

# ORIGINAL

Decision No. 47378

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
Sunland-Tujunga Telephone Company, )  
a corporation, for an Order of the )  
Commission authorizing it to increase ) Application No. 33094  
certain rates and charges for ) (Amended)  
telephone service. )

Allan R. Stacey, for applicant; F. V. Rhodes,  
for California Independent Telephone  
Association; M. E. Gaider, for T. M. Chubb  
and Roger Arnebergh, City of Los Angeles;  
H. F. Wiggins, T. Stein and W. W. Dunlop,  
for the Commission staff.

## O P I N I O N

Sunland-Tujunga Telephone Company, a corporation, by the above-entitled application filed January 30, 1952, and amended April 28, 1952, seeks authority to increase certain rates and charges for telephone service for the communities of Sunland, Tujunga, Shadow Hills, and La Tuna Canyon, in the City and County of Los Angeles.

A public hearing in this matter was held before Commissioner Potter and Examiner Warner on May 21, 1952, in Sunland.

### Applicant's Operations

Applicant now provides local and interexchange telephone service to approximately 6,000 subscribers throughout an area comprising approximately 40 square miles of territory, most of which is within the City of Los Angeles, in the Sunland-Tujunga area. The base rate area encompasses a territory of approximately 18 square miles. Extended service was introduced in the Tujunga exchange on an optional basis effective November 1, 1940, at which time the

company served 961 stations and the extended calling area included 12,646 stations in applicant's Tujunga exchange and in Crescenta and Burbank exchanges of The Pacific Telephone and Telegraph Company, and in the San Fernando exchange of California Water & Telephone Company. The Sylvan district area of the Pasadena exchange of The Pacific Telephone and Telegraph Company was included in applicant's local service area on May 1, 1948, and on January 2, 1949, Pacific's Glendale exchange was added. Applicant's Tujunga exchange was included in the local service area of the Pacific Company's Crescenta and Burbank subscribers and in the local service area of California Water & Telephone Company's San Fernando subscribers on September 1, 1940; of the Sylvan district area subscribers of Pacific's Pasadena exchange on May 1, 1948; and of Pacific's Glendale subscribers on September 1, 1949. On February 12, 1949, applicant's Tujunga exchange was converted to dial operation, and on January 25, 1950, extended service subscriber stations were equipped to dial calls to most exchanges within the Los Angeles extended area of the Pacific Company, to certain exchanges of the Associated Telephone and Telegraph Company, and to all exchanges of the California Water & Telephone Company, coincident with the use of automatic toll ticketing equipment. Complete cutover to automatic toll ticketing and machine accounting for extended as well as local subscribers was accomplished in the spring of 1950.

The average number of company stations has increased from 4,526 in 1949 to 5,522 for the year 1951. As of February 29, 1952, there were 5,826 business and residence stations. The total number of stations is estimated by applicant to increase to 6,113 as of December 31, 1952, and approximately 115,000 stations are included in the local calling area of extended service subscribers. A map included in Exhibit No. 2 filed at the hearing shows initial period

station toll and message unit rates to Los Angeles extended area exchanges from applicant's Sunland-Tujunga exchange.

Applicant's Position

The purpose of the rate increase, as alleged in the application herein being considered, would be to restore to applicant's net operating income an amount representing the additional taxes resulting from increased federal income tax rates, and additional costs resulting from wage increases granted by applicant to its employees which became effective April 1, 1952.

By Decision No. 44277, dated June 7, 1950, in Application No. 30915, applicant was granted an increase in rates estimated to produce \$45,000 in gross annual operating revenues. The application herein now requests an additional increase of \$60,500 of gross revenue to cover the additional operating costs hereinbefore referred to.

Evidence on Earnings

An estimate of applicant's earnings for the year 1952 at present rates is shown in Exhibits G-1 and C-1 attached to the application. A report on the results of applicant's operations for the year 1951, recorded and adjusted, and for the year 1952 estimated, at present and proposed rates, was submitted as Exhibit No. 2 by Commission staff engineering and accounting witnesses. The following tabulation is a comparison and summary of the information contained in Exhibits G-1, C-1 and No. 2:

SUMMARY OF EARNINGS

Item	Year 1951		Year 1952 Estimated	
	Recorded PUC Exh.2	Co.Exh. G-1 & C-1	Present Rates PUC Exh. No.2	Proposed Rates PUC Exh.2
Operating Revenues	\$ 464,530	\$ 480,800	\$ 490,600	\$ 551,100
Operating Expenses	351,518	381,200	382,500	415,100
Net Operating Rev.	113,012	99,600	108,100	136,000
Average Rate Base (Depreciated)	1,870,000	1,962,000	1,947,000	1,951,000
Rate of Return	6.04%	5.08%	5.55%	6.97%

Applicant has recently reached agreement on the toll and message unit settlement with The Pacific Telephone and Telegraph Company, which, if it had been in effect during the year 1951 would have reduced toll revenues of applicant by approximately \$5,500. The effect of such settlement is included in the staff estimate for 1952.

There appear to be no significant differences between applicant's estimates for the year 1952 at present rates, of operating revenues, operating expenses, and rate base, and those of the staff. The staff estimate of operating revenues was based on a slightly greater estimated increase in stations, and also included the effect of the estimated increase in directory advertising rates, on an annual basis, authorized by Decision No. 45952, dated July 17, 1951, in Application No. 32532.

Applicant questioned the staff estimate of uncollectibles in the amount of \$2,000 for the year of 1952 and claimed that \$3,800 per year was the average amount of uncollectibles for the last four years. However, the record shows that the uncollectibles for the year 1951 were \$1,847, which is about 0.4% of total revenues. This is considered to be a reasonable percentage, and will be adopted for the purposes of this proceeding.

✓ Applicant has been advised by the Valuation Division of the State Board of Equalization that its tangible property for the fiscal tax year 1952-1953 would be assessed on the basis of \$1,618,150, as compared with \$1,304,000 for the fiscal tax year 1951-1952. A computation of the effect of the application of known tax rates against such estimated fixed capital indicates that the ad valorem tax expense estimate of \$40,300 for the year 1952, submitted by the staff, should be increased by about \$3,300. There

appears to be a sound basis for such estimated tax increase, and its inclusion will be adopted for the purpose of this proceeding.

The record shows that the annual depreciation expense has been calculated by the staff according to the straight-line, remaining life principle. The staff calculation is hereby adopted for this proceeding and the order herein will provide that applicant shall review annually the accruals to its depreciation reserve. Such accruals shall be calculated according to the straight-line remaining life principle.

Applicant has budgeted \$210,000 of gross additions to plant for the year 1952 and the estimated average rate base for the year 1952 takes into account such budgeted amounts. The difference of \$15,000 between applicant's estimated rate base for 1952 and the staff rate base is accounted for primarily in the working cash capital allowance included therein. Since the record shows that the staff took into account the effect of the availability of income taxes accrued ahead of payment, the staff estimate for working cash capital of \$8,000 for the year 1952 will be adopted for the purposes of this proceeding, as will the staff rate base.

✓ Conclusions on Earnings

After a review and careful consideration of the record, the Commission hereby finds that a return of 6.3% on a depreciated rate base of \$1,951,000 for the year 1952 is fair and reasonable and should maintain the company's credit and enable it to continue to

attract the capital necessary to provide service to its customers and to meet demands for increased facilities. The order herein will authorize the applicant to increase rates, which if in effect for the full year 1952, are estimated to increase operating revenues by \$36,500, or to approximately \$527,100. Total operating expenses and taxes for the year 1952 at the rates herein authorized are estimated to be \$403,900, resulting in net revenues for the year of \$123,200.

#### Authorized Rates

Applicant proposes to discontinue its local service schedules and to offer complete extended service throughout its exchange. Applicant also proposes to upgrade business four-party local service subscribers to two-party extended service, and to place public and semipublic pay stations on a 10-cent basis for calls within the local calling area. These changes appear reasonable and will be authorized.

The following is a comparison of applicant's present and proposed rates for the principal classifications of service with those authorized by the order herein.

#### COMPARISON OF PRESENT, PROPOSED AND AUTHORIZED RATES

<u>Extended Service</u>	<u>Present Rate</u>	<u>Company Proposed Rate</u>	<u>Authorized</u>	
			<u>Rate</u>	<u>Increase</u>
Residence 1-Party	\$4.25	\$ 5.40	\$4.90	\$0.65
2-Party	3.50	4.40	4.00	.50
4-Party	3.00	3.70	3.40	.40
Suburban	-	3.95	3.65	New
Business 1-Party	9.00	10.00	9.90	.90
2-Party	7.00	8.00	7.85	.85
Suburban	-	4.50	4.50	New
Extensions - Residence	1.00	1.25	1.10	.10
Business	1.25	1.50	1.40	.15
Semipublic Coin Box	-	-	-	-
Daily Guarantee	.22	.24	.24	.02
Each Message	.05	.10	.10	.05
Rate per Month <sup>a</sup>	1.25	1.25	1.25	-
Public Coin Box				
Each Message	.05	.10	.10	.05
Key System Stations	1.25	1.50	1.40	.15
PBX Stations	1.25	1.50	1.40	.15
PBX Off Premises Ext.	1.25	1.50	1.40	.15

a. In addition to daily guarantee.

Increases in rates for other types of service including PBX and key system switchboards and trunks, joint user service, and items of supplemental equipment are also proposed. Some increase in these miscellaneous rates appears justified at this time.

A staff witness recommended that the applicant revise its foreign exchange rates to reflect current rates of the participating company, that business additional listings be increased to 50 cents per month and that rules and regulations be revised to reflect present day operation practices. These recommendations appear reasonable and will be authorized by the order herein.

The record shows that one informal complaint involving ✓ applicant was received in 1950, four in 1951, and only one in the first four months of 1952. None were active at the time of the hear- ✓ ing. As of April 1, 1952, there were 42 held orders, all of which were on a current basis except four which were awaiting joint pole construction or were being held for the provision of foreign exchange facilities to Glendale.

O R D E R

Sunland-Tujunga Telephone Company, a corporation, having applied for authority to increase certain rates and charges for telephone service, a public hearing 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 present rates in so far as they differ from those herein prescribed are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED as follows:

1. That applicant is authorized to file in quadruplicate with this Commission, after the effective date of this order in conformity with the Commission's

General Order No. 96, rates revised as set forth in Exhibit A attached hereto and on not less than five (5) days' notice to the Commission and the public, to make said rates effective for service rendered on and after August 1, 1952.

- 2. That applicant, within ninety (90) days from the effective date of this order, shall file with this Commission, in conformity with the Commission's General Order No. 96, four sets of rules and regulations covering customer relations, revised to reflect present day operation practices.
- 3. That applicant shall review annually the accruals to the depreciation reserve which shall be based upon spreading the original cost of the plant, less estimated net salvage, and less depreciation reserve, over the estimated remaining life of the property; and the results of these reviews shall be submitted annually to the Commission.

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

Dated at San Francisco, California, this 30<sup>th</sup> day of June, 1952.

[Signature]  
President.

[Signature]

[Signature]

[Signature]

Commissioners.

Commissioner.....Justus F. Craemer, being necessarily absent, did not participate in the disposition of this proceeding.



EXHIBIT A  
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RATES

The rates, charges, and conditions set forth in Exhibit No. 4 filed in this proceeding are authorized except as modified herein.

General

Wherever the Local Service Area for Sunland-Tujunga telephone subscribers is shown in Schedules A-1, A-3, A-5, A-7, A-9, and A-11, substitute the following for the district areas and exchanges listed:

Burbank	Glendale	Sunland-Tujunga
Crescenta	San Fernando	Sylvan

∅ District Area of the Pasadena Exchange.

Add the word "extended" in the statement headed Applicability of Schedules A-1, A-3, A-5, A-7, and A-9.

Change tariff sheet numbers to be in numerical order, as required by General Order No. 96.

Schedule No. A-1, Individual and Party Line Service

Revise the rates as follows:

	Hand Set Station Rate Per Month	
	Residence: Flat Rate Service	Business: Flat Rate Service
Each individual line primary station	\$4.90	\$9.90
Each two-party line primary station	4.00	7.85
Each four-party line primary station	3.40	-
Each extension station	1.10	1.40

Schedule No. A-3, Semipublic Coin-Box Extended Service

Revise the statement headed "Territory" as follows:

"Within the base rate area of the Sunland-Tujunga exchange, as said area is defined on a map filed as part of the tariff schedules."

Revise extension station rates as follows:

	Monthly Rate
Each extension hand set station without coin box	\$1.40
Each extension station with coin box	1.90

EXHIBIT A  
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RATES (Continued)

Schedule No. A-5, Suburban Extended Service

Revise the rates as follows:

	Hand Set Station Rate Per Month	
	<u>Residence Service</u>	<u>Business Service</u>
Each ten-party line station	\$3.65	\$4.50
Each extension station without bell	1.10	1.40

Schedule No. A-6, Private Line Service

Revise the monthly rate for each station to \$1.40.

Schedule No. A-7, Private Branch Exchange Flat Rate Extended Service

Revise the rates as follows:

	<u>Monthly Rate</u>
Switchboard Rate:	
Cordless type switchboard, capacity three trunk lines and seven stations	\$ 7.00
Trunk Rate:	
Each trunk line	14.75
Station Rate:	
Each hand set station not located in hotel guest room	1.40
Each hand set station located in hotel guest room	1.10

Schedule No. A-9, Key System Extended Service

Revise the monthly rate for each business trunk line to \$14.75  
and each residence trunk line to \$7.25.

Schedule No. A-18, Vacation Service

Deleting Special Condition 4.

Schedule No. A-19, Permanent Connection of Telephone  
Lines at Subscriber's Request

Revise schedule to include the following statement:

"TERRITORY

Within the exchange area of the Sunland-Tufunga exchange,  
as said area is defined on a map filed as part of the  
tariff schedules."

EXHIBIT A  
Page 3 of 3

RATES (Continued)

Schedule No. A-32, Employees Service

Revise the statement headed "Territory" as follows:

"Within the exchange area of the Sunland-Tujunga exchange, as said area is defined on a map filed as part of the tariff schedules."

Schedule No. H-1, Message Unit Service

Revise the statement headed "Applicability" as follows:

"Applicable in connection with business individual, two party, and suburban line, residence individual, two-party, four-party, and suburban line, commercial and hotel private branch exchange, business and residence key system, semipublic and public telephone, and foreign exchange service."