

ORIGINAL

Decision No. 42651

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application  
of the WEST SIDE TELEPHONE COMPANY,  
a Corporation, for an order  
authorizing increased rates for  
service.

Application No. 29935

F. H. Warner, for applicant; Eldon Dye and  
Edson Abel, for California Farm Bureau  
Federation.

O P I N I O N

West Side Telephone Company, a corporation, is engaged in the business of operating a farmer line telephone system in the suburban area of the Healdsburg exchange of The Pacific Telephone and Telegraph Company. In this application the West Side Company seeks the authorization of this Commission to increase rates and charges for telephone service, alleging that the costs of most operations, including material, supplies, labor, supervision, and overhead have increased to such a point that resulting net revenue is insufficient to carry on the business and render adequate service.

A public hearing in this matter was held at Healdsburg on March 10, 1949 before Examiner Ross. No subscribers appeared at the hearing to protest the proposed increases.

This company was incorporated in 1904. Its lines are located in the southernmost part of the Healdsburg exchange with approximately one mile of line extending into the northeastern part of the Forestville exchange. The latter area is designated as Zone 2, and there are five subscribers in this area served from the Healdsburg exchange on a foreign exchange basis. As of February 2, 1949, there were a total of 80 main stations and five extension

stations served by the company. All the company's main stations are magneto type and its lines are switched on a farmer line basis at the Pacific Company's Healdsburg exchange. The Pacific Company also furnishes and bills the customers of the West Side Company directly for toll telephone service at Pacific Company's filed rates.

Applicant's present rates provide for wide differentials between stockholders and other subscribers with respect to main station service. Stockholders own and maintain their individual station equipment and are billed at the rate of \$0.25 per month per main station for business or residence stations in either Zone 1 or 2. Stockholders receive service to 30 main stations and one extension station. Service to non-stockholder subscribers is provided to 50 main stations and four extension stations owned and maintained by the company. The rates charged non-stockholders do not differentiate between business and residence service and in general provide for a successive \$0.25 per month differential between wall, desk and hand set main station equipment, respectively, with the basic, or wall type, set at \$1 in Zone 1 for all classes of service except two-party, but in Zone 2 the lowest charge is \$1.25 for multi-party service with a wall set. The remainder of the filed rates are uniform between stockholders and other subscribers, and are \$1.50 for service connection charge; \$0.75 per month for extension stations; and, in the category of mileage rates, \$0.50 per each quarter mile for one-party service, and \$0.35 per each quarter mile for two-party service.

The rates requested by applicant perpetuate differentials between stockholders and other subscribers for main station service, and in fact in all instances widen the dollar differential. The requested rates are the same for business and residence service, as are the present rates. The stockholder rate proposed is \$0.50 per month per main station. The rate proposed for other subscribers for multi-party service with a wall set is \$2, for two-party service with

a wall set is also \$2, and for one-party service with a wall set is \$3, with an additional \$0.25 for a desk set and \$0.50 for a hand set on any of the three classes of lines. The remainder of the rates requested do not differentiate between stockholders and other subscribers, and provide for a \$5 service connection charge, a \$0.75, \$1, and \$1.25 charge per month for extension stations with wall set, desk set and hand set, respectively, and mileage rates of \$0.75 per quarter mile for one-party service, and \$0.50 per quarter mile for two-party service.

In addition to the present and proposed rates discussed above, the Pacific Company's switching charges as filed are applicable and are passed on to customers in the West Side Company's billings, although not a part of this proceeding.

The Commission's staff presented in evidence its report on the past and estimated future results of operations of the West Side Company, reflecting present rates and the rates requested by applicant, as well as rates suggested by the staff. Due to the fact that the records of the company were not clear, it was necessary for the staff to compute the probable revenue for past periods upon the basis of the average number of stations and the average revenue per station. A depreciated rate base of \$4,831 for the estimated average year 1949 was obtained by adding an estimated \$300 for average plant construction during the year 1949 to the 1948 year-ending total of \$4,921 and subtracting the estimated depreciation reserve of \$390. Following is a tabulation of the results of operation for 1948 as well as for the estimated year 1949, showing present rates, requested rates, and the staff's suggested alternative schedule of rates:

Item	Year 1949 Estimated			
	1948	Present Rates	Co.'s Proposed Rates	C.P.U.C. Trial Schedule
	(1)	(2)	(3)	(4)
Operating Revenues	\$1,416.00	\$1,622	\$2,433.10	\$2,213
Operating Expenses	1,430.29	1,460	1,460.00	1,460
Taxes (Excl. Income Tax)	136.46	150	150.00	150
Federal Income Taxes	-	-	130.00	\$5
Depreciation	189.48	200	200.00	200
Total Oper. Expenses	1,756.23	1,810	1,940.00	1,895
Net Operating Revenue	( <u>339.23</u> )	( <u>188</u> )	493.10	318
Depreciated Rate Base				
Average Year	4,732.20	4,831	4,831.00	4,831
Rate of Return	( <u>7.15</u> )%	( <u>3.89</u> )%	10.21%	6.6%

(Red figure)

The staff's alternative or trial schedule embodies several distinct differences from the rates requested by applicant. The staff's recommended schedule reflected the elimination of the differentials between stockholders and other subscribers, as well as the elimination of the differentials between the various types of telephone sets. The staff further recommended that a differential be created between business and residence service, not only as to main station charges, but in the service connection charge and the charge for extension stations. It was also suggested that a specific rate be filed covering move and change charges, not provided for in present filed schedules. The appearance for the California Farm Bureau Federation concurred in the desirability of eliminating the present rate differentials in favor of stockholders.

A letter from the Pacific Company, dated March 9, 1948 and signed by James G. Marshall, Assistant Vice President, was introduced in evidence, indicating the practicability of changing the existing boundary between the Healdsburg and Forestville exchanges in such a manner as to eliminate the need of rendering foreign exchange service to the five subscribers presently in the West Side Company's Zone 2.

This letter was received in response to an inquiry made of the Pacific Company by the Commission's staff. The filing of such a boundary change by the Pacific Company would, accordingly, permit the expansion of the West Side Company's Zone 1 to include the entire territory now served by the company. The staff estimated that the elimination of Zone 2 would reduce the West Side Company's rate of return about 0.1% upon the basis of the staff's trial schedule.

Attention was called by the Commission's witness to an error in estimated revenue shown in Exhibit B of the application, due to a duplication in subscribers from which revenue was computed. Instead of \$2,268 annual revenue, it was testified that the amount shown for the revenue under the rates requested should have been about \$1,900. It was also pointed out that in Exhibit C of the application the estimated expenses for the year 1949 were not consistent with the estimated revenue, due to the inclusion of approximately \$150 of excise tax as an operating expense. These errors do not affect the summary of operations tabulation presented heretofore. Applicant raised no objection to these statements by the Commission's witness.

In addition to the adoption of its suggested rate, the staff recommended that applicant set up its books and records according to the uniform system of accounts as prescribed by this Commission, that it improve subscriber records, provide for proper allocation of time and material to operating expense and plant accounts, make an effort to secure more prompt payment from subscribers in the future, develop a program to provide for the acquisition by the company of station apparatus owned by stockholders, and that it program the addition of sufficient new circuits so that the maximum number of subscribers per circuit can be limited to ten.

It is concluded that the rates requested by applicant are improper and unfair and further that they would yield an excessive return on the investment. The rates recommended by the Commission's

staff, which will increase revenue about \$600 and will yield about 6½% return on the rate base, are concluded to be fair and proper rates, and the order will authorize their adoption.

ORDER

West Side Telephone Company, having applied to this Commission for an order authorizing increases in telephone rates and charges, public hearing having been held, and the matter having been submitted for decision,

IT IS HEREBY FOUND AS A FACT that the increases in rates authorized herein are justified; therefore,

IT IS HEREBY ORDERED that applicant is authorized to file with this Commission after the effective date of this order, in conformity with General Order No. 96, the rates shown 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 for service rendered on and after May 1, 1949.

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

Dated at San Francisco, California, this 29<sup>th</sup> day of March, 1949.

R. E. [Signature]  
Justice F. [Signature]  
[Signature]  
[Signature]

Commissioners

AUTHORIZED RATES AND TARIFF REVISIONS

<u>Item</u>	<u>Wall, Desk or Hand Set Stations</u>	
	<u>Residence</u>	<u>Business</u>
	<u>Service</u>	<u>Service</u>
<u>Rate Per Month</u>		
Schedule No. A-1(a)		
<u>INDIVIDUAL AND PARTY LINE SERVICE</u>		
Each individual line primary station	\$2.00	\$3.00
Each two-party line primary station	1.50	2.00
Each extension station	.75	1.00
Schedule No. A-1(b)		
<u>MULTI-PARTY LINE SERVICE</u>		
<u>Zone 1</u>		
Each multi-party line station	1.25	1.75
Each extension station	.75	1.00
<u>Zone 2</u>		
Each multi-party line station	1.50	2.00
Each extension station	.75	1.00
Schedule No. A-1(c)		
<u>MULTI-PARTY LINE SERVICE - COMPANY STOCKHOLDERS</u>		
Cancel and withdraw		
Schedule No. A-21		
<u>EXCHANGE SERVICE - SERVICE CONNECTION CHARGES</u>		
Each station	4.00	5.00
Change schedule number from A-21 to A-2.		
EMERGENCY RULE AND REGULATION A-1		
<u>IN COMPLIANCE WITH NATIONAL DEFENSE PROGRAM</u>		
Cancel and withdraw		
Schedule No. A-3		
<u>MOVE AND CHANGE CHARGES</u>		
Add new Schedule No. A-3 as shown on		
Pages 2 and 3 of this exhibit.		

Schedule No. A-3

MOVE AND CHANGE CHARGES

APPLICABILITY

Applicable to charges for moves and changes of telephone equipment, apparatus, and wiring on the subscriber's premises performed by the Company at the request of the subscriber.

TERRITORY

Within area as defined on a map filed as part of the tariff schedules.

RATES

	<u>Charge</u>
(1) Subscriber's Telephone Sets:	
Moving from one location to another on the same premises, each set . . . . .	\$2.50
Change between hand set, desk set, or wall set, each set . . . . .	2.50
Other changes . . . . .	2.50

SPECIAL CONDITIONS

1. Charges for moves and changes are intended to cover in part the expense incurred by the Company in meeting the requirements of subscribers relative to inside moves, rearrangements or changes of telephone equipment, apparatus or wiring on the same premises.

2. A change of location from one premises to another will not be treated as a move but as a disconnect and a new installation.

3. Charges for moves and changes will apply when equipment or apparatus is transferred from one location to another on the same premises where there is no interruption of service other than that incident to the work performed.

4. A temporary disconnection or rearrangement of a subscriber's telephone facilities or equipment to permit redecorating or remodeling of the premises will be considered as a move and the Move and Change charges will apply.

5. Move and change charges do not apply under the following conditions:

- a. When moves, rearrangements or changes are initiated by the Telephone Company.

When a replacement of a subscriber's telephone set is required in connection with such moves, rearrangements or changes, a change at the request of the subscriber from desk set to wall or hand set, wall set to desk or hand set, or hand set to wall or desk set will be made without additional charge.

(Continued)



Schedule No. A-3

MOVE AND CHANGE CHARGES  
(Continued)

SPECIAL CONDITIONS (Continued)

- b. When a move, rearrangement or change is required on account of a change in class, type or grade of service, or on account of a change between manual and dial service.

When a replacement of a subscriber's telephone set is required in connection with such moves, rearrangements or changes, a change at the request of the subscriber from desk set to wall or hand set, wall set to desk or hand set, or hand set to wall or desk set will be made without additional charge.

- c. When a change of instrument is made at the time of an inside move, only one move and change charge is applicable.

6. Charges for moves and changes are not to exceed the sum of the charges which would apply to a new installation of the same service and facilities.