

Decision No. 46713

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of }
JOHN R. WISE operating as TUOLUMNE }
TELEPHONE EXCHANGE, for an order } Application No. 32646
authorizing increases and changes in }
rates and charges for exchange }
telephone service. }

John R. Wise and F. V. Rhodes for applicant;
Frank V. Rhodes, for California Independent
Telephone Association, interested party;
Eldon N. Dye, for California Farm Bureau
Federation, interested party; P. L. Davis,
interested party; William W. Dunlop, for
the Commission staff.

O P I N I O N

By this application, filed August 8, 1951, John R. Wise (Tuolumne Telephone Exchange) seeks an order of this Commission authorizing increases in rates and charges for exchange telephone service rendered in the unincorporated town of Tuolumne and surrounding territory in Tuolumne County, California.

A public hearing in this matter was held before Examiner Emerson on December 19, 1951, at Tuolumne.

The exchange rates proposed by applicant, on an annual basis, are estimated to produce an increase in exchange charges of approximately \$4,180, or an increase of 56.2%. Applicant does not now have a base rate area but proposes to establish one and thereafter to furnish no suburban or rural service within such area. Service is now furnished on a full 24-hour basis. Principal charges, segregated by classes and grades of service, are compared in the following tabulation. Present rates have been effective since July 1, 1935.

Item	Rates		
	Present	Proposed	Increase
Residence Service, per month ^a			
1-party	\$2.50	\$4.00	\$1.50
2-party	2.75 ^b	3.50	.75
6-party	-	3.00	c
10-party	2.25	3.00	.75
Extension	1.00	1.25	.25
Business Service, per month ^a			
1-party	2.75	5.50	2.75
2-party	-	4.75	c
6-party	-	4.50	c
10-party	2.50	4.50	2.00
Extension	1.00	1.50	.50
Private Branch Exchange, per month			
Trunks	4.00	8.25	4.25
Subscriber-owned stations	.50	1.50	1.00
Service Connection Charges			
Residence	3.50	5.00	1.50
Business	3.50	6.00	2.50
Move and Change Charges			
Residence or Business	1.50	3.00	1.50
Mileage Charges, per 1/4 mile			
1-party	-	.60	c
2-party	-	.40	c
6-party	-	.20	c

- a. Wall set \$0.25 less, except on extension stations.
b. Actually charged but not filed rate.
c. New service offering.

The Tuolumne Exchange serves an area whose principal industry is lumbering. It has a single position, 120-line, magneto switchboard equipped with 115 lines, 99 of which are working lines. One 2-party and 14 individual lines are common battery operated. Code ringing is controlled manually. As of December 19, 1951, there were 315 stations being served and 28 miles of pole line, 0.2 mile of cable, and 96 miles of aerial wire in operation. Applicant owns no toll circuits; however, toll service is available through three toll circuits between Tuolumne and Sonora owned by The Pacific Telephone and Telegraph Company, whose operators at Sonora perform all toll operating and ticketing for Tuolumne. Two additional

toll circuits are scheduled to be added in early 1952, at which time present delays in toll service should be largely eliminated.

The operating force at Tuolumne consists of two full-time, one part-time and one relief operator in addition to applicant. Mr. Wise, in addition to managing the exchange, performs all maintenance, construction and station installation work, and serves as night operator from 12:30 to 7:30 a.m. and as noon relief operator. Mrs. Wise performs billing and bookkeeping duties as well as general office work. From January 1, 1951 to November 1, 1951, operators were paid at the rate of 65 cents per hour. Since November 1, 1951, the rate has been 70 cents per hour. No differentials are paid for night, Sunday or overtime work nor are vacations or sick benefits provided. The operators, however, have been promised a wage rate of 85 cents per hour during the year 1952.

Applicant has operated this telephone system since November, 1950. The record in this proceeding clearly shows a considerable improvement in service during the past year. The number of stations has been increased by over 100, grounded lines have been made metallic and transmission has been improved by replacement of batteries at virtually every station that was in operation prior to November, 1950. The vulnerability of outside plant to storm damage, due largely to the substandard construction used by prior owners, has been lessened by applicant's maintenance and reconstruction program. There is still a shortage of outside plant facilities, however, and applicant has 30 held orders for telephone service awaiting construction of the necessary outside plant. These held orders will be served as rapidly as plant is installed. The present program of making lines metallic and of replacing open wire with cable in the business area will be continued during 1952. Growth of the system, as viewed by applicant, will

require the addition of one operating position to the switchboard and employment of one additional part-time operator before April, 1952.

The staff of this Commission has made a considerable investigation of applicant's operations and accounting records and, as Exhibit No. 2 in this proceeding, has presented estimates covering the years 1951 and 1952 which appear to be reasonable and as reliable as the source material will permit. The historical cost of the plant in service is neither known nor is it determinable from existing records. In presenting its estimates the Commission staff therefore assumed the purchase price paid by applicant as a point of beginning, made adjusted additions thereto, determined a reasonable depreciation reserve by utilizing the straight-line remaining life method of depreciation accounting, included an amount for working cash allowance and thereby derived a rate base which is useful in weighing the reasonableness of applicant's rate request. For the purpose of this proceeding we shall adopt the staff's determination. However, in so far as a rate base is concerned such determination shall not be construed to be a final determination of such base nor shall its use herein preclude applicant from having a proper base established by this Commission in an appropriate future proceeding.

While applicant's attention to service matters and improvement of plant facilities has been noteworthy, attention to proper accounting practices has been seriously deficient. Applicant, without delay, should establish a reliable set of records and books of account in conformity with this Commission's prescribed system of accounts and make accurate entries therein. Applicant will be directed to make a cost appraisal of the telephone facilities:

For the purposes of this proceeding we find that estimates of operating revenues, operating expenses, net revenues and rate base, as set forth in the following tabulation, are just and reasonable for the periods indicated.

Item	Year 1951	Year 1952	
		Present Rates	Proposed Rates ^a
Operating Revenues	\$11,605	\$14,350	\$18,900
Operating Expenses			
Maintenance and Operation Expenses	12,195	14,085	14,085
Taxes	340	460	1,120
Depreciation	1,385	1,670	1,670
Total Operating Expenses	13,920	16,215	16,875
✓ Net Revenues	(2,315)	(1,865)	2,025
Rate Base (depreciated)			28,215
Rate of Return	Loss	Loss	7.2%

(Red Figure)

a. Assumes full year operation, may not be realized.

From the above tabulation it will be noted that under present rates applicant was operating at an out-of-pocket loss during 1951. If present rates were to be continued, operations in 1952 would also produce a loss. It is apparent, from the record in this proceeding, that applicant will not realize the above-indicated rate of return for the actual year 1952 since increased rates will not be effective for the full year. From the record it appears the capital additions, including reconstruction of plant during 1952 and 1953, will increase the rate base, resulting in a lowering of return below that indicated on the above table. Applicant is in need of increased revenues and in the total amount sought. For the purposes of this proceeding we find a rate of return of 7.2% on a depreciated rate base of \$28,200 to be fair to the utility and not unreasonable to its subscribers.

Applicant will be required to file a set of rules and regulations which will reflect present-day practices and subscriber relationships.

Applicant's rate request, in addition to increases in basic rates, includes proposed increases in charges for initial installations, line extension charges, and charges for supplemental equipment. Applicant will be authorized to increase such charges to the level established by this Commission in recent proceedings for comparable telephone companies and services. We will also authorize the introduction of 2-party and 6-party residence and business service in the new base rate area at Tuolumne. The present 25 cents per month differential between hand set and wall set instruments will be retained. Charges for subscriber-owned stations on private branch exchanges will be established at 25 cents per month less than company-owned stations on such exchanges.

O R D E R

John R. Wise (Tuolumne Telephone Exchange) having applied to this Commission for an order authorizing increases in rates; a public hearing thereon 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 present rates, in so far as they differ from those herein prescribed 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 rates, charges and conditions set forth in Exhibit A attached to this order and, on not less than five (5) days' notice to the public and this Commission, to make said rates effective for service furnished on and after March 1, 1952.

2. Coincidental with establishment of the new rates hereinabove authorized, applicant shall establish a base rate area at Tuolumne, the boundaries of which shall be as set forth on the map included in Exhibit No. 1 in this proceeding, and shall file with this Commission four (4) copies of a map of said base rate area delineating thereon the precise boundaries thereof.
3. Within one hundred twenty (120) days from the effective date of this order, applicant shall file in quadruplicate with this Commission, rules and regulations governing subscriber relations, revised to reflect present-day operating practices acceptable to this Commission and in conformity with the requirements of General Order No. 96, together with current forms that are normally used in connection with customer service.
4. 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 San Francisco, California, this 5th day of

February, 1952.

A. J. [Signature]
President.

Justice F. [Signature]
Harold P. [Signature]

[Signature]
[Signature]
Commissioners.

EXHIBIT A

RATES

The rates and tariff sheets set forth in Exhibit No. 1 in this proceeding are authorized with the changes specifically set forth in this exhibit. Present rates are continued or modified as set forth below.

Preliminary Statement

The preliminary statement of Exhibit No. 1 is authorized without change.

Map of Base Rate Area

The map of the Tuolumne Base Rate Area in Exhibit No. 1, as corrected at the hearing, is authorized.

Schedule No. A-1

Individual and party line service and mileage rates, together with special conditions, are authorized as contained in Exhibit No. 1.

Schedule No. A-2

Presently effective commercial private branch exchange service Schedule No. A-2 rates are authorized to be changed to the following:

- (2) Trunk Rate:
Each trunk line \$8.25
- (3) Station Rate:
Each wall or desk set station 1.25

Schedule No. A-3

Presently effective interexchange receiving service Schedule No. A-3 is continued without change.

Schedule No. A-5, Public Telephone Service

The schedule set forth in Exhibit No. 1 is authorized to be filed with a rate of 10 cents for each exchange message.

Schedule No. A-6, Supplemental Equipment

Schedule No. A-29, Move and Change Charges

Schedule No. A-30, Service Connection Charges

Schedule No. A-31, Line Extension Charges

These schedules as set forth in Exhibit No. 1 are authorized.

Rule and Regulation No. 9

Rule and Regulation No. 30

Rule and Regulation No. 31

These rules and regulations shall be cancelled.