ORIGINAL

Decision No. 46712

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of JOHN F. NEHER, operating as FARMINGTON TELEPHONE COMPANY, for an order authorizing increases and changes in rates and charges for exchange telephone and other service.	Application No. 32645

John F. Neher 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.

OPINION

By this application, filed August 8, 1951, John F. Neher (Farmington Telephone Company) seeks an order of this Commission authorizing increases in rates and charges for exchange telephone service rendered in Farmington and vicinity in San Joaquin and Stanislaus Counties.

A public hearing in this matter was held before Examiner F. E. Emerson on December 21, 1951 at Farmington.

Applicant estimates that the requested increased rates will produce an additional $1,421 annual gross revenue, an increase of 45.6%. On a monthly basis the average exchange revenue per station would be increased from $2.11 to $3.07. The present basic rates and those proposed by applicant, segregated to principal classes and grades of service are compared in the following tabulation:

Class or Grade of Service	Present Rate	Proposed Rate	Increase
Residence Service, per month			
1-party	$3.00	$3.50	$0.50
2-party	*	3.00	**
4-party	*	2.50	**
10-party	2.00	3.00	1.00
Extension	.75	1.00	.25
Business Service, per month			
1-party	3.00	4.25	1.25
2-party	*	3.75	**
10-party	2.00	4.00	2.00
Extension	1.00	1.25	.25
Interexchange Receiving Service, per month	3.00	5.00	2.00
Mileage charges, per 1/4 mile, per month			
1-party	.50	.60	.10
2-party	*	.40	**
4-party	*	.30	**

* Not presently offered or effective.
** New service offering.

Hours of service have been in excess of those specified in applicant's tariff schedules, continuous service having been provided since 1945. Since December 1, 1951 full dial operation has been in effect. There are presently no unfilled orders for new or upgraded services. The present basic exchange rates have been in effect since 1925.

Telephone service at Farmington was first offered by a mutual telephone association formed in 1912. By 1938 the lines of the association had fallen into such a state of disrepair and demands for improvement in service had become so pressing that the association sold its properties to a private individual who thereupon began private utility operations. The present owners acquired the system in 1945 and undertook a complete rehabilitation of the system. Since acquisition, applicant has increased plant investment by over 200% and has doubled the number of stations in service. Outside plant has been thoroughly rehabilitated, with no slack open wire in evidence, and the system is fully metallic. Applicant converted to a modern dial central office and new station equipment as of December 1, 1951 and the exchange is now served by a 100-line, step-by-step, dial switchboard equipped for 55 lines, 44 of which are working lines. Five toll trunk lines, entering the Farmington exchange, are owned by The Pacific Telephone and Telegraph Company and terminate at Stockton where toll operating and ticketing for Farmington is performed by Pacific's employees. Applicant owns approximately 48 miles of pole line and 154 miles of aerial wire and on December 21, 1951 had 121 stations.

With respect to the utility's earning position applicant and an engineer of the Commission staff presented results of recorded past operations and estimates of future operations under both present and proposed rates. The latest full year operations recorded were those of 1950. In such year normal operating revenues were considerably augmented by service to an Army Engineer's construction camp. Also, in 1950 dial facilities were not in operation and fixed capital in service was relatively low. From the testimony presented it appears that a rate of return of about 4.9% was realized in 1950. During 1951 applicant lost the construction camp as a subscriber, due to completion of the construction project, and undertook dial conversion which practically doubled applicant's investment. From the record in this proceeding, it appears that applicant realized a rate of return of about 1.3% on the average net plant in 1951.

The year 1952 will see the first 12 months' operations with the new dial system and what may be termed normal operations.

The respective estimates of the earning position of applicant during such normal year are summarized as follows:

Item	Estimated Year 1952 Present Rates: Staff	Proposed Rates Applicant	Proposed Rates Staff
Operating Revenues			
Local Service	$ 3,230	$ 4,715	$ 4,815
Toll Service	3,705	3,268	3,705
Miscellaneous	230	250	215
Total Operating Revenues	7,165	8,233	8,735
Operating Expenses			
Maintenance	2,460	3,700	2,460
Operation and other	3,085	2,279	3,085
Depreciation	990	871	990
Taxes	260	495	775
Total Operating Expenses	6,795	7,345	7,310
Net Revenues	370	888	1,425
Rate Bases			
Telephone Plant	20,150[a]	23,090[b]	20,150[a]
Material and Supplies	210	-	210
Working Cash	300	598	300
Depreciation Reserve	940	(2,520)	940
Rate Base (depreciated)	21,600	21,168	21,600
Rates of Return	1.7%	4.2%	6.6%

(Inverse Item)

a. Weighted average.
b. Year-end.

It is apparent, from the above tabulation, that applicant will earn an unsatisfactory return if present rates are continued. Applicant is entitled to increased revenues and we find, for the purposes of this proceeding, that a rate of return of 6.6% on a depreciated rate base of $21,600 is fair to the utility and not unreasonable to its customers. The schedules of rates to be authorized herein are those requested by applicant. The increased rates are below the general level of rates in California for exchanges of similar size and offering similar services. Applicant's rate proposal elicited no opposition at the hearing in this matter.

Applicant will be directed to file a modern set of rules and regulations.

O R D E R

John F. Neher (Farmington Telephone Company) having applied to this Commission for an order increasing certain rates and charges for exchange telephone service rendered in San Joaquin and Stanislaus Counties, 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 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. John F. Neher (Farmington Telephone Company) is authorized to file in quadruplicate with this Commission, after the effective date of this order 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 21, 1952, excepting that increases in installation charges shall be made effective on applications received by the utility on and after March 21, 1952.

2. Within four (4) 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 5th day of February, 1952.

R. T. [illegible] President.

Justus F. Craemer

Harold P. Huls

Kenneth Potter

Peter E. Mitchell

Commissioners.