

Decision No. 43349

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application  
of CALIFORNIA-PACIFIC UTILITIES  
COMPANY, a corporation, for an  
order authorizing it to increase  
rates charged for telephone  
service in the City of Needles  
and vicinity.

ORIGINAL

Application No. 29861  
Amended

Orrick, Dahlquist, Neff, and Herrington,  
by George H. Johnston, for applicant.

O P I N I O N

California-Pacific Utilities Company, a corporation, owns and operates several utility properties among which is a telephone system in and about the City of Needles, San Bernardino County, California, and filed the above-entitled application on November 30, 1948, seeking authority to establish an increased schedule of rates for such telephone service.

A public hearing was held before Examiner Warner in Needles on August 31, 1949.

California-Pacific Utilities Company - All Departments

Applicant engages in both utility and nonutility operations throughout several western states. It furnishes electric, butane-propane-air gas, water, and telephone public utility service in California, electric and gas public utility service in Oregon, electric and water public utility service in Nevada, and electric public utility service in Idaho and Wyoming. It also furnishes butane-propane-air gas nonutility service in Washington and is engaged in gas appliance merchandising and nonutility sale of propane in Oregon.

Area Served and Operation, Telephone Department - Needles

Telephone service was furnished to 155<sup>1/</sup> business and 624 residential, a total of 779 customers, on July 31, 1949. In addition, there were three business and 99 residential held orders as of that date. Continuous service is furnished in the Needles exchange by means of a recently enlarged, two-position, 400-line Stromberg-Carlson common battery switchboard. No suburban service is offered, all service outside the base rate area being furnished at base rates plus mileage charges. Connection is made at Needles with toll facilities of The Pacific Telephone and Telegraph Company for calls to points in California and the northwest states. Applicant owns and operates one toll line extending from Needles to the California-Arizona state border near the town of Topock, Arizona, where connection is made with the toll facilities of the Citizens Utilities Company for calls destined to points east of Needles. Citizens Utilities Company's toll facilities extend to Kingman, Arizona, at which point connection is made with toll facilities of the Mountain States Telephone and Telegraph Company. Six operators are employed with two operators being on duty from 10 a.m. to 12 noon and 4 p.m. to 9 p.m. on weekdays and one operator the balance of the time.

Toll service is furnished on the basis of agreements between The Pacific Telephone and Telegraph Company, the Citizens Utilities Company, and applicant with respect to division of toll revenue. Timing and ticketing of toll calls is performed by The Pacific Telephone and Telegraph Company for calls using its lines and by the Citizens Utilities Company for calls using its lines.

Service

Three complaints were registered at the hearing by customers regarding service, but each customer indicated that service had been

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<sup>1/</sup> Primary stations per billing detail.

substantially improved within the last year following the installation of new cable. They indicated that there was no objection to the granting of increased rates provided they could be assured of better service. Applicant's district manager showed that careful attention has been given to service complaints. Records are kept of the number of complaints for each telephone, the nature of the complaints, the action taken and the time taken to answer. The record shows that during and following the war, cable and maintenance equipment were difficult to obtain, and service suffered accordingly; however, the buried load covered cable formerly serving the business section of the town has been almost entirely replaced with aerial cable, and the balance of the town is served with aerial cable or open wire.

#### Rates

Applicant's present rates have been in effect since March 1, 1932. Evidence adduced at the hearing shows that wages of telephone operators increased 123.33% between 1940 and 1948, that the average annual wage of operators increased from \$733 to \$1,638 over the same period, and that additional increases would become effective November, 1949. Costs of, and additions to, plant have likewise increased as have taxes and other costs of operation. It is on the results of the operations for the first seven months of 1949, which effected a net operating loss of \$4,743 as shown hereinafter under another section that the application, as amended, for increased rates is based. Present and proposed exchange service rates are shown in the following tabulation:

Present and Proposed Exchange Service Rates				
Rate Per Month				
	Wall Set		Desk Set	
	Present	Proposed	Present	Proposed
<u>Business Flat Rate Service</u>				
Each individual line station	\$3.75	\$5.00	\$4.00	\$5.25
Each two-party line station	3.25	4.50	3.50	4.75
Each four-party line station	2.50	3.75	2.75	4.00
Each inside extension station	1.00	-	1.00	-
Each outside extension station	1.50	-	1.50	-
Each extension station	-	1.25	-	1.25
<u>Residential Flat Rate Service</u>				
Each individual line station	2.50	3.25	2.75	3.50
Each two-party line station	2.00	2.75	2.25	3.00
Each four-party line station	1.75	2.50	2.00	2.75
Each inside extension station	1.00	-	1.00	-
Each outside extension station	1.50	-	1.50	-
Each extension station	-	1.00	-	1.00

Other changes are proposed in mileage rates, to provide for a charge for extension station lines; it is proposed to increase the moving charge from \$1.00 to \$2.50 for subscribers' telephone sets and increase the charge for moving private branch exchange switchboards and inter-communicating systems. It is proposed to increase service connection charges for business service from \$3.50 to \$5.00 and to effect some change in the private branch exchange service rate. It is also proposed to establish a public telephone service exchange message rate of five cents; applicant having no such schedule in its present rates. Other more or less minor rate changes in service charges are proposed. Applicant also proposes to extend the boundary of the base rate area to include additional territory outside the extreme northwest portion of its present area, and at the hearing it was suggested that additional territory be included outside the extreme southeast portion of the present base rate area. These suggestions appear to be in the public interest and should be incorporated in a new map which the order herein will require to be filed. When these extensions have been made, the present mileage rate will no longer be applicable to customers residing in the newly included areas. Also, it is recommended that rates for suburban service be filed to provide for this grade of service if a

requirement for it should develop in connection with subdivisions located outside the base rate areas.

Earnings

Three witnesses for the applicant, Mr. E. K. Albert, Vice-president and Chief Engineer; Mr. C. E. Bramble, Vice-president and Treasurer; and Mr. E. M. Kennard, Division Manager, Needles Division, testified at the hearing in support of the application. The Commission's staff presented a report showing the results of operation of applicant's telephone department in Needles for the years 1947 and 1948, and as estimated for the year 1949; the latter year being predicated upon the basis of presently effective rates, those rates proposed by applicant in its original application and upon two schedules of trial rates. The staff report was introduced as Exhibit No. 19 and the results of operation contained therein, together with information contained in applicant's Exhibits Nos. 10, 14, and 17, are summarized as follows:

	Year 1948 Revised* and Years 1949 and 1950 Estimated				
	:P. U. C.: Company : P. U. C. Ex. No. 19:		Company :		
	:Exhibit :Ex. No. 17:	1949 Estimated		:Ex.Nos. 10 & 14:	
	: No. 19 :7 mos.end.:	:Originally:		Year 1950 :	
	:Yr. 1948: 7-31-49 :	Present :	Proposed :	Est. at Amended:	
	:Revised*:	Revised*:	Rates :	Rates :	Proposed Rates#:
<u>Operating Revenues</u>					
Local Service	\$18,595	\$ 11,538	\$23,100	\$	\$ 33,005
Toll Service	8,253	4,887	8,600		8,759
Miscellaneous	527	562	370		1,488
Uncollectibles	(253)	-	(250)		
Total Operating Revenues	27,122	16,987	31,820	39,320	43,252
<u>Operating Expenses</u>	22,602	19,886	26,700	26,700	30,093
Taxes	1,775	848	1,500	4,007	4,768
Depreciation - 6% S.F.	1,514	996	1,800	1,800	2,183
Total Operating Expenses	25,891	21,730	30,000	32,507	37,044
Net Revenue	1,231	(4,743)	1,820	6,813	6,208
Rate Base (Undepreciated)	77,500/	-	91,100/	91,100/	104,469/
Rate of Return	1.59%	-	2.00%	7.48%	5.94%

(Red Figure)

\* Recorded figures revised for change from straight-line depreciation to 6% S. F.

# Pro forma statement of normalized year.

/ Average year 1949.

φ Year-end 1949.

In explaining Exhibit No. 19, Mr. J. B. Balcomb, Commission staff engineer, explained that the estimate of \$6,813 net revenue for the estimated year 1949, at applicant's originally proposed rates, was based on a normalized year taking into account extraordinary maintenance expenses during the year 1948, and the early part of 1949, and depreciation annuity on the 6% sinking fund basis but without taking into account salary increases in the latter part of 1949, which applicant estimated would amount to approximately \$700 on an annual basis, and without including the extra operator's time on the second position of the switchboard.

From this tabulation, it is evident that the company's originally proposed rates, as amended at the hearing, would produce an excessive rate for the year 1949 if the average rate base for the year 1949, as proposed by the Commission's staff, is utilized instead of the year-end 1949 rate base, as proposed by applicant.

In its application, applicant alleged that it did not desire to have rates established which would produce what was considered to be a fair rate of return, but, rather, to operate under the proposed rate schedule with the intention of re-examining the matter in the light of future circumstances and conditions.

The order herein, therefore, will direct the filing of rates which will produce a rate of return of approximately 6% on an estimated rate base of \$102,000. This is considered to be a just and reasonable return upon the value of applicant's property used for telephone service in the City of Needles and vicinity.

Applicant introduced evidence purporting to show that the timing and ticketing of toll calls at Needles by applicant instead of by The Pacific Telephone and Telegraph Company and Citizens Utilities Company was not practicable and would result in a net annual loss of about \$1,500. Further questioning of Mr. Albert by Mr. Balcomb disclosed that this subject should be given further study and applicant

should scrutinize his estimate to see if some arrangement could be worked out that would provide additional net revenue.

O R D E R

California-Pacific Utilities Company having applied to this Commission for an order authorizing increases in rates, 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 and charges authorized herein are justified; therefore,

IT IS HEREBY ORDERED as follows:

1. That applicant is authorized to file in quadruplicate with this Commission after the effective date of this order in conformity with the Commission's General Order No. 96, those tariff schedules in Exhibit A attached hereto and the base rate area map filed as Exhibit 2, revised to include present development at southeast corner of Needles, and on not less than five (5) days' notice to the Commission and the public to make said rates effective for service rendered on and after November 1, 1949.
2. That applicant within forty (40) days from the effective date of this order shall file with this Commission four sets of rules and regulations governing customer relations, revised to reflect present day operation practices.

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

Dated at San Francisco, California, this 27th day of September, 1949.

Justus J. Casman  
John H. Russell  
Harold P. Kuls  
Kenneth P. Pitter  
Commissioners

TARIFF SCHEDULES

<u>Item</u>	<u>Wall, Desk, or Hand Set Station</u>	
	<u>Rate per Month</u>	
	<u>Residence Service</u>	<u>Business Service</u>
<u>Schedule No. A-1, Flat Rate Exchange Service</u>		
Each individual line primary station	\$ 3.50	\$ 5.00
Each two-party line primary station	3.00	4.00
Each four-party line primary station	2.50	3.25
Each extension station	1.00	1.25
Conditions as set forth in "Conditions - Proposed Schedule" of Exhibit 1.		
<u>Schedule No. A-4, Mileage Rates</u>		
Rates and conditions as set forth in "Proposed Schedule No. A-4" of Exhibit 1.		
<u>Schedule No. A-15, Supplemental Equipment</u>		
Rates as set forth in "Trial Schedule No. 1" of Table 7-A of Exhibit 19.		
<u>Schedule No. A-19, Move and Change Charges</u>		
Rates and conditions as set forth in "Proposed Exchange Service - Schedule No. A-19" of Exhibit 1.		
<u>Schedule No. A-20, Service Connection Charges</u>		
Rates and conditions as set forth in "Proposed Exchange Service - Schedule No. A-20" of Exhibit 1.		
<u>Schedule No. A-23, Private Branch Exchange Service</u>		
Rates as set forth in "Proposed Schedule No. A-23 of Exhibit 1, except that a trunk rate of \$5.00 is authorized.		
<u>Schedule No. A-24, Public Telephone Service</u>		
Rates and conditions as set forth in "Proposed Schedule No. A-24" of Exhibit 1.		