

**ORIGINAL**

Decision No. 45815

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 CALIFORNIA-OREGON TELEPHONE COMPANY, )  
 a corporation, for an Order Authoriz- )  
 ing an Increase of Telephone Service )  
 Rates; and for an Order Authorizing )  
 said Company to Establish and Make )  
 Effective certain Surcharges applica- ) Application No. 31921  
 ble to California Intrastate Toll )  
 Telephone messages interchanged with )  
 The Pacific Telephone and Telegraph )  
 Company, a corporation, and Citizens )  
 Utilities Company, Inc., a corpora- )  
 tion. )

J. S. Middleton, E. R. Hood and D. O. Hood,  
 for applicant; Earl W. Parsons, for Newell  
 Homestead Club, interested party; Sara Welsh,  
 interested party; J. B. Edmands, for The  
 Tulalake Reporter and Tulalake 20-30 Club,  
 interested party; Edson Abel, for Siskiyou  
 County Farm Bureau and California Farm Bureau  
 Federation, interested party; Frank Jenkins,  
 for Klamath Falls Herald and News, by Ruth E.  
 King, interested party; Paul Rogers, interested  
 party; W. W. Dunlop, for the Commission's staff.

O P I N I O N

California-Oregon Telephone Company, a California corpora-  
 tion and applicant in this proceeding, by the above-entitled appli-  
 cation filed November 20, 1950, requested an order of the Commission  
 authorizing an increase of \$15,384 in exchange and toll rates on the  
 level of business during the year 1950. On February 14, 1951, appli-  
 cant filed a revised set of exhibits lowering its requested increase  
 to \$5,500 on an annual basis because of a change in basis of toll  
 revenue settlement as between the Columbia Utilities Company and the  
 applicant. Revised Exhibit "C" sets forth the rates that applicant  
 is now requesting, equivalent to an average increase of 17.8% on

local service revenues or 7.8% on total operating revenues with no increase in toll rates.

A public hearing on this application was held before Examiner Edwards on April 26, 1951, at Tulelake, California. At this hearing, applicant requested amendment of the application to include the revised rate schedules filed on February 14, 1951, and, in addition, asked that certain alternate rate proposals be considered including an increase in toll rates for the sake of uniformity of schedules which is estimated to produce a negligible increase in intrastate revenues.

Applicant is controlled through stock ownership by Columbia Utilities Company of Oregon with headquarters at Medford, Oregon. The California-Oregon Telephone Company renders exchange service only within the State of California, the Oregon portion of the name not being indicative of service area. Connections for toll service are made with Columbia Utilities Company at the Oregon state line, and with the Citizens Utilities Company at Perez, California. ✓ The company's service area comprises only one exchange, the Tulelake exchange, with two dial central offices located at Tulelake and Newell, respectively. As of December 31, 1950, there were 785 stations served and approximately 100 applications held for service within the Tulelake exchange.

The applicant reported, as of December 31, 1950, total telephone plant in service of approximately \$182,500. For the year 1950, reported revenues were approximately \$66,500 of which 45% was derived from local service, 53% from toll service, and 2% from miscellaneous service.

In substantiation of the need for an increase in rates, applicant claims that existing rates will not yield enough return on its investment required for the public service, after paying

operating expenses, to maintain its financial credit and attract additional capital to extend and improve service. In addition, wage rates were increased on December 1, 1950, by about 5 cents per hour on the average, with further increase of a similar amount programmed for 1951. During 1951, applicant plans a substantial increase in investment in telephone plant of approximately 30%, which it does not expect will yield a corresponding increase in revenue.

The main item of the construction program for 1951 is a 1,000-line Kellogg crossbar dial switching unit for the central office at Tulelake. The unit will be initially equipped for 250 lines and will replace the present North 200-line dial switching equipment. It is planned that the North dial unit will be sold to the Columbia Utilities Company for installation at Merrill, Oregon. After allowing for retirements, a net capital increase of \$31,000 is estimated in Ac. 221, Central Office Equipment. With the installation of this larger dial switchboard, applicant anticipates the need of the services of another dial maintenance man.

The company's construction program for 1951 includes sizable outside plant projects to serve the Newell homestead area, to fill waiting applications for service, and to provide additional trunking and improved transmission. The present toll switchboard at Tulelake will be sold to the Columbia Utilities Company, after which the toll, assistance, and information services are planned to be centralized at Merrill, Oregon. While the centralization of toll operations at Merrill will improve the service on toll calls and reduce operator expense somewhat, it is not expected that the saving will offset the increase in wages and the cost of additional maintenance personnel.

Evidence on Earnings

Both the applicant and the Commission's staff presented estimates of the earnings of the California-Oregon Telephone Company for the year 1951. The estimates, which are summarized below, were prepared on the basis of present rates and proposed rates shown by applicant in its revised Exhibit "C."

ESTIMATED EARNINGS IN 1951

Item	Company		Staff	
	Exhibit No. 4	Exhibit No. 16	Exhibit No. 4	Exhibit No. 16
	Present Rates	Proposed Rates	Present Rates	Proposed Rates
Operating Revenue	\$ 70,729	\$ 76,294	\$ 71,600	\$ 74,300
<u>Operating Expenses</u>				
Operation and Maintenance	53,082	53,082	50,800	50,800
Depreciation	6,820	6,820	6,700	6,700
Taxes	5,883	7,683	5,300	6,100
Subtotal, Expense	65,785	67,585	62,800	63,600
Net Revenue	4,944	8,709	8,800	10,700
Rate Base (Depreciated)	206,000	206,000	157,400	157,400
Rate of Return	2.40%	4.23%	5.59%	6.80%

The staff estimate of earnings for 1951 at company proposed rates is based on the assumption that the higher rates would be effective for only the last half of the year. In addition to the above set of figures, the staff exhibit contained an estimate for the 12 months ending June 30, 1952, which showed that under the present rates, applicant's return would drop to 4.59%. Under company proposed rates effective for the full 12-month period ending June 30, 1952, the staff estimated the return would be 6.67%.

A review of the above figures will reveal that the principal difference between the company's and staff's estimates is in the amount of the rate base. Applicant's rate base is set up on the estimated plant in service at the end of the year, whereas the staff used the average of the beginning and end-of-year figures. Also,

applicant's rate base includes donated plant in the estimated amount of \$26,800, which the staff has deducted.

The company took no particular exception to the staff's estimate, other than to question the average group rate used for computing depreciation. For the purpose of this proceeding no depreciation expense was allowed on the donated plant but there have been included operation and maintenance expenses on such donated plant.

#### Subscriber Interest

A number of subscribers showed interest in the proceeding by attending the public hearing and offering testimony with regard to the type of service rendered by the applicant. Principal concern was the problem of extending lines out to the many homestead sites and providing central office switching facilities.

The editor of the local newspaper, The Tulelake Reporter, testified that he was interested in improved telephone service for the community and anxious that the telephone company not neglect its civic duties. Complaint was also made about delays in long distance calls and delays in obtaining a line between the Newell and Tulelake central offices.

The utility's answer to the problems, brought forth by the testimony of the subscribers, was that long distance service will be improved by moving the operators to Merrill, Oregon, where more experienced help is available; that additional trunk lines will be connected between Tulelake and Newell central offices; and that the installation of the larger dial equipment at Tulelake should provide ample central office facilities. In general, the utility expects

that the proposed changes will improve service in line with the recommendations of the editor of the newspaper, and will instruct its local representatives to become more active in civic affairs. It will make additional surveys of the situation with regard to higher grades of service and more extensions as soon as the central office equipment is available.

In reviewing the record in this proceeding, we are of the opinion and find that applicant needs some additional revenue but not to the extent requested. The order herein will provide for rates which will increase revenues approximately \$4,500 annually, resulting in an increase of about 6.1% as compared with the applicant's amended request for a 7.8% increase in operating revenues. The order will result in a rate of return of about 6.25% for the 12 months ended June 30, 1952, on a \$187,300 rate base which we hereby adopt for the purpose of this proceeding.

#### Authorized Rates

A comparison of the present rates for the basic classifications of service with the rates requested by the applicant and those authorized in the following order is shown in the tabulation below:

<u>Classification</u>	<u>Rate per Month - Each Station</u>			
	<u>Present</u>	<u>Requested</u>	<u>Authorized Rate</u>	<u>Increase</u>
Tulelake and Newell:				
<u>Base Rate Area</u>				
Residence, 1-party	\$3.50	\$4.00	\$3.75	\$0.25
2-party	3.00	3.50	3.25	.25
4-party	2.50	3.00	2.75	.25
Business, 1-party	5.25	6.50	6.25	1.00
2-party	4.25	5.50	5.25	1.00
<u>Suburban Area</u>				
Residence, 10-party	3.25	3.50	3.50	.25
Business, 10-party	4.00	5.25	4.75	.75

In addition to the increase in the basic rates, the applicant requests an increase in the daily guarantee on semipublic

service, in monthly rates for business extension stations, PBX trunk and stations, items of supplemental equipment, and in nonrecurring installation charges, move and change charges, and service connection charges. The following order will authorize increases in rates for these services. The applicant will be authorized to file a new schedule applicable to joint user service.

The applicant furnishes message toll telephone service over its toll lines in California at rates now on file with this Commission. At the hearing in this proceeding, as an alternate proposal, the applicant requested that its toll schedule be increased as set forth in Exhibit No. 9. Applying this toll schedule to both state and interstate toll traffic over applicant company's toll routes is estimated by the applicant to increase revenues approximately \$60 a month, most of which would apply to interstate business.

The applicant has toll rates on file with the Federal Communications Commission for toll service over several routes between California and Oregon, including the route Tulalake, California - Klamath Falls, Oregon.

The applicant's present California state toll rates are lower for comparable distances than the toll schedules which are generally applicable to other intrastate traffic in California and in Oregon. The interstate toll rates of the applicant on file with the Federal Commission are generally lower than either California or Oregon intrastate rates for comparable distances. The toll rates proposed by the applicant in Exhibit No. 9 are higher than those which apply generally in California and in Oregon.

A witness for the Commission staff recommended that consideration be given to increasing applicant's toll rates in accordance with a schedule set forth in Exhibit No. 16. He estimated that annual revenues of the applicant would be increased approximately \$500 if

this higher toll schedule were made effective for both interstate and California state toll messages handled over toll routes of the applicant, most of the increase applying to interstate business.

The toll routes served by the applicant are short haul, the longest route being under 50 miles. It appears reasonable that the toll rates should bear their share of the costs of providing the service. The following order authorizes increases in the applicant's California intrastate toll rates to the level set forth in Exhibit No. 16.

Greater simplification in administration of the toll rates and elimination of apparent discrimination would result if a uniform toll rate schedule were made effective for service over applicant company's toll routes. The record shows that Columbia Utilities Company of Oregon, which controls applicant through stock ownership, has an application pending before the Public Utilities Commissioner of Oregon to accomplish, among other things, uniformity in toll rates. In order to realize the full benefits of a uniform toll schedule, it will be necessary for the applicant to make appropriate filings with the proper federal regulatory authority.

The applicant now has rates on file for telegraph service furnished over its lines. No telegraph business, however, flows at the applicant's rates, since the applicant furnishes telegraph service as agent for The Western Union Telegraph Company at the rates filed by the latter company. Accordingly, we will authorize the applicant to cancel its telegraph rates.

An increase in private line station rates to the level of the rate for business extension stations is authorized in the following order. The applicant proposed certain revisions in its rules and regulations relating to establishment and re-establishment of credit and to deposits. The proposed rules and regulations differ from those



recently authorized by this Commission for companies of comparable size and operations to those of the applicant. The applicant will be required to file a revised set of rules and regulations consistent with those set forth in Exhibit No. 19. In total, the rates authorized by the following order are estimated to increase annual revenues by \$4,500 on the basis of the level of business for the 12-month period ending June 30, 1952.

O R D E R

California-Oregon Telephone Company having applied to this Commission for an order authorizing 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; and that the present rates, in so far as they differ from those prescribed herein, are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED as follows:

1. Applicant is authorized to file in quadruplicate with this Commission, after the effective date of this order and in conformity with General Order No. 96, the changes in rates and conditions set forth in Exhibit A attached hereto, and, on not less than five (5) days' notice to the Commission and to the public, to make such rates effective for service furnished on and after August 1, 1951, excepting that increases in installation charges shall be made effective on applications received by applicant on and after August 1, 1951.
2. Within ninety (90) days from the effective date of this order, applicant shall file in quadruplicate with this Commission rules and regulations governing subscriber relations revised, consistent with Exhibit No. 19, to reflect present-day operating practices acceptable to this Commission and in conformity with the requirements of General Order No. 96.

3. Applicant shall file monthly with this Commission a monthly balance sheet and income statement for a period ending December 31, 1952, starting with the statements for the month of August, 1951.

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

Dated at San Francisco, California, this 12<sup>th</sup> day of June, 1951.

*A. J. [Signature]*  
*Harold D. Kille*  
*John E. L. [Signature]*

Commissioners.

EXHIBIT A  
Page 1 of 6

RATES

The presently effective rates, charges, and conditions are changed only as specifically set forth in this exhibit.

Schedule No. A-1, Flat Rate Exchange Service

	<u>Rate Per Month - Each Station</u>	
	<u>Residence Service</u>	<u>Business Service</u>
Each individual line primary station .....	\$3.75	\$6.25
Each two-party line primary station .....	3.25	5.25
Each four-party line primary station .....	2.75	-
Each extension station .....	1.00	1.50

Add conditions relating to permanent connection of two telephone lines as set forth in Exhibit No. 17 filed in this proceeding.

Schedule No. A-3, Suburban Service

	<u>Rate Per Month</u>	
	<u>Wall, Desk, or Hand Set Station Residence Service</u>	<u>Business Service</u>
Each primary station .....	\$3.50	\$4.75
Each extension station .....	1.00	1.50

Schedule No. A-5, Semipublic Coin-Box Service

	<u>Rate</u>
Each individual line coin-box wall, desk, or hand set station:	
Each exchange message .....	\$0.05
Minimum charge per day .....	.22
Each extension hand set station without coin box, per month .....	1.50

EXHIBIT A  
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RATES (Continued)

Schedule No. A-6, Joint User Service

APPLICABILITY

Applicable to joint user service furnished in connection with local business service.

TERRITORY

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

RATES

	<u>Rate Per Month</u>
Each joint user service in connection with:	
Business individual line or party line service .....	\$1.50
Semipublic service .....	1.50
Private branch exchange service .....	3.00

SPECIAL CONDITIONS

Conditions as set forth in Exhibit No. 18 filed in this proceeding are authorized to be filed.

Schedule No. A-7, Private Branch Exchange Service

	<u>Rate Per Month</u>
Trunk Rate:	
Each private branch exchange trunk line .....	\$9.25
Station Rate:	
Each wall, desk, or hand set, station .....	1.50

Schedule No. A-15, Supplemental Equipment

The proposed installation charges and monthly rates as set forth in Exhibit No. 6 filed in this proceeding are authorized, except that the proposed installation charge of \$2.50 for single and double head receivers are not authorized and no installation charge will apply.

EXHIBIT A  
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RATES (Continued)

Schedule No. A-19, Move and Change Charges

	<u>Charge</u>
Subscriber's telephone sets:	
Moving from one location to another on the same premises, each set .....	\$3.50
Change in type or style not required by change in class, or grade of service or type of operation .....	3.50

	<u>Charge</u>	
	<u>Same Room</u>	<u>One Room to Another</u>
Private Branch Exchange Systems:		
Moving from one location to another:		
P.B.X. systems, cord, cordless, per station .....	\$3.50	\$3.50

Schedule No. A-20, Service Connection Charges

	<u>Charge</u>	
	<u>Residence Service</u>	<u>Business Service</u>
Each Service:		
New and additional service:		
Instrumentalities not in place:		
Each individual or party line primary station .....	\$6.00	\$7.50
Each private branch exchange or inter-communicating system trunk .....	-	7.50
Each private branch exchange or inter-communicating system station, except operator's sets .....	-	3.50
Each extension station .....	3.50	3.50
Instrumentalities in place and no change of location or type of facilities involved:		
Subscriber's exchange service and facilities:		
One or more units .....	3.50	3.50

Schedule No. A-21, Employee's Service

Minimum charges, per month:	
Wall, desk, or hand set station .....	\$1.40

EXHIBIT A  
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RATES (Continued)

Schedule No. B-1, Toll Service

APPLICABILITY

Applicable to toll telephone service.

TERRITORY

Throughout the entire territory served.

		<u>Station Service</u>							
		<u>Paid:</u>				<u>Collect</u>			
		<u>Day (Except Sun.)</u>		<u>Night and Sunday</u>		<u>Day (Except Sun.)</u>		<u>Night and Sunday</u>	
		<u>First</u>	<u>Each</u>	<u>First</u>	<u>Each</u>	<u>First</u>	<u>Each</u>	<u>First</u>	<u>Each</u>
<u>Mileage</u>	<u>Over:</u>	<u>3</u>	<u>Add.</u>	<u>3</u>	<u>Add.</u>	<u>3</u>	<u>Add.</u>	<u>3</u>	<u>Add.</u>
<u>Incl.</u>	<u>Initial:</u>	<u>Min.</u>	<u>Min.</u>	<u>Min.</u>	<u>Min.</u>	<u>Min.</u>	<u>Min.</u>	<u>Min.</u>	<u>Min.</u>
0	10	\$0.10(5)	\$0.05(3)	Same as day rate	\$0.20	\$0.05	Same as day rate		
10	15	.15(3)	.05(1)	" " " "	.25	.05	" " " "		
15	20	.20(3)	.05(1)	" " " "	.25	.05	" " " "		
20	25	.25(3)	.05(1)	" " " "	.25	.05	" " " "		
25	30	.30(3)	.10(1)	" " " "	.30	.10	" " " "		
30	35	.35(3)	.10(1)	" " " "	.35	.10	" " " "		
✓35	40	.40(3)	.10(1)	\$0.35(3)	\$0.10(1)	.40	.10	\$0.35	\$0.10
✓40	50	.45(3)	.15(1)	.35(3)	.10(1)	.45	.15	.35	.10

		<u>Person Service</u>							
		<u>Paid and Collect</u>							
		<u>Day (Except Sunday)</u>		<u>Night and Sunday</u>					
		<u>First</u>	<u>Each</u>	<u>First</u>	<u>Each</u>	<u>First</u>	<u>Each</u>	<u>First</u>	<u>Each</u>
<u>Mileage</u>	<u>Over:</u>	<u>3</u>	<u>After</u>	<u>3</u>	<u>After</u>	<u>3</u>	<u>After</u>	<u>3</u>	<u>After</u>
<u>Incl.</u>	<u>Min.</u>	<u>3</u>	<u>3</u>	<u>Min.</u>	<u>3</u>	<u>3</u>	<u>Min.</u>	<u>3</u>	<u>3</u>
0	10	\$0.25	\$0.05	\$0.05	Same as day rate				
10	15	.30	.10	.05	" " " "				
15	20	.35	.10	.05	" " " "				
20	25	.40	.10	.05	" " " "				
25	30	.45	.15	.10	" " " "				
30	35	.50	.15	.10	" " " "				
✓35	40	.55	.15	.10	\$0.50	\$0.15	\$0.10		
40	50	.65	.20	.15	.55	.15	.10		

SPECIAL CONDITIONS

- The above station service rate of \$0.10(5) indicates that the charge is ten cents for the first five minutes of conversation or fraction thereof.

EXHIBIT A  
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RATES (Continued)

Schedule No. E-1, Toll Service (Continued)

SPECIAL CONDITIONS (Continued)

2. The rates shown in this schedule apply between points on the lines owned and operated by this company. The rates applicable to toll telephone service between points on the lines of the company and points reached via the lines of The Pacific Telephone and Telegraph Company and Citizens Utilities Company of California, are the rates of The Pacific Telephone and Telegraph Company and Citizens Utilities Company of California.
3. Two classes of toll telephone service are offered; namely, Station service and Person service. For each class of service day, night and Sunday rates apply on the lines of this company as follows:
  - a. Day rates apply from 4:30 a.m. to, but not including, 6 p.m. on all days except Sunday.
  - b. Night and Sunday rates apply daily from 6 p.m. to, but not including, 4:30 a.m., and on Sundays from 4:30 a.m. to, but not including, 6 p.m. Night and Sunday rates also apply on Christmas Day (December 25) and on New Year's Day (January 1). In case the Christmas and New Year's legal holidays fall on dates other than December 25 and January 1, Sunday rates apply as provided above on such legal holidays.
  - c. The time at the calling station, when connection is established, governs the application of day, night and Sunday rates.
4. Station service is that service under which the person originating the call gives only the telephone number of the station or private branch exchange system desired or the name and address under which the telephone is listed and does not specify a particular person or private branch exchange station to be reached at the called point.

The measurement of the duration of a station call for the purpose of application of rates shall begin at the moment telephone communication is established between the calling station and the called station or private branch exchange.

5. Person service is that service under which orders are accepted to establish communication between specified persons, or a particular station reached through a private branch exchange. The measurement of the duration of a person call for the purpose of the application of rates shall begin at the moment when communication begins with or between the particular person or persons specified in the order, or other party acceptable to the person calling, or the private branch exchange station called.

EXHIBIT A  
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RATES (Continued)

Schedule No. B-1, Toll Service (Continued)

SPECIAL CONDITIONS (Continued)

6. Charges for all classes of telephone calls are billed against or collected from the calling telephone, except that upon request toll charges on calls may be billed against or collected from the called telephone (i.e., charges may be reversed) if the charges are accepted at the called station, or by special arrangement the calls are billed against a third party telephone. Reversal of charges on Station service calls is permitted when "anyone" answering accepts the charges.

Schedule No. B-2, Toll Telephone Service

Revise station service base rates in accordance with toll schedule No. B-1 authorized herein.

Schedule No. B-3, Toll Station Service

Revise schedule to show that the minimum charge for a message to or from a toll station is \$0.10.

Schedule No. C-1, Telegraph Service

This schedule is authorized to be cancelled.

Schedule No. G-1, Private Line Service

	<u>Rate Per Month</u>
Station Rate:	
Each wall, desk, or hand set station .....	\$1.50