

Decision No. 43212**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 increase rates for  
 service in its VOLCANO territory.

Application No. 30440

W. Gilman Snyder and Frank V. Rhodes for  
 applicant; Frank V. Rhodes for California  
 Independent Telephone Association; J. J. Deuel  
 and Eldon Dye for California Farm Bureau  
 Federation; H. A. Higdon for Calaveras County  
 Farm Bureau and West Point Progressive Club.

O P I N I O N

W. Gilman Snyder, doing business as The Western Telephone Company, owns and operates a telephone system of which the Volcano exchange serves certain portions of Amador and Calaveras Counties. The above-entitled application was filed on June 27, 1949, seeking authority to establish an increased schedule of rates. A public hearing was held before Examiner Edwards at Volcano on August 2, 1949.

Applicant furnishes 24-hour magneto telephone service in its Volcano exchange. The record shows that the 20-line switchboard being used in April, 1948, has been replaced with a 60-line switchboard. This switchboard is housed in Volcano in a tile brick building. The classes and grades of exchange service being furnished consist of one and two-party business; one-, two-, and four-party residence; ten-party suburban business and residence service; semipublic coin-box service, and public telephone service. Toll station service is furnished, and rates for calls between the toll stations as well as for calls from the Volcano exchange to Jackson, are on file by the applicant. Applicant owns the toll line from Volcano to Jackson, and rates for calls to points beyond Jackson are the through (direct) rates of The Pacific

Telephone and Telegraph Company. The territory is sparsely settled, and service is being furnished to about 120 subscribers.

Applicant is requesting increases in both exchange and toll service rates to offset operating losses which are alleged to have been \$1,793.61 during the first five months of 1949. Several different proposals were advanced by the applicant. The application contained a proposal to increase the monthly exchange service rates by amounts ranging from 50 cents to \$1.50 per month, and to establish five toll zones within the Volcano exchange. At the hearing, two substitute proposals were submitted. The first would increase the flat rate station charges by 50 cents per month, add a \$2.50 monthly standby charge to each toll and each semipublic station, add a ten-cent terminal charge on each intrastate toll message, but leave the toll rates unchanged, and increase the service connection charges from \$6 to \$10 for business and from \$5 to \$7.50 for residence connections. Applicant estimated this would increase revenues \$612.90 per month. The second proposal was identical with the first proposal, except that the toll rates on calls transmitted entirely over the lines of applicant would be increased instead of adding the terminal charge to such calls. This was estimated to increase revenues \$490.50 per month.

In substantiation of the need for rate increases, applicant's witness testified that an out-of-pocket loss has been sustained for each of the past five months, January through May, inclusive, and the record shows that the highest such loss was \$598.33 for the month of April. He further testified that expenses have increased considerably since before the war and that the manager has never received adequate pay for the time and effort expended in operating the business. Before the war, telephone operators received 50 cents per hour and the maintenance man received \$175 per month. Now, telephone operators receive 75 cents per hour, which applicant believes is still too low a wage, and the maintenance man now receives \$300 per month. The

manager charges \$200 per month for approximately ten days' work per month, but testified that a more proper figure would be \$400 to \$500 per month.

The present level of rates was established in 1948 by the Commission under Decision No. 41579, dated May 11, 1948, in Application No. 28997. Since that time, the level of business in this area has declined due to the completion of construction work on power projects along the Mokelumne River and due to a general slackening in the rate of lumber production. Several logging companies have completed their operations and moved out of the territory. The utility's toll line business, particularly, has suffered as a result of these economic changes. However, there are prospects of obtaining approximately 100 new exchange service customers within the service area provided the utility can finance the construction of additional facilities in the West Point area. Applicant has not been successful in obtaining a loan of sufficient size to finance construction of the facilities required to furnish service to the prospective customers in the West Point area, but is proposing to incorporate the company and issue and sell stock to assist in financing extensions.

Because of the fact that a large portion of the toll business handled by this utility is to points outside of the area served by this company, applicant was questioned regarding the advisability of adopting toll rates for intra-area messages comparable with the toll rates which are now effective on The Pacific Telephone and Telegraph Company system and was requested to make a study of the effect of adopting the Pacific Company's level of toll rates for the Volcano exchange. The results of the study, filed as Exhibit 4 in this case, show that during the ten-day period July 21 to July 30, inclusive, the revenues would have been reduced only 70 cents if the Pacific Company toll rates had been in effect. This indicates that with the Pacific Company toll rates, or applicant's existing toll rates, there is need

for additional revenue from each toll message if losses in the Volcano exchange are to be eliminated without excessive increases in exchange rates.

At the hearing, interest in the proposed rate increase was manifested by several customers, some of whom presented statements for the record. Several customers from the West Point area testified to the need for more telephones, and regarding the slow service on toll calls. The West Point Progressive Club's representative estimated that there are over one hundred parties in that area who desire telephones, and that approximately 50 of them are within a half mile of the post office at West Point. One suburban service subscriber from Pine Grove indicated that she had difficulty understanding messages on incoming calls, but not on outgoing calls. Another customer from Pine Grove suggested that no telephone service be furnished from 10 p.m. to 6 a.m. to save on operating expenses. Other customers testified that they would have their telephones removed if the exchange service rates are increased again, following the increase granted in 1948. A customer from Volcano testified that because of general economic conditions, any increase in rates at this time would result in a loss of business which would throw a burden of higher rates on the few remaining customers to whom a telephone is essential.

Applicant's witness stated that the difficulty in hearing messages on incoming calls on suburban lines is apparently due to other parties than the one called listening on the party line; that the matter of extending service to West Point is dependent upon the ability of the company to obtain finances and the actual demand existing for service; that the slow service on toll calls was believed to be due in part to congestion of the Pacific Company's circuits beyond Jackson; and that applicant is anxious to continue to give 24-hour service and to give good service to all subscribers in the area.

In analyzing the record in this proceeding, and in reaching a conclusion as to a proper level of rates for the future, the objections of the customers as well as the applicant's financial circumstances have been given due consideration. Monthly reports filed with the Commission, and made a part of the record in this proceeding by reference, indicate that none of Mr. Snyder's salary has been capitalized. It appears reasonable to assume that at least \$50 per month of said salary should be capitalized, as the record shows that considerable of the time devoted by Mr. Snyder to the Volcano operations is spent planning or constructing new extensions to plant.

It is concluded that the applicant needs approximately \$450 increased revenue each month in order to place its operations upon a sound basis, and that this amount can be realized, without increasing exchange rates, by the adoption of the level of intrastate toll rates currently effective on the Pacific Company's system, and the addition of a terminal charge of ten cents per call on all intrastate toll calls. In authorizing the increases set forth in the following order, the Commission expects the applicant to proceed with due diligence to complete the incorporation, and to conduct a commercial survey of the West Point area for use in making a study of the best method of providing the desired grades of service in said area.

O R D E R

W. Gilman Snyder, doing business as The Western Telephone Company, having applied to this Commission for an order authorizing increases in telephone rates and charges, a 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 schedule of 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 September 11, 1949.

IT IS HEREBY FURTHER ORDERED that the application of applicant, except to the extent granted by this decision, is denied.

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

Dated at San Francisco, California, this 16th day of August, 1949.

R. Z. Indurain

Wesley L. Lawrence

Harold H. Kula

Commissioners.

Schedule No. B-1

TOLL SERVICE

APPLICABILITY

VOLCANO

Applicable to toll telephone service between stations of the system.

TERRITORY

Throughout the entire Volcano area as shown on maps filed as part of the tariff schedules.

RATES

(1) Mileage and corresponding rates for different classes of service between any two toll points:

Airline Mileage		Station-to-Station Rate		Person-to-Person Rate			Report Charge
More Than	Not More Than	First Three Minutes	Overtime	First Three Minutes	Ea. Add'l. Minute		
					First 3	After 3	
0	10	\$0.10	\$0.05(2)	\$0.30	\$0.10	\$0.05	\$0.05
10	15	.15	.05(1)	.35	.10	.05	.05
15	20	.20	.05(1)	.40	.10	.05	.10
20	25	.25	.05(1)	.45	.15	.05	.10
25	30	.30	.10(1)	.50	.15	.10	.10
30	35	.35	.10(1)	.55	.15	.10	.15
35	40	.40	.10(1)	.60	.20	.10	.15
40	50	.45	.15(1)	.65	.20	.15	.20
50	60	.50	.15(1)	.75	.25	.15	.20

(2) Terminal charge, each intrastate toll message \$0.10.

(3) Toll Guarantee for each toll station — \$5.00 per month.

SPECIAL CONDITIONS

1. The above station-to-station overtime rate \$0.05(1) indicates that the charge is five cents for each additional one minute or fraction thereof. The other rates are shown on the same basis.

2. The distances measured for the purpose of applying the above rates are the airline distances between toll points on this Company's system as determined from the filed map of system.

3. Service between points on the Company's lines and points reached over the lines of The Pacific Telephone and Telegraph Company is furnished at through rates (direct rates of The Pacific Telephone and Telegraph Company).

4. The terminal charge shown under Rate (2) above, is applicable to all intrastate toll messages transmitted wholly or in part over the facilities of The Western Telephone Company in the Volcano area, and is in addition to all other effective toll rates.

5. Charges for station-to-station and person-to-person calls may be reversed (i.e., charged to the called telephone) at the paid station-to-station and person-to-person rates respectively indicated above, provided the charges are accepted at the called station, except that the minimum charge for a station

(Continued)

Schedule No. B-1

TOLL SERVICE - (Cont'd.)

SPECIAL CONDITIONS - (Cont'd.)

service collect call is \$0.30 for the first 3 minutes, \$0.10 for each minute for the first three minutes of overtime, and \$0.05 for each minute over the first three minutes of overtime. When the charges are not accepted at the called station and the calling party is unwilling to pay the charges for completing the call, the regular person-to-person report charge will be charged to the calling party.

6. The Company will establish toll stations connected to its toll lines at its discretion. The equipment provided may be coin-box, or other, at the option of the Company.

7. All toll stations will be subject to a guarantee of revenue from message toll telephone service equal to the amount shown in Section (2) above. The Company may waive the guarantee at its option when it appears that the toll station is used to serve only general and transient users.

8. Under the application of the minimum guarantee shown in Section (2) above, the subscriber must guarantee each month from each station toll revenue not less than the amount shown, for toll service which is entirely over the lines of this Company, and exclusive of any tolls which may be derived for service where the lines of the Company may be connected to the lines of connecting companies. When the applicable revenue is less than the guarantee the subscriber will be required to make up the deficit. When the applicable revenue is greater than the guarantee, no allowance will be made the subscriber in any other month.

9. Where service is provided to a subscriber during only the summer months, or any portion of a year on a recurring basis, the subscriber must guarantee, for the period that he requires service, toll revenue equal to that which would be derived on an annual basis from the amount shown in Section (2) above, and in accord with Condition 7 preceding.

10. A toll station will be provided with equipment for one primary station. Supplemental equipment will be provided at the discretion of the Company at rates for such equipment equal to those established in the exchange where the toll line connects to the Company's switchboard.

11. Where the subscriber initiates a request for toll station service, all equipment provided will be installed at the same rates for installation as those within the exchange where the toll line connects to the Company's switchboard.

12. Where the subscriber requests a move or change of equipment, such move or change will be made at the same rates as within the connecting exchange.

13. Any necessary line extensions will be made in accord with the Company's rule and regulation covering this item.