

ORIGINAL

Decision No. 46687

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
LAURA H. TOWER, operating as CALAVERAS)	
TELEPHONE COMPANY, for an order authoriz-)	
ing increases and changes in rates and)	Application No. 32719
charges for exchange and toll telephone)	
service and miscellaneous services, and)	
withdrawal from telegraph business.)	

Howard J. Tower and F. V. Rhodes for applicant; Frank V. Rhodes, Secretary, for California Independent Telephone Association, interested party; Eldon N. Dye for California Farm Bureau Federation, interested party; William W. Dunlop for the Commission staff.

O P I N I O N

By the above-entitled application, filed September 5, 1951, Laura H. Tower (Calaveras Telephone Company) seeks an order of this Commission authorizing increased rates for exchange and toll telephone service and for withdrawal from the telegraph business offered in the western part of Calaveras County and the eastern part of Stanislaus County. Applicant's operations are centered at Felix, Calaveras County.

A public hearing in this matter was held before Examiner Emerson on December 20, 1951 at Copperopolis, California. At the hearing applicant amended the application by requesting that 10-party residential service be increased to \$3.50 per month.

The present basic rates and those proposed by applicant, segregated to principal classes and grades of service, are compared in the following tabulations:

Exchange Telephone Service

<u>Class or Grade of Service</u>	<u>: Present Rate :</u>	<u>Proposed Rate :</u>	<u>Increase :</u>
<u>Residence Service, per month</u>			
Individual line	\$5.00	\$5.00	\$ -
10-party line	2.00	3.50	1.50
Extension	1.00	1.25	.25
<u>Business Service, per month</u>			
Individual line	6.00	6.00	-
10-party line	2.25	4.50	2.25
Extension	1.00	1.50	.50
<u>Interexchange Service, per month</u>			
Receiving	3.00	5.00	2.00
<u>Extension Bells, per month</u>			
Small	-	.50	New
Gongs	-	1.00	New
<u>Mileage Charges, per 1/4 mile</u>			
Individual line	-	.25	New

Toll Service

<u>Type of Service</u>	<u>Felix-Milton (8 miles air line):</u>	
	<u>Present Rate</u>	<u>Proposed Rate</u>
Station-to-station, day rate	\$0.10(5) .05(3)	\$0.10(3) .05(2)
Person-to-person	.15(3) .05(1)	Withdraw
Appointment and Messenger	.20(3) .05(1)	Withdraw
Report Charge	.05	Withdraw

Note: Numbers in brackets () indicate time in minutes.

The Calaveras Telephone Company commenced operations in 1899 and has since offered telephone service by a system of rural lines emanating from a switchboard located at the Tower ranch approximately 7 miles from Copperopolis and 9 miles from Milton.^{1/} There is no large concentration of population in the

^{1/} For a description of the system and its origin, see Decision No. 3333 in Application No. 1929, issued May 13, 1916.

utility's service area. The area is hilly and rocky and, though once the scene of many copper mining operations, is now devoted primarily to stock raising. As of October 31, 1951, the utility served 45 telephone stations. In May, 1951, the utility completed the installation of a new switchboard and established dial operations to subscribers. The utility owns the toll line connecting its system with The Pacific Telephone and Telegraph Company at Milton.

Applicant's rates for exchange service have been unchanged since 1899. Toll rates have remained unchanged since 1919. Telegraph rates have been modified several times through the years, but according to testimony of the utility manager, the son of the owner, "there has been no telegraph business for as long as I can remember" and applicant desires to withdraw telegraph service and rates.

Applicant keeps only the simplest of records, maintaining only a subscriber ledger for revenues and a check register for expenses. It is alleged that neither under present rates nor under the rates proposed will revenues be sufficient to cover all operating expenses. Applicant believes that it will suffer a loss of \$1,818 for the year 1952 even under the proposed rates. The Commission staff indicated a profit of \$490 might be realized. If rates sufficient to produce a fair profit were placed in effect, applicant believes such rates would be so high that few, if any, subscribers would take service. Applicant, therefore, is seeking only a halting of present losses and is not expecting to receive a fair return on its investment.

Estimates of the results of future operations were presented by applicant's manager and by the Commission staff. These are widely separated in several respects but primarily

with respect to estimated toll revenues, manager's wages, as reflected by time devoted to capital and expense accounts, and depreciation. Applicant anticipates no increase in toll revenues on the premise that the entire area served is composed of large landholders devoted to stock raising and is static, has been so for a long period of time, and that no reopening of mining operations or other businesses that might be substantial users of toll service is in prospect.

Applicant's estimate of maintenance costs was based upon the manager's devoting 12 days monthly to such work. The Commission staff estimate was based upon an estimated five days per month for maintenance work, the balance being allocated to work on capital additions. We are aware that a higher level of maintenance is required for common battery dial operation than for manual magneto operation of a telephone system. Applicant's estimate of time to be devoted to maintaining the plant, therefore, appears to be entirely reasonable.

The Commission staff, using the straight-line remaining life method of depreciation accounting determined that, for depreciable plant items totaling \$12,915, the estimated depreciation expense for 1952 would total \$535. Such total indicates a composite rate of 4.14%. Applicant used an over-all rate of 4% on its estimated depreciable plant of \$31,238 and arrived at a depreciation expense of \$1,249. The greatest difference between the two estimates of depreciable plant occurs in Account No. 241, Poles, Conduits, Cable and Wire, which the staff estimated at \$3,870 and applicant estimated at \$21,705. We are unable to reconcile these differences. From the record in this proceeding it appears that neither estimate is completely trustworthy and that the differences may not be resolved or the facts determined until such time as an inventory and appraisal of all of the telephone properties shall have been made.

Although this system is small and has but relatively few subscribers it is essential that adequate records be kept. Applicant now has completely new central office equipment and subscribers' instruments, the original costs of which are known. The capital costs of the balance of the system are not known, nor does it appear that they have ever been other than as estimated by the owners. Applicant has reported, for tax purposes, 115 pole miles of outside plant whereas the staff estimate indicates that not more than 75 pole miles of plant exist. In fairness to the owner as well as to the ratepayers this situation should be corrected. We will direct applicant to make a cost appraisal of the telephone facilities.

From all the evidence before us, we conclude that the rates proposed by applicant will produce revenues that will little more than meet operating expenses. No return on applicant's investment is contemplated. The proposed rates elicited no objections at the hearing in this matter. The rates requested will be authorized.

O R D E R

Laura H. Tower (Calaveras Telephone Company) having applied to this Commission for an order increasing certain rates and charges and to withdraw from the telegraph business, a public hearing thereon having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY FOUND AS A FACT that the increases in rates and charges authorized herein are justified and, in so far as they differ therefrom, present rates and charges 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 in conformity with General Order No. 96, the schedule of rates set forth in Exhibits Nos. 1 and 2, as corrected, in this proceeding 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 March 1, 1952.

- 2. Applicant is authorized to withdraw from the telegraph business and to cancel its Schedule No. C-1 as of March 1, 1952.
- 3. Applicant, on or before December 31, 1952, shall submit for the approval of this Commission a historical cost appraisal of all of applicant's telephone plant.

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

Dated at ^{Los Angeles} ~~San Francisco~~, California, this 29th day of January, 1952.

RP

A. J. Anderson
President.

Justus J. Caswell

Harold P. Hule

Samuel P. Pottel

Ed. E. McMillan
Commissioners.