

ORIGINAL

Decision No. 46681

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of	)	
IDA LOCKHART, sole Owner of and operating	)	
as FORESTHILL TELEPHONE EXCHANGE, a public	)	
utility, to transfer one-half ownership to	)	
RALPH E. HOEPER and thereafter conduct such	)	Application No. 32649
public utility as a partnership; and for	)	
increased rates for exchange telephone	)	
service.	)	

F. V. Rhodes for applicants Ida Lockhart  
and Ralph Hooper; California Independent  
Telephone Association, by Frank V. Rhodes,  
interested party; California Farm Bureau  
Federation, by Eldon N. Dye, interested  
party; William W. Dunlop for the Commission  
staff.

O P I N I O N

By this application, filed August 8, 1951, Ida Lockhart (Foresthill Telephone Exchange) seeks authority to transfer a one-half interest in her telephone business to Ralph E. Hooper, thereafter conducting the business as a partnership, and to increase rates for exchange telephone service rendered in the community of Foresthill, Placer County.

A public hearing in this matter was held before Examiner Emerson on December 12, 1951 at Foresthill.

Applicant Lockhart entered into a partnership agreement with Hooper on November 1, 1949. A copy of the partnership agreement is attached to the application as Exhibit "A" thereto. Mr. Hooper has been an employee of Miss Lockhart since mid-1949, has drawn a part of his wages in cash and has invested the balance in

the utility. It is now proposed to transfer a one-half interest in the business to Hooper. Mr. Hooper is presently rehabilitating, extending and maintaining the system. In our opinion the proposed transaction will not be adverse to the public interest and the transfer will be authorized.

This utility's present and proposed basic exchange rates segregated by principal classes and grades of service are compared in the following tabulation:

<u>Business Service</u>	<u>Present Rate</u>	<u>Proposed Rate</u>	<u>Increase</u>
1-party	*	\$4.50	**
2-party	*	3.75	**
4-party	\$2.50 <sup>a</sup>	*	
10-party	2.75 <sup>a</sup>	3.75	\$1.00
<u>Residence Service</u>			
1-party	*	3.50	**
4-party	2.25 <sup>a</sup>	2.75	.50
10-party	2.50 <sup>a</sup>	3.00	.50
<u>Extension Stations</u>			
Business-inside	1.00	1.50	.50
Business-outside	1.50	1.50	-
Residence	1.00	1.25	.25
<u>Mileage Rates - 1/4 Miles</u>			
1-party	*	.60	**
2-party	*	.40	**
4-party	*	.30	**
Off-premises	*	1.00	**
<u>Service Connections - New</u>			
Business	3.50	6.00	2.50
Residence	3.50	5.00	1.50

\* Not offered.  
 \*\* New service.  
 a.25¢ less for wall set.

Presently effective tariff schedules, in effect since 1921, provide for eight hours of service daily except Sunday, when service is offered for two hours. Actually, however, regular service is now being provided 16 hours per day, including Sunday, and emergency service is continuously available. Applicants propose to continue the hours of service now being rendered.

Applicant Lockhart purchased the telephone system in 1943 when it served but 11 subscribers. As of October 31, 1951, a total of 141 stations was being served, approximately 100 of which were on four-party lines. As a result of business expansion, particularly in the lumber industry, applicants propose to establish a base rate area at Foresthill, which will include all of the built-up sections of the community, and to establish suburban mileage charges for service outside the base rate area.

The operating revenues of this system, for the year 1950, were received in the ratio of 35% from local service and 65% from toll service. Since the community is practically a one-industry area the telephone business, as well as the general well-being of the community, is particularly sensitive to the fluctuations in that industry.

Because of system growth, a considerable amount of maintenance work has been, and will continue to be, necessary. Maintenance expenses take approximately 16% of revenues. Operating expenses, also greatly influenced by system growth, absorb approximately 82% of operating revenues.

Results of operations as recorded and as estimated were presented by applicants and an engineer of the Commission staff. These are summarized as follows:

Item	1952				
	1950 Recorded	1951 Estimated Staff	Present Rates Staff	Proposed Rates Applicant	Proposed Rates Staff
Average No. of Stations	126	136	156	150	156
Operating Revenues	\$8,100.23	\$8,560	\$9,370	\$10,184	\$10,790
Operating Expenses					
Before Taxes & Depr.	7,571.10	8,420	9,270	8,816	9,270
Taxes	215.54	250	310	496	580
Depreciation	480.06	350	390	380	390
Total Oper. Expenses	8,266.70	9,020	9,970	9,692	10,240
Net Revenues	(166.47)	(460)	(600)	492	550
Rate Base (Deprec.)	7,467	8,970	9,770	9,757	9,770
Rates of Return	Loss	Loss	Loss	5.04%	5.63%

(Rec Figure)

From the preceding tabulation it will be noted that the utility operated at a loss in 1950 and 1951 and will continue to operate at a loss during 1952 if present rates are continued. The differences in estimates of 1952 operations result almost entirely from the respective estimates of the number of stations to be served during 1952. Evidence presented in this proceeding indicates that applicants now have on hand 12 hold orders. If these are served promptly, we are of the opinion that the staff's estimate of 1952 operations will most closely approach actual operations. It is apparent, however, that this utility is in need of relief in the form of increased revenues and in the total amount sought. The proposed rates will be authorized and should produce a rate of return of approximately 5.6% on a depreciated rate base of \$9,770, which rate of return and base we find to be just and reasonable for the purposes of this proceeding.

In addition to subscribers' accounts, applicants maintain charge accounts for about 46 persons who do not have telephone service but who place toll calls from subscribers' telephones and charge the tolls. This is a practice which places an uncompensated burden on the utility's bookkeeping and collection costs and should be limited. Applicants should examine the feasibility of establishing semipublic telephone service for those situations where such usage becomes more than casual.

Under the proposed rates four-party business service would be discontinued coincident with the offering of one- and two-party service. At present there are only two four-party business subscribers, one of which has requested upgrading of service. It is also proposed to eliminate the present differential between hand set and wall set instruments and to increase charges for service connections and for moves and changes. It is further proposed to file

new rates for supplemental equipment items, to revise the schedule applicable to line extension charges and to cancel rates for farmer line and directory listings under which no services are presently furnished. These proposals appear to be reasonable and will be authorized.

No subscriber appeared to protest or otherwise comment upon the proposed rate increase or to offer any complaint as to service.

Applicants will be required to file a modern set of rules and regulations.

O P I N I O N

Ida Lockhart (Foresthill Telephone Exchange) having applied to the Commission for an order authorizing a transfer of a one-half interest to Ralph E. Hoyer and increasing rates, a public hearing thereon having been held, and the matter having been submitted for decision; therefore,

IT IS HEREBY ORDERED that Ida Lockhart, after the effective date of this order and on or before February 29, 1952, may transfer a one-half interest in the properties and business of the Foresthill Telephone Exchange to Ralph E. Hoyer and shall, within sixty (60) days thereafter file with this Commission a copy of the instrument of conveyance as actually executed.

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 FURTHER ORDERED as follows:

1. Ida Lockhart and Ralph E. Hoyer (Foresthill Telephone Exchange) are authorized to file in quadruplicate with this Commission, after the

effective date of this order and consummation of the transfer above authorized, the tariff sheets and schedules of rates presented in this proceeding as Exhibit No. 1 and, on not less than three (3) days' notice to the Commission and the public make said tariff sheets and rates effective for bills covering service furnished on and after March 1, 1952, excepting that increases in installation charges shall be made effective on applications received by the utility on and after March 1, 1952.

2. Within six (6) months from the effective date of this order there shall be filed in quadruplicate with this Commission rules and regulations governing subscriber relations, revised to reflect present-day operating practices acceptable to the Commission and in conformity with General Order No. 96, together with copies of current forms that are normally used in connection with customer services.

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

Dated at San Francisco, California, this 22<sup>nd</sup> day of January, 1952.

*A. J. [Signature]*  
President.  
*James J. [Signature]*  
*Harold P. [Signature]*  
*Robert E. [Signature]*  
Commissioners.

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