

Decision No. 43746

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 A. A. Harrington operating as LIVINGSTON
 TELEPHONE COMPANY for an order authorizing
 increases and changes in rates and charges
 for exchange telephone and other service.

Application No. 30273

Mr. and Mrs. A. A. Harrington by Frank V. Rhodes, for
 applicant; Frank V. Rhodes, for the California Independent
 Telephone Association; Eldon N. Dye, for the California
 Farm Bureau Federation; Fred M. Barrett, for the Anna
 Jordan Farmer Telephone Association; William C. Sebastian,
 for the Kerman Telephone Company; Richard D. Crowe,
 for the Dos Palos Telephone Company; John H. Evans,
 for the Evans Telephone Company; and Mrs. Sallie Kendall
 by Frank V. Rhodes, for the Manteca Telephone Company.

O P I N I O N

A. A. Harrington, operating as Livingston Telephone Company,
 by the above-entitled application requests authority to increase and
 change rates for telephone service in the Livingston exchange, Merced
 County, so as to augment annual exchange revenues approximately \$5,700,
 or 35%, based on the level of business as of April 1, 1949.

Public hearings in this proceeding were held before Examiner
 Kimball at Livingston on November 30, 1949, and on January 18, 1950.
 Following the receipt of evidence at the January 18 hearing, the matter
 was taken under submission.

A. A. Harrington owns and operates a telephone system serving
 the Livingston exchange, which includes the incorporated City of
 Livingston and surrounding territory in Merced County. In conjunction
 with his telephone activities, A. A. Harrington also owns and operates
 an electrical and plumbing business.

The applicant furnishes 24-hour common battery telephone service in the Livingston exchange by means of two positions of switchboard located in a building owned by A. A. Harrington and used jointly for his telephone and his electrical and plumbing businesses. As of November 30, 1949, the applicant was serving 666 telephone stations, 627 of which were company owned and 39 subscriber owned.

The applicant has experienced a rapid growth in the number of stations served, particularly since the end of 1945, when only 263 stations were served compared with the present 666 stations served. To meet this growth in stations of 153%, in a period of approximately four years, the applicant has increased the investment in plant 163%, from approximately \$27,600 at the end of 1945 to approximately \$72,700 as of November 30, 1949. Wage increases granted during 1948 and 1949 have resulted in increased operating expenses during these years.

The applicant presented testimony as to the earning results for the year 1948 and the estimated earning results for the year 1949 under present rates, and estimated earning results for the year 1950 under the rates requested and under two trial schedules of rates. Exhibit 11 presented by the Commission staff sets forth results for 1948 and estimated results for 1949 and 1950 under present rates, as well as results for 1950 under applicant's requested rates and three sets of trial rates.

The earning results, as shown by the several bases, are summarized as follows:

Item	Revenues	Expenses	Balance: Net Revenue	Average Rate Base (Depreciated)	Rate of Return
<u>Company (Exhibit C)</u>					
1948 Actual	\$29,880	\$27,862	\$ 2,018	\$40,157	5.03%
1949 Estimated Present Rates	33,025	35,487	(2,462)	50,744	(4.85)
1949 Estimated Co. Requested Rates	39,611	35,987	3,624	50,744	7.1
<u>Company (Exhibit 6)</u>					
1949 Estimated Present Rates	34,265	33,576	689	52,611	1.31
1949 Estimated Co. Requested Rates	38,552	34,585	3,967	52,611	7.54
<u>Company (Exhibit 7)</u>					
1950 Estimated Trial 1 Rates	44,483	40,775	3,708	64,345	5.77
1950 Estimated Trial 2 Rates	43,566	40,553	3,013	64,345	4.68
<u>Company (Exhibit 9)</u>					
1950 Estimated Co. Requested Rates	44,827	40,858	3,969	64,345	6.17
<u>Commission Staff (Exhibit 11)</u>					
1948 Actual	29,880	27,862	2,018	24,039	8.40
1949 Estimated Present Rates	34,974	32,427	2,547	39,870	6.39
1950 Estimated Present Rates	39,356	37,552	1,804	54,628	3.30
1950 Estimated Co. Requested Rates	46,121	39,187	6,934	54,628	12.69
1950 Estimated Co. Trial 1 Rates	43,927	38,657	5,270	54,628	9.65
1950 Estimated Co. Trial 2 Rates	43,021	38,438	4,583	54,628	8.39
1950 Estimated Staff Trial A Rates	41,539	38,079	3,460	54,628	6.33

Red Figure

Between the time the applicant prepared Exhibit C, which was attached to the application, and Exhibit 6, which was introduced in evidence at the hearing on November 30, 1949, the books of the Livingston Telephone Company were restated for the first ten months of 1949. Also, during the period between the introduction of Exhibit 7 at the first hearing and Exhibit 9 at the second hearing, the applicant's forecast of average company stations for 1950 was decreased from 655 to 647.

The major difference between the applicant's and the staff's rate base results from the fact that the applicant has deducted from the undepreciated base, a hypothetical depreciation reserve computed as 30% of the average depreciable plant, while the staff has deducted

the average book depreciation reserve for 1948 and estimated average book reserve for 1949 and 1950.

The staff's estimate for 1950 under the rates requested by the applicant is \$1,294 higher for revenues, and \$1,671 lower for expenses, as compared with the applicant's estimate. The staff has apportioned automobile expense and building rent between the telephone operations and the electrical and plumbing operations of A. A. Harrington, allocating a smaller proportion of these expenses to the telephone operations than has the applicant. Lower depreciation rates have been estimated by the staff than used by the applicant, both being on the straight-line basis. Of the total monthly salary of \$800 to be paid by the Livingston Telephone Company to Mr. and Mrs. Harrington, the staff has charged \$100 per month to capital.

A careful review of the record in this proceeding leads to the conclusion that some increase in rates is justified, based on estimated results of operation for 1950. The exchange rates authorized herein are estimated to produce approximately \$2,700 of additional gross revenue per year and result in a rate of return of 6.3%.

The basic exchange rates of the company have been in effect, with only minor revisions, since 1911. A comparison of the present rates, the rates requested by the applicant, and the rates authorized in the following order, for the principal classes and grades of service, is shown as follows:

Item	Rate Per Month - Wall, Desk, or Hand Set Station					
	Residence Service			Business Service		
	Present	Requested	Authorized	Present	Requested	Authorized
One-party	\$2.25 ^a	\$3.75 ^a	\$2.75	\$2.75 ^a	\$4.75 ^a	\$3.75
Two-party	2.00 ^a	2.75 ^a	2.25	2.25 ^a	3.75 ^a	3.00
Four-party	1.75 ^a	2.25 ^a	1.75	-	-	-
Suburban -						
Ten-party	2.75 ^a	3.25 ^a	2.75	2.75 ^a	3.75 ^a	3.25
Extension	.75 ^b	1.25 ^a	1.00	1.00	1.50 ^a	1.25
Farmer Line	3.00	.75	.50	6.00 ^b	1.00	.75

^a Wall set 25 cents less

^b Annual rate

The company expressed its opposition to the establishment of the same level of rates for service furnished with a wall, desk or hand set station, as set forth in the staff's Trial A schedule of rates, because it believed that the subscribers receiving service with wall stations, numbering approximately 180, would immediately ask for hand-type stations. The company estimates such a replacement would involve a gross capital outlay of approximately \$3,500. Under the rates authorized herein, allowance has been made for this additional capital expenditure and associated expenses.

The former line schedule, introduced by the applicant as Exhibit 8-D, does not provide that service will be furnished to lines as a whole, nor require that subscribers served by each line appoint a secretary or manager. It is believed 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, the applicant requested, and the following order will authorize, increases in rates for semipublic coin-box service, inter-exchange receiving service, supplemental equipment service, service connection charges, move and change charges, and charges for line extensions. The applicant did not include a provision in the line extension rule providing for recomputation or refunding of the charges, when additional subscribers are connected, after construction of the line. The applicant requested the Commission to authorize a line extension schedule containing a simple refunding provision, rather than the schedule containing a recomputation provision, shown in Exhibit 12, introduced by the Commission staff. The following order will authorize such a simplified schedule.

The Chief of Police of Livingston testified that the service furnished to him by the applicant could not be better and that he has

always had good service. The publisher of the Livingston Chronicle, a resident of Livingston for the past 35 years, testified that the telephone service furnished to him has been eminently satisfactory.

The record shows that the California Farm Bureau Federation has no objection to the Commission's authorizing the staff trial schedule of rates for farmer line service, as set forth in Exhibit 11.

In authorizing the rates set forth in the following order, it appears that the company should give serious consideration to the Commission staff's recommendations set forth on Page 20 of Exhibit 11, covering the maintenance of adequate plant and trouble records and the provision of facilities for the furnishing of normal grades of service as set forth in the filed tariffs.

O R D E R

A. A. Harrington, operating as Livingston Telephone Company, having applied to this Commission for an order authorizing certain increases in rates and charges, public hearings 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, 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 furnished on and after March 1, 1950.
2. That applicant, within six months from the effective date of this order, shall file in quadruplicate, rules and regulations governing subscriber relations, revised

to reflect present day operating practices acceptable to this Commission and in accordance with the requirements of General Order No. 96.

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

Dated at Los Angeles, California, this 1st day of February, 1950.

[Signature]
Justus J. Caseman
[Signature]
Harold Huls
[Signature]
Commissioners.

RATES

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

Preliminary Statement

File as set forth in Exhibit 8-A.
 Cancel notice of filing of rates, rules and regulations.

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

File as set forth in Exhibit 8-B, substituting the following rates:

	<u>Wall, Desk, or Hand Set Station Rate per Month</u>	
	<u>Residence Service</u>	<u>Business Service</u>
Individual line	\$2.75	\$3.75
Two-party line	2.25	3.00
Four-party line	1.75	-
Each extension station	1.00	1.25

Schedule No. A-2, Suburban Service

File as set forth in Exhibit 8-C, substituting the following rates:

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

Schedule No. A-3, Farmer Line Service

File as set forth in Exhibit 8-D, substituting the following rates, deleting Condition 4, and substituting the following conditions for Conditions 5, 6, 7, and 8:

	<u>Residence</u>	<u>Business</u>	<u>Rate per Month Minimum Charge Per Line</u>
Each station	\$0.50	\$0.75	\$2.50

RATES
(Continued)

Schedule No. A-3, Farmer Line Service (Continued)

4. 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 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.

5. 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-4, Mileage Rates

File as set forth in Exhibit 8-E.
Cancel Schedule No. A-8, Mileage Rates.

Schedule No. A-5, Inter-exchange Receiving Service

Substitute a rate of \$5.00 per month for the presently filed rate of \$3.00 per month.

RATES
(Continued)

Schedule No. A-7, Semipublic Coin-Box Service

File as set forth in Exhibit 8-F, substituting the following rates and deleting Condition 7.

	<u>Wall Set or Wall Hand Set</u>		
	<u>Rate Per</u> <u>Month</u>	<u>Each Exch.</u> <u>Message</u>	<u>Min. Chge</u> <u>Per Day</u>
Each individual line coin-box station	-	\$0.05	\$0.15
Each extension station without coin box	\$1.25	-	-

Schedule No. A-13, Permanent Connection of Telephone Lines

File as set forth in Exhibit 8-G.

Schedule No. A-15, Supplemental Equipment

File as set forth in Exhibit 8-H.
Cancel Schedule No. A-6, Supplemental Equipment

Schedule No. A-16, Local Leased Line and Private Line Telephone Service

File as set forth in Exhibit 8-I revising the station rate to \$1.25 per month for each wall, desk or hand set station.

Schedule No. A-28, Service Connection Charges

File as set forth in Exhibit 8-J, deleting Condition 3.
Cancel Rule and Regulation A-5, Service Connection Charges.

Schedule No. A-29, Move and Change Charges

File as set forth in Exhibit 8-K.

Rule and Regulation No. 1, Description of Service

File as set forth in Exhibit 8-M.

RATES
(Continued)

Schedule No. A-31, Line Extension Charges

File the following line extension rule and cancel Rule and Regulation No. A-6, Street Extensions at Company's cost, and Rule and Regulation No. A-7, Extensions at Subscriber's cost.

Schedule No. A-31

LINE EXTENSION CHARGES

APPLICABILITY

Applicable to charges for pole line extensions.

TERRITORY

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

SPECIAL CONDITIONS

1. The Telephone Company will, at its own expense, make extensions to provide telephone service to all locations within the base rate area and to locations within the suburban area where requirements per primary station, do not exceed 750 feet of pole line including wire, fixtures, and other appurtenances from the nearest available existing exchange lines.
2. In the event that requirements exceed the above, the Company may require that all construction costs involved in extensions, beyond the 750 feet provided by the Company, be advanced to the Company by the applicant or applicants.
3. Such advance payments will be refunded by credits to the applicant's monthly billing for service by one-sixtieth of the total cost of such additional extensions, for each continuous month less than sixty that the service is retained by the applicant.
4. In the event that service is disconnected at the request of the subscriber, or by the Company for cause, as provided under its Rules and Regulations, refund credits will cease from the date of such disconnection. If service is reestablished within thirty (30) days from date of disconnection, refund credits will be renewed, but not thereafter.
5. Where more than one applicant participates in such advance payments, the total costs of such additional extensions will be prorated between the applicants in proportion to the service installed, and refund credits prorated accordingly.
6. Refund credits are transferable only when service connection charges do not apply except that refund credits are not transferable under super-seure of service.
7. Refund credits are not applicable to charges for temporary service or speculative project installations.
8. All line extensions will be owned by the Company, and the location of such line extensions will be determined by the Company.

RATES
(Continued)

Schedule No. A-31. Line Extension Charges (Continued)

SPECIAL CONDITIONS (Continued)

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

10. In any instance of line extension requirements which may appear to warrant a departure from the above, either on behalf of the Company or of the applicant involving disputes which cannot be reconciled, the matter may be submitted to the Public Utilities Commission of the State of California for adjustment.