

Decision No. 43979

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application  
of MANTECA TELEPHONE COMPANY, a  
corporation, and SALLIE KENDALL, an  
individual doing business under the  
name of Ripon Telephone Exchange,  
for authority to increase intrastate  
rates and charges applicable to tele-  
phone exchange service.

Application No. 30233

Orrick, Dahlquist, Neff & Herrington  
by Warren Palmer for applicant;  
J. J. Deuel and Eldon Dye for California  
Farm Bureau Federation; F. V. Rhodes for  
California Independent Telephone Association;  
C. B. Tawney for City of Ripon; R. D. Crowe  
for Dos Palos Telephone Company; J. H. Evans  
for Evans Telephone Company; and Blanche  
Harrington for Livingston Telephone Company.

O P I N I O N

Manteca Telephone Company, a corporation, and Sallie Kendall, an individual doing business under the name of Ripon Telephone Exchange, by the above entitled joint application, filed April 15, 1949, and by an amendment to the joint application, filed November 2, 1949, request authority to increase rates and charges applicable to exchange telephone service in the Manteca and Ripon exchanges located in San Joaquin County. The amendment to the application requested rates to provide an annual increase in gross revenue of \$24,550 for Manteca and \$10,600 for Ripon, based on operations for the year 1949.

A public hearing was held in this proceeding before Examiner Wessells at Manteca on February 16, 1950.

The Manteca exchange includes the incorporated City of Manteca and surrounding territory in San Joaquin County. The Ripon ex-

change includes the incorporated City of Ripon and surrounding territory in San Joaquin County contiguous to and generally southeast of the Manteca exchange.

Both exchanges receive 24-hour telephone service, the Manteca exchange being served by means of six positions of manual common battery switchboard and the Ripon exchange being served by means of three positions of manual common battery switchboard. Some of the suburban lines in each exchange are still receiving magneto service. However, suburban lines are being converted to common battery operation from time to time. As of January 11, 1950, the Manteca exchange was serving 1,838 stations, all company-owned, and the Ripon exchange was serving 763 stations, 746 of which were company-owned and 17 subscriber-owned.

Each exchange has experienced a rapid growth in the number of stations served, particularly since the end of 1945, when only 984 stations were served by Manteca and 432 by Ripon.

The applicants' witness testified that construction and operating costs have increased and, in some cases, have even doubled and trebled since acquisition of the Manteca Company in 1940 and the Ripon Exchange in 1944; and that due to the resulting drop in net revenue, the companies were not earning a fair and reasonable rate of return.

Exhibits introduced by the applicants and by a member of the Commission staff set forth the earning results for the year 1949. Applicants' amendment to the application contained a commercial survey and estimates of the results of operations for 1950 and 1951. A witness for the applicants testified that, due to causes beyond their control, the supporting data for the commercial survey and construction program could not be furnished, and that the applicants would make their showing on the 1949 figures. The record further shows that the applicants are proceeding with the development of data upon which to base

estimates for the future and that applicants anticipated these estimates would support the rate increases requested. The earning results for 1949 are summarized in the following tabulation:

Item	Revenues	Expenses	Balance: Net Revenue	Average Rate Base: (Depr.)	Rate of Return
<u>MANTECA</u>					
<u>Company (Exh. H. Page 2)</u>	\$	\$	\$	\$	%
1949 Est., Present Rates	111,489	107,637	3,852	178,435*	2.16
<u>Company (Exh. H. Page 3)</u>					
1949 Est., Co. Req. Rates	130,950	112,502	18,448	178,435*	10.34
<u>Company (Exh. 4)</u>					
1949 Recorded	114,086	106,665	7,421	182,753*	4.06
<u>Commission Staff (Exh. 13)</u>					
1949 Recorded	114,086	106,665	7,421	160,600	4.62
1949 Adjusted	113,606	106,682	6,924	165,300	4.19
<u>RIPON</u>					
<u>Company (Exh. H. Page 2)</u>					
1949 Est., Present Rates	44,318	45,211	(893)	83,334*	-
<u>Company (Exh. H. Page 3)</u>					
1949 Est., Co. Req. Rates	52,737	47,142	5,596	83,334*	6.71
<u>Company (Exh. 4)</u>					
1949 Recorded	46,519	44,421	2,098	66,059*	3.17
<u>Commission Staff (Exh. 16)</u>					
1949 Recorded	46,519	44,421	2,098	69,700	3.01
1949 Adjusted	46,794	42,638	4,156	68,250	6.09

(Red Figure)

\* Year End Rate Base.

The principal difference between the applicants' and staff's rate of return for 1949 results from the fact that the applicants used a year-end rate base whereas the Commission staff used an average rate base, and the fact that the Commission made a number of adjustments to operating revenues and expenses based on information obtained during a field investigation, to adjust the figures for rate fixing purposes.

For the Manteca exchange, the staff deducted from recorded operating revenues the \$480 representing income from miscellaneous

physical property; increased the recorded operating expenses by a net amount of \$1,169 composed of \$7,180 of additional salary expense for an accountant, additional clerical help, and other expenses required to enable the company to keep complete and accurate accounting and engineering records, and a reduction of \$6,011 resulting from the capitalizing of motor vehicle expense and management salaries, a downward adjustment in management salaries, and adjustments based on an analysis of company accounts; and decreased the recorded depreciation expense \$1,470 through the use of lower depreciation rates.

For the Ripon exchange, the staff increased recorded operating revenues by \$275 based upon an analysis of company accounts; decreased the recorded operating expenses by a net figure of \$2,317 composed of a reduction of \$5,377 resulting from the capitalizing of motor vehicle expense and management salaries, a downward adjustment in management salaries and traveling expense, and adjustments based on an analysis of company accounts, and an increase of \$3,060 in salary expense for an accountant, additional clerical help, and other expenses required to enable the company to keep complete and accurate accounting and engineering records.

The record shows that applicants own an apartment house adjacent to the central office at Manteca and another one adjacent to the central office at Ripon, the apartments being rented to telephone personnel only. For the purpose of this proceeding, these living quarters for employees have been included in the rate of return calculations.

A careful review of the record in this proceeding leads to the conclusion that some increase in rates is justified. The exchange rates authorized herein are estimated to produce approximately \$5,200 of additional gross revenue per year in the Manteca exchange, \$300 of additional gross revenue per year in the Ripon exchange, and to result in a rate of return of approximately 6.05% for Manteca, 6.39% for Ripon, and 6.15% for the combined operations.

The basic exchange rates have been in effect, with only minor revisions, since 1927 for Manteca and since 1920 for Ripon. The rates authorized in the following order leave the basic rates of the companies unchanged, except that in the Manteca exchange the rate for suburban business stations is increased 25 cents and the wall set differential is eliminated, and in the Ripon exchange the rates for business and residence farmer line service are each increased ten cents. The rate for business extension or private branch exchange hand or desk set stations is increased from \$1 to \$1.25, and the rate for private branch exchange trunks is increased from \$4.50 to \$5.25 in Manteca. Rates for certain items of supplemental equipment, off-premise mileage charges, installation charges of supplemental equipment, move and change charges, and service connection charges are increased and made identical for each company. Rates for reconnect charges and supersedure of service are discontinued, and the prompt payment discount provision of the Manteca rates is eliminated.

Two parties testified as witnesses for the California Farm Bureau Federation, one representing residents of the southern portion of the Manteca exchange, and the other representing residents of the northeastern portion of the Ripon exchange. The testimony of each party was to the effect that telephone service was urgently needed in

the area he represented, as evidenced by applications on file with the respective companies, and that the companies had not committed themselves to definite dates when service would be furnished. Under cross-examination, witness for applicants testified that construction projects to serve the areas in question would be engineered as soon as the commercial surveys, which are to be started immediately, are complete. However, no commitment for actual construction of the necessary outside plant was made. Applicants further testified that studies to determine the feasibility of converting each exchange to dial operation would be undertaken. In authorizing the rates set forth in the following order, the Commission will require the companies to proceed at once to make the commercial surveys and dial studies for each exchange, and to submit a construction program for the provision of the necessary facilities to serve waiting applicants.

O R D E R

Manteca Telephone Company and Sallie Kendall, an individual doing business under the name of Ripon Telephone Exchange, having applied jointly 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 and charges authorized herein are justified; therefore,

IT IS HEREBY ORDERED as follows:

1. Applicants are authorized to file in quadruplicate with this Commission after the effective date of this order in conformity with General Order No. 96, the schedules of rates shown in Exhibit A attached hereto, and after not less than five days' notice to the Commission and to the public, to make said rates effective for service rendered on and after May 1, 1950.

RATES

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

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

	<u>Desk or Hand Set Station Rate per Month</u>	
	<u>Residence Service</u>	<u>Business Service</u>
<u>Manteca and Ripon</u>		
Each Extension Station.....	\$1.00	\$1.25
Wall set rate, same as desk - Manteca.		
Wall set rate, 25¢ less - Ripon.		
Eliminate rate for two-party residence service.		

Manteca

Eliminate Special Condition No. 1.

Ripon

Revise conditions to provide for off-premise extension stations.

Schedule No. A-4, Mileage Rates

Manteca and Ripon

File following schedule for each company:

APPLICABILITY

Applicable to service involving mileage charges.

TERRITORY

Throughout the whole area served by the Company.

RATES

	<u>Each One-Quarter Mile or Fraction Thereof Airline Measurement Rate per Month</u>
(1) Primary Service:	
Each individual line primary station.....	\$0.50
Each two-party line primary station.....	.35
Each four-party line primary station.....	.25
Each private branch exchange trunk line.....	.50
Each battery supply circuit.....	.50
Each ringing supply circuit.....	.50
(2) Off Subscriber's Premises and Within the Exchange Area:	
Each extension station line or private branch exchange station line:	
(a) Where the terminals are in different buildings on the same continuous property:	
Each one-quarter mile or fraction thereof	1.00

RATES  
(Continued)

Schedule No. A-4, Mileage Rates (Continued)

	Each One-Quarter Mile or Fraction Thereof Airline Measurement Rate per Month
(b) Where the terminals are on noncontinuous property:	
First one-quarter mile or fraction thereof.....	\$2.00
Each additional one-quarter mile or fraction thereof.....	1.00

SPECIAL CONDITIONS

1. The mileage rates under Rate (1) above are based on the distance measured between the subscriber's primary station or private branch exchange switchboard and the nearest point on the boundary of the base rate area and are in addition to the other rates applicable to the service involved.
2. The mileage rates under Rate (2) above are applicable in connection with extension and private branch exchange stations and are applicable to the airline distance measured between the terminals of the line involved. No mileage charge applies in those cases where the terminals are in the same building. No mileage charge applies when the distance between terminals is 300 feet or less, airline measurement.
3. No mileage charge is applicable to an extension station from an off-premises extension station located in the same premises as its off-premises station or within 300 feet, airline measurement, therefrom.
4. An off-premises extension station will be installed on other premises of the subscriber to the primary station provided the station is for the use of the subscriber.
5. An off-premises extension station will be installed on other than the subscriber's premises provided the station is for the use of the subscriber.
6. A residence extension station will not be furnished on business premises.
7. In this schedule, "terminals" mean the stations between which the off-premises line is connected.

Schedule No. A-5, Suburban Service

	Desk or Hand Set Station Rate per Month	
	Residence Service	Business Service
<u>Manteca</u>		
Each station .....	\$2.25	\$2.75
<u>Manteca and Ripon</u>		
Each extension station, with or without bell.....	1.00	1.25
Wall set rate, same as desk - Manteca.		
Wall set rate, 25¢ less - Ripon.		



RATES  
(Continued)

Schedule No. A-5, Suburban Service (Continued)

Manteca

Eliminate Special Condition No. 1.

Ripon

File conditions identical with Manteca's.

Schedule No. A-6, Farmer Line Service

Ripon

	<u>Rate per Month</u>	
	<u>Residence Service</u>	<u>Business Service</u>

Each Station.....	\$0.40	\$0.70
Minimum Charge: \$18 per year, per circuit		
Eliminate Condition (3)		

Schedule No. A-7, Private Branch Exchange Service

Manteca

Rate per Month

(3) Trunk Rate:	
Each trunk line.....	\$5.25
(4) Station Rate:	
Each wall, desk, or hand set station not located in hotel guest room.....	1.25
Each wall, desk, or hand set station located in hotel guest room.....	1.00

Schedule No. A-15, Supplemental Equipment

Manteca and Ripon

	<u>Installation Charge</u>	<u>Rate per Month</u>
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(1) Bells:		
Ordinary extension bell.....	\$1.50	\$0.40
Loud-ringing extension gong.....	2.00	.50
(2) Buzzer Circuits:		
Each buzzer circuit.....	2.00	.35
(3) Keys (two-way), in addition to station.....	1.50	.25
Keys (three-way), in addition to station.....	2.50	.50
(4) Jack and Plug Installations:		
Each additional jack.....	5.00	-

RATES  
(Continued)

Schedule No. A-19, Move and Change Charges

Note: Cancel Rule and Regulation No. 29 for Ripon and file Move and Change Charges as Schedule No. A-19.

Manteca and Ripon

	<u>Charge</u>	
<b>(1) Subscriber's Telephone Sets:</b>		
Moving from one location to another on the same premises.....	\$2.50	
Change in type or style not required by change in class, type or grade of service or type of operation.....	2.50	
Change between manual and dial set where no change in type or style of set is involved..	No Charge	
<b>(2) Private Branch Exchange Switchboards:</b>		
Moving from one location to another, per position:		
	<u>Same Room</u>	<u>One Room to Another</u>
Cordless.....	\$5.00	\$10.00
40-line.....	5.00	10.00
80-line.....	7.50	15.00
160-line.....	10.00	25.00
320-line.....	17.50	40.00
Over 320-line.....		Actual Cost

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 disconnection 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 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.

RATES  
(Continued)

Schedule No. A-19, Move and Change Charges (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 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.
- d. To public (non-guarantee) telephones installed on the initiative of the Company.
- e. To changes in style or type of private branch exchange stations.
- f. To moves necessary to conform with the requirements of Rule and Regulation No. 22.

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.

7. Charges for moving or changing of equipment or wiring other than that included under "RATES" (1) and (2) above, will be an amount equal to the actual cost of labor and material involved.

Schedule No. A-20, Service Connection Charges

Note: Cancel Rule and Regulation No. 30 for Ripon and file Service Connection Charges as Schedule No. A-20.

Manteca and Ripon

	<u>Residence</u>	<u>Business</u>
(1) New and additional service		
Instrumentalities Not in Place:		
Each individual, party, or auxiliary line primary station or PBX trunk.....	\$4.00	\$6.00
Each PBX station, except operator's sets...	2.50	2.50
Each extension station.....	2.50	2.50
(2) Instrumentalities in Place and No Change of Location or Type of Facilities Involved:		
Each service including all stations and supplemental equipment connected thereto..	2.50	2.50
Each private branch exchange or intercommunicating system, complete with trunks	2.50	2.50
Supersedure.....	No Charge	No Charge

SPECIAL CONDITIONS

1. Service connection charges are intended to cover, in part, certain operating expenses incident to the establishment of telephone service and the connection of the service with the telephone system.

RATES  
(Continued)

Schedule No. A-20, Service Connection Charges (Continued)

Service connection charges are payable at the time application for the particular service is made, and are in addition to the charges under other schedules of rates.

2. A change in location and type of facilities made at the subscriber's request at the time service is established, when instrumentalities are in place, will be made at the service connection charge applicable for new service or at the service connection charge applicable to the instrumentalities in place plus the move and change charge applicable to the item of in-place instrumentalities moved or changed, whichever is the lower.

3. Service connection charges apply where there is a complete change in ownership or management of a business concern, or where responsibility for payment of the telephone bills is changed.

4. Service connection charges do not apply under the following conditions:

a. Business Service:

1. When the service is assumed by a receiver or trustee, executor or administrator of an estate.
2. When the name of a business concern is changed without a change in responsibility for payment of the telephone bills.
3. To a station or stations remaining in place when another station connected to the same individual line, party line or private branch exchange station line service is moved from one premises to another.

b. Residence Service:

1. When service is assumed by a member of the former subscriber's family located in the same premises.
2. When there is no change in the individuality of the recipient.
3. When the subscriber's name has been changed by marriage or court order.
4. When an employee personally assumes the responsibilities of his employer, or when an employer assumes the responsibility for an employee's residence service which had previously been the personal responsibility of the employee.
5. When the service is assumed by a receiver or trustee, executor or administrator of the estate of the former subscriber.
6. To a station or stations remaining in place when another station connected to the same individual line, party line or private branch exchange station line service is moved from one premises to another.

Rule and Regulation No. 9 - Ripon

Cancel this rule.

2. Applicants shall submit to this Commission, not later than September 1, 1950, a report setting forth the results of the commercial surveys and the construction programs developed therefrom.
3. Applicants shall submit to this Commission, not later than September 1, 1950, a report setting forth the results of the dial studies for each exchange, with estimates of the operating results for 1950 under manual and dial operation.
4. Applicants shall submit to this Commission, not later than the 15th of each month a statement showing the number of full time commercial engineering and accounting employees as of the last day of the preceding month, and the wages paid each employee for the preceding month. These reports shall start with April, 1950, and continue through December, 1950.

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

Dated at San Francisco, California, this 28<sup>th</sup> day of March, 1950.

R. F. Zimmerman  
Justus F. Calver  
James F. Luce  
Harold Kule

Commissioners.

Commissioner Kenneth Potter, being necessarily absent, did not participate in the discussion of this proceeding.