

ORIGINAL

Decision No. 43627

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SANGER TELEPHONE COMPANY, a corporation,
for an order authorizing increases and
changes in rates for exchange telephone
service.

Application No. 30486

Alden C. Knapp and Frank V. Rhodes for applicant;
Frank V. Rhodes for California Independent Telephone
Association; J. J. Deuel for California Farm Bureau
Federation; R. D. Crowe for the Dos Palos Telephone
Company; W. G. Sebastian for the Kerman Telephone
Company; Mrs. Blanche Harrington for the Livingston
Telephone Company; Norman H. Holt for the Sanger
Chamber of Commerce; Seymour C. Sterling for Sanger
Herald.

O P I N I O N

Sanger Telephone Company, a corporation, by the above-entitled application filed July 13, 1949, requests authority to increase and change rates for exchange telephone service in its Sanger exchange located in Fresno County.

A public hearing in this proceeding was held before Commissioner Potter and Examiner Kimball at Sanger on October 26, 1949, at which time applicant requested the authorization of interim rates. However, in lieu of taking the matter under submission for interim rates, it was agreed that the matter would be submitted five days after the Commission staff's report was mailed to the appearances, if none of the appearances requested an additional hearing within that time. The staff report was entered as Exhibit No. 5 in this proceeding, and was mailed to the appearances on December 8, 1949. No request for additional hearing was received, and the matter was submitted on December 15, 1949.

Sanger Telephone Company owns and operates a telephone system serving the Sanger exchange, which includes the incorporated City of Sanger and surrounding territory in Fresno County. The system was purchased from The Pacific Telephone and Telegraph Company on June 1, 1911, by J. N. Lisle and Guy Johnson, doing business as the Sanger Telephone Company. In 1913 the company was sold to Ross B. Matkins, who operated it until 1915 when it was purchased by H. F. Knapp. In 1943, Mr. Knapp transferred one-half interest in the company to Alden C. Knapp and the business was reorganized as a partnership. In February, 1949 the telephone properties were acquired by a corporation formed for that purpose under the name of Sanger Telephone Company. All outstanding common stock in the corporation is owned by H. F. Knapp and Alden C. Knapp.

The applicant furnishes 24-hour common battery telephone service in its Sanger Exchange, by means of six positions of switchboard equipped for 800 lines located in the central office building at 635 N Street, Sanger. As of November 1, 1949, the applicant was serving 2,094 stations, 1,868 of which were company owned and 226 subscriber owned. Also, as of that date, applicant had on file 103 unfilled applications for telephone service.

During the period 1939 through 1948, applicant's telephone revenues increased 405%, whereas its expenses before taxes and depreciation increased 441%. During this period its investment in telephone plant increased from \$62,350 to \$206,900, an increase of 232%. The exchange is scheduled to be converted to dial operation in August of 1950, at a net cost of approximately \$200,000, and applicant estimates that by the end of 1950 its investment in telephone plant and service will approximate \$500,000. Substantial wage increases were a major cause of the increase in expenses realized during 1949. Applicant bases its justification for an increase in rates on the fact that it is not making an adequate return on its investment.

A. C. Knapp, president of the corporation, presented testimony as to the earning results for 1948, the actual first nine months of 1949 prorated to a full year, and the estimated earning results for 1950 under present rates. Exhibit 5 presented by the Commission's staff sets forth results for 1948 and estimated results for 1949 at present rates, as well as estimated results for a normalized year 1950 at present rates, applicant's requested rates, and two sets of trial schedule rates. These earning results are summarized as follows:

				:Balance	:Avg.Rate:	Rate :
				: Net	: Base	: of :
				:Revenues:Expenses:Revenues:(Deprec.):Return:		
<u>Company (Exhibit C)</u>						
1948 - Actual	\$ 90,515	\$ 82,701	\$ 7,814	\$151,073	5.2%	
<u>Company (Exhibit 2)</u>						
1949 - Nine months prorated to one year, present rates	100,243	95,216	5,027	243,683	2.1%	
1950 - Estimated, present rates	103,700	101,000	2,700	406,288	.7%	
<u>Exhibit No. 5</u>						
1948 - Actual	90,515	82,701	7,814	150,627	5.2%	
1949 - Nine months actual, three months estimated, present rates	105,050	103,167	1,883	230,365	.8%	
1950 - Normalized, present rates	111,450	96,557	14,893	461,265	3.2%	
1950 - Normalized, company requested rates	134,835	104,045	30,790	461,265	6.7%	
1950 - Normalized, Tr. Sched. #1 rates	128,569	101,110	27,459	461,265	5.95%	
1950 - Normalized, Tr. Sched. #2 rates	129,607	101,448	28,159	461,265	6.1%	

The principal difference between the applicant's and staff's estimates for 1950 results from the fact that the applicant's estimate is based on seven months of manual operation and five months of dial operation using average plant and depreciation reserve figures for the year, whereas the staff's estimate is based on 12 months of dial operation using estimated end of 1950 station, plant, and depreciation reserve figures as average figures for a normalized year's operations.

The present exchange rates of the company have been in effect with only minor revisions since 1920. A comparison of the present rates, the rates requested by applicant, and the rates authorized in the following order for the principal classes and grades of service are shown as follows:

Item	:Rate per No. - Wall, Desk, or Hand Set Station:					
	: Residence Service :			: Business Service :		
	: Present:	: Requested:	: Auth.:	: Present:	: Requested:	: Auth.:
Individual line	\$2.50*	\$3.50	\$3.25	\$3.00*	\$5.25	\$5.25
Two-party line	2.25*	3.00	2.75	2.50*	4.25	4.25
Four-party line	1.75*	2.50	2.25	-	-	-
Ten-party line (Sub.)	2.50*	3.00	2.75	3.00*	4.00	4.00
Extension station	.75##	1.00	1.00	1.00##	1.25	1.25
Farmer line	4.80	.75	.60	7.20	1.00	1.00

* Wall set, 25 cents less.

Outside extension station, 50 cents more.

The rates authorized are identical with Trial Schedule No. 2, except that the rate for two-party business service is \$4.25 instead of \$4.

The farmer line schedule introduced by applicant as Exhibit No. 3-E does not provide that service will be furnished to lines as a whole only, nor require that each line appoint a secretary or manager. The Commission feels that such provisions result in improved service, and the following order will authorize the inclusion of said provisions.

In addition to the increases requested in basic rates, applicant requested and the following order authorizes increases in rates for semipublic coin-box service, supplemental equipment service, service connection charges, move and change charges, key system trunks, foreign exchange service, and charges for line extensions. Applicant did not include a provision in the line extension rule providing for recomputation of the charges when additional subscribers are connected within a three-year period after construction of the line. The charges requested by applicant are the same as those filed by other companies that do have the recomputation provision, and the following order will authorize such a provision.

The applicant also requested authorization to file a PBX schedule and a joint user schedule, and to withdraw Rule and Regulation No. 9 and Schedule No. A-18, Vacation Rate Service. Certain portions of the PBX schedule should be revised. There are no PBX services at present, and the filing of this schedule will not be authorized at this

time, as it can be filed informally at a later date. The filing of the joint user schedule will be authorized. The withdrawal of Rule and Regulation No. 9, which provides for a \$1 reconnection charge for service temporarily disconnected, will be authorized. This charge has not been applied for several years. The vacation rate schedule provides for outgoing service only at 50% of the regular rates, and applicant stated that it might be difficult to furnish it after the conversion to dial. Tariff schedules on file with the Commission show that such service is being offered in a number of dial exchanges, and its discontinuance will not be authorized.

The record shows that some increase is justified. The exchange rates authorized herein are estimated to produce approximately \$18,500 of additional gross revenue per year and 6.1% rate of return.

O R D E R

Sanger Telephone Company having applied to this Commission for an order authorizing certain increases in 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 and charges authorized herein are justified; therefore,

IT IS HEREBY ORDERED 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, the schedules of rates shown in Exhibit A attached hereto and after not less than five (5) days' notice to the Commission and the public to make said rates effective for service rendered on and after January 16, 1950.

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

Dated at San Francisco, California, this 20th day of December, 1949.

R. Z. [Signature]
Justice F. Callahan
[Signature]
Harold H. [Signature]
[Signature] (Potter)
Commissioners.

RATES

The presently effective rates and conditions are changed as set forth in this exhibit.

Preliminary Statement

File as set forth in Exhibit 3.

Schedule No. A-1, Individual and Party Line Service

File as set forth in Exhibit 3-A, substituting following rates:

Wall, Desk, or Hand Set Station Rate per Month	
<u>Residence Service</u>	<u>Business Service</u>
Individual line	\$3.25
Two-party line	2.75
Four-party line	2.25
Each extension station	1.00
	1.25

Schedule No. A-2, Suburban Service

File as set forth in Exhibit 3-B, substituting rate of \$2.75 per month for each residence station.

Schedule No. A-3, Semipublic Coin Box Service

File as set forth in Exhibit 3-C.

Schedule No. A-4, Mileage Rates

File as set forth in Exhibit 3-D.

Schedule No. A-6, Farmer Line Service

File as set forth in Exhibit 3-E, substituting a rate of 60 cents per month for each residence service, and the following conditions for Conditions 5, 6, 7, and 8:

5. Farmer line service will be furnished to lines as a whole only. It shall be the duty of the members of each farmer line to appoint or designate a secretary or manager for such line and no new member shall thereafter be connected to said line nor will the Company assign a number to a new member on such line except on written authority from such secretary or manager. Telephone service will be furnished to a farmer line only when service at the above rates is subscribed for in connection with each telephone connected to the line. Should a telephone for which service has not been subscribed be connected to a line, it shall be the duty of the secretary or manager to disconnect such telephone and refuse to permit its reconnection until proper arrangements have been made for service with both the manager of the line and the Company. The Company shall render bills for exchange and toll service to the individual members of the farmer line unless requested to do otherwise by the secretary or manager. If a subscriber fails to pay a bill within the period set forth under the Rules and Regulations, the Company may ask the secretary or manager to assist in collecting the unpaid bill. If, after reasonable effort the secretary or manager is unable to effect collection, the Company will assume full responsibility for the unpaid charges. In case the Company does not secure payment of all charges against each member on any line within the period set forth under the Rules and Regulations, the Company may deny exchange and toll telephone service to the line as a whole until the

RATES
(continued)

Schedule No. A-6, Farmer Line Service (continued)

the bill for such charges shall have been paid or until the Company shall have received notification from the secretary or manager that the telephone of the member or members from whom payment has not been received has been disconnected from the line.

6. Farmer line service will be furnished provided the line and other facilities owned by the subscriber or subscribers are properly constructed and in an operating condition. The Company reserves the right to discontinue telephone service to a subscriber or subscribers served by a farmer line by disconnection of such farmer line if a fault in any part of the line or other facilities provided by the subscriber or subscribers causes interference with service furnished to other subscribers, and may refuse to reconnect the line until the fault is corrected and the line and other subscriber-owned facilities are placed in an operating condition.

Schedule No. A-8 - Joint User Service

File as set forth in Exhibit 3-G.

Schedule No. A-9, Key System Service

Revise to include following trunk rates:

Business Service	\$5.25
Residence Service	3.25

Schedule No. A-14, Directory Listings

File as set forth in Exhibit 3-H.

Schedule No. A-15, Supplemental Equipment

File as set forth in Exhibit 3-I, substituting following rates per month for bells:

Ordinary bell	\$0.40
Loud ringing bell50

Schedule No. A-20, Foreign Exchange Service

Revise as follows:

1. Fresno suburban residence service in Sanger

Each primary station	\$3.50 per month
Each extension station	1.00 per month
2. Fresno farmer line service in Sanger

Each business station	\$3.37 per month
Each residence station	1.65 per month

Schedule No. A-28, Service Connection Charges

File as set forth in Exhibit 3-J.

RATES
(continued)

Schedule No. A-29, Move and Change Charges

File as set forth in Exhibit 3-K.

Schedule No. A-31, Line Extension Charges

File the following line extension rule:

Schedule No. A-31

LINE EXTENSION CHARGES

APPLICABILITY

Applicable to charges for line extensions.

TERRITORY

Within the exchange area of the Sanger exchange as said area is defined on the map filed as part of the tariff schedules.

RATES

Charge

1. Line Extensions within the Base Rate Area:
Extensions of plant, necessary to provide
telephone service within the Base Rate
Area No charge
2. Line Extensions in the Suburban Area:
Extensions to plant for distances of
2,640 feet or less, per primary station . No charge
Extensions to plant for distances of
more than 2,640 feet, per primary
station:
Each 100 feet or fraction thereof . . . \$5.00

SPECIAL CONDITIONS

1. General:

Line extension charges are applicable in connection with all classes, types, and grades of service (except farmer line service) when established by means of an extension to the Company's plant consisting of "buried wire" or pole construction and including extensions by means of poles to be owned by the Company jointly with others and by means of contacts or contact space on poles of others.

All line extensions will be owned and maintained by the Company. The applicant, however, if he so elects, may furnish and set the required poles in excess of the distance for which there is no charge in accordance with the construction standards of the Company, in lieu of the charges applicable, but in all instances the ownership of facilities shall be entirely vested in the Company.

RATES
(continued)

Schedule No. A-31

LINE EXTENSION CHARGES
(continued)

SPECIAL CONDITIONS (continued)

2. Measurement of Distances:

Distances mentioned in this schedule are route distances. The routing of line extensions will be determined by the Company.

In no case will the total extension to plant (along public highways and along private roads or on private property) per applicant, to be furnished without charge in the suburban area, exceed 2,640 feet.

3. Collective Application and Grouping of Applicants:

When construction is required to serve a new applicant, a survey is made of all prospects who might be served from the new construction or an extension thereof and who might benefit by being included in the project. Allowances are made only for those prospects making bona fide applications for service.

All applicants are grouped in a single project when there is no more than one mile of construction between successive applicants. Separate projects are established whenever the construction between any two successive applicants exceeds one mile. Two or more projects are combined, however, whenever this results in lower charges (or no increase in charges) for all of the applicants involved.

4. Apportionment of Charges:

Applicants are divided into two groups. The first group includes all applicants whose collective allowance equals or exceeds the construction required to serve them. No charge is made to such applicants. The second group includes all remaining applicants on the project. The over-all charge for the project is divided equally among all applicants in the second group.

Exception: No applicant is required to pay a higher charge than he would if the project were established for him alone. Any difference between this charge and the average charge for the group is absorbed by the Company.

5. Payment of Charges:

Line extension charges are payable in advance. (See Conditions 7 and 8).

RATES
(continued)

Schedule No. A-31

LINE EXTENSION CHARGES
(continued)

SPECIAL CONDITIONS (continued)

6. Charges to Subsequent Applicants:

When a new applicant is secured who can be served from an existing project, within three years from the date service was established for the initial project, the entire project is refigured on the basis of the number of customers on which charges for the project are based, plus the new applicant or applicants. The new applicant pays a prorate of the line extension charge based upon the number of months (a fraction of a month is counted as a full month) remaining in the original three-year term.

Applicants who can be served by an extension of a project are included in the original project, and the project is refigured as shown, provided recomputation of the charges does not increase the charges to the existing customers on the project; otherwise, a new project is established.

7. Adjustment in Charges When Additional Applicants are Connected:

Existing customers are given the benefit of any reduction in charges for the unexpired portion of the three-year term which may result from the subsequent additions within the three-year term of new customers served from the same construction or an extension thereof.

When a project is refigured because of the addition of a new customer and a reduction in charge results, a refund is made to existing customers. Recomputation of charges due to the addition of new applicants is made on the assumption that there have been no disconnects.

In the event the Company attaches toll facilities to the line extension, the Company will refund a prorated amount to cover the unexpired portion of the line extension charges for that part of the line extension facilities so used.

8. Disconnects:

When one or more subscribers on a project disconnect within the three-year term, no refund is made of the line extension charge. Charges to remaining subscribers are not affected by disconnects.

9. Re-use of Facilities:

When a subscriber disconnects service or moves off the project and service is established for a new applicant at the same location, any adjustment in charges is a matter for negotiation between the original subscriber and the new applicant.

10. Line extensions to provide service to an applicant engaged in temporary or speculative business, will be made on the condition that applicant pays to the company the total cost of the construction and removal of the line necessary in furnishing the service less the salvage value of the materials used.

RATES
(continued)

Schedule No. A-31

LINE EXTENSION CHARGES
(continued)

SPECIAL CONDITIONS (continued)

11. Contracts, covering periods of not to exceed three years of telephone service, may be required by the Company as a condition precedent to the establishment of the service when line extensions are necessary.

12. Arrangements, other than those provided for in the foregoing schedule, may be made when a line extension involves submarine cable, underground crossings of railroads, highways, or power lines, or long river crossings or other unusual or disproportionately large construction expenditures as compared with the usual type of plant construction. Any such arrangements shall be subject to review by the Public Utilities Commission of the State of California.

Rule and Regulation No. 1, Description of Service

File as set forth in Exhibit 3-M.

Rule and Regulation No. 9, Service Charge for Restoration of Service

Withdraw this rule.