$2,800, or between 6% and 7% return on the rate base shown.

O R D E R

The J. P. Thomas Telephone and Telegraph Company having made application to the Public Utilities Commission of the State of California for authority to establish continuous service and increase rates for exchange telephone service, a public hearing having been held and the matter having been submitted for decision, the Commission hereby finds 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, in accordance with General Order No. 96, the schedule of rates set forth in Exhibit A attached hereto, and after not less than five (5) days' notice to the Commission and to the public, to make said rates effective on and after December 1, 1948, for bills covering service furnished on and after December 1, 1948.
2. Applicant is ordered to provide 24-hour telephone service in the Garberville exchange on and after December 1, 1948.
3. Applicant is authorized to continue as deviations the existing suburban line services in the base rate area, and the existing services in excess of ten on suburban lines, until normal service can be provided. The rates for two-party line business and four-party line residence services shall be applied to the respective business and residence suburban line services in the base rate area, and the regular suburban rates to all

services, except semipublic service, on suburban lines. No new suburban services shall be established in the base rate area after the effective date of this order and no new service shall be established on suburban lines which have ten or more subscribers.

4. Applicant is authorized to continue as deviations the existing semipublic services being provided on suburban lines, but no new semipublic services shall be established on such lines. Each existing semipublic service shall be discontinued at such time as there is a change in the recipient of the service.
5. Applicant is ordered to submit within thirty (30) days after the effective date of this order a list of all deviation services being provided.
6. The applicant is ordered to submit within sixty (60) days after the effective date of this order a program itemizing the various construction projects required to reduce the number of stations per line to not more than that permitted by the tariff schedules. This program shall set forth the estimated completion dates, the estimated number of man hours and total estimated cost for improvements, segregated by lines where possible, together with associated retirements.

The effective date of this order shall be twenty (20) days from and after the date hereof.

Dated at San Francisco, California, this 26th day of October, 1948.

R. Z. Induray
James F. Craven
Charles F. Powell
Harold P. Kula
Samuel H. Potter
Commissioners.

EXHIBIT A

<u>Item</u>	<u>Wall, Desk or Hand Set Stations</u>	
	<u>Residence Service</u>	<u>Business Service</u>
<u>Rate per Month</u>		
<u>Schedule No. A-1, Flat Rate Exchange Service</u>		
Each individual line primary station	\$ 3.25	\$ 3.75
Each two-party line primary station	2.75	3.25
Each four-party line primary station	2.25	-
Each extension station	1.00	1.00
<u>Schedule No. A-3, Semipublic Service</u>		
Schedule included in application as Exhibit C is authorized with the minimum charge per day reduced to fifteen cents and the offering of semipublic service on suburban lines eliminated.		
<u>Schedule No. A-4, Public Telephone Service</u>		
Rates and conditions, as shown in Exhibit 4, are authorized to be filed.		
<u>Schedule No. A-6, Mileage Rates</u>		
Rates and conditions, as shown in Exhibit 3, are authorized to be filed.		
<u>Schedule No. A-8, Suburban Service</u>		
Each primary station	2.75	3.75
<u>Schedule No. A 10, Move and Change Charges</u>		
Rates and conditions, as shown in Exhibit 2, are authorized to be filed.		
<u>Schedule No. A-11, Service Connection Charges</u>		
Rates and conditions, as shown in Exhibit 1, are authorized to be filed.		
<u>Preliminary Statement</u>		
The preliminary statement should be revised to show that service will be furnished 24-hours daily.		
<u>Rule and Regulation No. 1, Description of Service</u>		
This rule should be revised to show the grades of service being offered, and the number of extension stations which will be furnished in connection with each grade of service.		