

ORIGINAL

Decision No. 47778

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
HARRY H. BAKER, operating as RAYMOND)
TELEPHONE COMPANY, for an order) Application No. 33279
authorizing increases and changes in)
the rates and charges for exchange,)
toll, and other services.)

Appearances for Applicant: Harry H. Baker,
and F. V. Rhodes.

Interested Parties: California Farm Bureau Federation,
by J. J. Deuel, and Eldon Dye; California Independent
Telephone Association, by Frank V. Rhodes.

Other Appearances: For the Commission's staff,
Tedd F. Marvin.

O P I N I O N

By the above-entitled application, filed April 2, 1952, Harry H. Baker (Raymond Telephone Company) seeks authority to revise and increase rates and charges for exchange and toll telephone service rendered in Raymond and adjoining territory in Madera and Mariposa Counties.

A public hearing was held before Examiner Emerson on July 10, 1952 at Raymond and the matter was submitted, on receipt of Exhibit No. 1, on July 16, 1952.

Applicant seeks an over-all increase in revenues of approximately \$10,000 annually. Such amount is an increase of about 32%. Applicant maintains that it is not now earning a reasonable return on its investments in telephone plant and, as a matter of fact, is not now receiving revenues sufficient to meet its normal operating expenses and has therefore actually operated at a loss.

Exchange Rates

Applicant's presently effective basic exchange rates were made effective January 1, 1949. Such rates were authorized for continuous service coincident with establishment of the rates. In this proceeding applicant proposes increased exchange rates which, on the average, would increase revenues from exchange service by 93%, or about \$8,300 annually.

In addition to increases in basic exchange rates applicant seeks authority to increase charges for extension stations and to eliminate the present 25-cent differential for wall set stations.

Toll Rates

Applicant's present toll rates were authorized in 1927 when the company's serving area was divided into zones and toll service established between the zones. Toll rates now apply between four zones known as Ahwahnee, Ben Hur, Coarse Gold and Raymond and between these zones and the City of Madera where applicant connects to lines of The Pacific Telephone and Telegraph Company.

The presently effective toll charges of applicant are on a person-to-person basis only. Applicant proposes to offer station-to-station toll service additionally.

Toll charges for messages beyond applicant's own lines are at so-called "other line" rates whereby the regular toll charges of connecting companies are added to the toll charges of applicant. Under such rates the standard pattern of rates, based on air-line distances between rate centers, applies only on the connecting companies' systems and not on applicant's.

Applicant's System and Improvements

Applicant's Raymond Zone includes a base rate area and a suburban area. Lines radiate from Raymond to three other zones

which are presently strictly suburban areas. Individual and party line service is now offered only within the Raymond Zone, the other zones receiving multi-party line service.

During 1951 applicant constructed a building to be used for housing dial equipment for the conversion of the telephone system in the community of Oakhurst and the surrounding area to dial operation. The conversion has not yet been made. However, when it is made multi-party service will be reduced to one-, two-, four- and ten-party service. Applicant intends, as part of a long-range program, to extend such service into Coarse Gold, Bass Lake, Fish Camp and Ahwahnee. Applicant intends to retain manual operation at Raymond.

Applicant estimated a station growth of 10 for the year 1952. The Commission staff estimated that 14 stations would be added during the same period.

Summary of Presentation

The tabulation below is a summary of the presentations respecting results of operations as made by applicant and the Commission staff. Components thereof are discussed in succeeding paragraphs.

Item	Year 1951		Estimated Year 1952			
	at Present Rates*		Present Rates		Proposed Rates	
	Applicant	Staff	Applicant	Staff	Applicant	Staff
Net Revenues	\$ 2,079.27	\$ 3,094.16	\$(4,463.14)	\$(4,350)	\$ 3,766.66	\$ 4,690
Rate Base (Deprec.)	61,000.20	59,813.23	69,402.73	67,910	69,402.73	67,910
Rate of Return	3.6%	5.17%	loss	loss	5.43%	6.91%

* As recorded by applicant and as adjusted by staff.

(Red Figure)

Rate Base

In developing a rate base, applicant used book figures for plant and depreciation reserve which applicant had adjusted in 1945 to show purchase price rather than historical cost of plant. The rate base developed by the staff for 1951 reflects historical costs.

With respect to the estimated year 1952 both applicant and staff included the contract price of installing the dial equipment, previously mentioned herein, which the record shows will not be installed until sometime in 1953. By such inclusion, 1952 may be considered a "normalized" year most nearly reflecting operations in the immediate future.

In view of the evidence we shall adopt, for the purposes of this proceeding average depreciated rate bases of \$60,000 and \$68,000 for the adjusted year 1951 and the normalized year 1952, respectively, and we find said bases to be fair and reasonable.

Revenues, Expenses and Rate of Return

For the year 1951 applicant and staff used recorded figures for revenues and for all expense items except taxes and depreciation. With respect to taxes, both applicant and staff determined the amount of taxes on income based on the assumption that applicant is a corporation. In view of the evidence herein, an income tax allowance equal to the computed income tax on a corporate basis will be allowed in this particular proceeding. This particular treatment is accorded to the subject of income taxes in this instant proceeding in order to arrive at an equitable result based upon the special facts and circumstances existing and is not to be considered as a precedent for other cases. In the future, however, proof should be submitted as to a reasonable allowance for income taxes under the particular circumstances.

With respect to depreciation, applicant used the "total life" method of computing depreciation expense whereas the staff used the "remaining life" method of depreciation accounting.

The respective estimates of revenues and expenses for the year 1952, at present rates and at the rates proposed by applicant, are as follows:

Normalized Year 1952

Item	Applicant		CPUC Staff	
	Present Rates	Proposed Rates	Present Rates	Proposed Rates
<u>Operating Revenues</u>				
Local Service	\$ 8,941.98	\$17,250.00	\$ 9,060	\$17,060
Toll Service	22,477.25	24,237.53	23,200	25,500
Miscellaneous	550.28	550.28	550	550
Uncollectibles	(466.58)	(466.58)	(480)	(630)
Total	31,502.93	41,571.23	32,330	42,480
<u>Operating Expenses</u>				
Operation and Maintenance	31,399.36	31,399.36	31,490	31,490
Taxes	1,684.22	3,522.72	1,550	2,660
Depreciation	2,882.49	2,882.49	3,640	3,640
Total	35,966.07	37,804.57	36,680	37,790
Net Revenues	(4,463.14)	3,766.66	(4,350)	4,690

(Red Figure)

The major difference between the two revenue estimates lies in the toll category. In its estimate, applicant took into account the reduction in permissible vacationers in the Bass Lake area where the County Board of Health has limited the number of campers permitted in the area. Such restriction tends to reduce the number of toll calls made during the summer season. The staff estimate was based upon an assumed continuation of the growth in toll business experienced over the past three years.

The principal difference in expense estimates occurs in the account for depreciation. In this respect we are of the opinion that the original cost of plant, less estimated net salvage and depreciation reserve, should be spread over the estimated remaining life of the property and the depreciation expense thereof determined by such method. The staff used such method and applicant indicated agreement therewith.

In view of the evidence we shall adopt, for the purposes of this proceeding, the following tabulated revenues, expenses and net revenues as fair and reasonable estimates of 1952 normalized operations:

Normalized Year 1952

	<u>Present Rates</u>	<u>Proposed Rates</u>
Operating Revenues	\$32,000 ✓	\$41,900
Operating Expenses	36,000 ✓	37,800
Net Operating Revenues	<u>(4,000)</u> ✓	<u>4,100</u>
(Loss)		

The above adopted net revenues when related to the depreciated rate base of \$68,000 hereinabove found to be reasonable for the same period indicates a rate of return of 6.03%.

Conclusion

Applicant is not now earning a reasonable rate of return nor will it earn a reasonable return if present rates are continued.

The rates proposed by applicant would produce a reasonable return. Applicant is entitled to relief in the form of increased revenues and in the total amount sought.

Authorized Rates

As above-mentioned, applicant's present and proposed toll rates are the so-called "other line" rates. Applicant and only one other utility in California have this form of toll rates. Other telephone utilities operate under direct rates wherein the toll charge is based upon air-line mileage between points on a standard post route map. This latter type of rate has long been the standard basis for toll charges in this state.

Testimony of the staff witness respecting the effect of other line and direct toll rates was sharply protested by counsel.

for applicant and questioned by the Farm Bureau representative. Objection to using direct toll rates was based upon the premise that applicant had not requested such rates and upon the alleged refusal of the connecting utility to have any part in handling a terminal charge rate settlement between the two utilities. The connecting utility, although duly notified of the hearing in this proceeding, did not make an appearance.

The first direct toll rate in this state was filed pursuant to this Commission's Decision No. 1082, issued November 14, 1913 (3 CRC 903). In that decision, in commenting upon toll rates based on air-line distances, the Commission stated, "We know of no more scientific or just way of arriving at a basis for long distance telephone toll rates." We are still of the same opinion and, with respect to applicant's situation, we believe the time is propitious to bring applicant's toll rates into line with the standard pattern. It does not appear to be practicable, however, to place direct toll rates into effect without also making effective a toll terminal charge in order to fully meet applicant's revenue needs.

After careful consideration of the evidence we are of the opinion that direct toll rates plus a timed terminal charge for each intrastate intercompany toll message, except those between Madera and applicant's service area, should be placed in effect and the schedules of rates to be authorized herein will so provide. Toll rates for intracompany toll messages, including Madera, as proposed by applicant will be authorized at the toll rate mileages determined from the Post Route Map.

Basic rates for exchange service are shown in Exhibit A attached to this decision and by this reference made a part hereof.

The rate authorized for dial service in the Coarse Gold Zone will become effective coincident with the establishment of dial service. The differential between wall set and hand set charges will be discontinued.

Applicant will be required to file revised rules reflecting present-day operations and forms currently used in connection with the provision of service.

Under the toll rates authorized with a terminal charge of 30 cents for the first 3 minutes and 10 cents for each minute thereafter, some increases and some decreases in individual toll charges will result. In the over-all usage, however, toll users will pay no greater amount than they are presently paying for toll service. At the same time applicant will receive increased revenues therefrom.

O R D E R

Harry H. Baker, operating as Raymond Telephone Company, having applied to this Commission for authority to increase and revise rates and charges for exchange and toll telephone service furnished in Madera and Mariposa 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. 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 schedules of rates shown in Exhibit A attached hereto and, after not less than five (5) days' notice to the Commission and the

public, to make said rates effective for service furnished on and after November 1, 1952, excepting that rates for individual, two-, four- and ten-party line service in the Coarse Gold Zone shall be made effective coincident with the installation of dial service.

2. Coincident with the establishment of dial service in the Coarse Gold Zone, applicant shall establish a base rate area in the community of Oakhurst, the boundaries of which shall be substantially as set forth on Chart 9-A of Exhibit No. 2 in this proceeding. Necessary tariff revisions resulting therefrom, in accordance with General Order No. 96, shall be made on not less than five (5) days' notice to the Commission and the public.
3. Applicant shall review the accruals to depreciation reserve when major changes in plant composition occur and for each plant account at intervals of not more than five (5) years. Results of these reviews shall be submitted to this Commission.
4. On or before December 31, 1952, applicant shall file in quadruplicate with this Commission, in conformity with General Order No. 96, rules governing subscriber relations, revised to reflect present-day operating practices, together with current forms that are normally used in connection with customer service.
5. The Pacific Telephone and Telegraph Company is authorized to file and make effective appropriate revisions in its tariff schedules to reflect the toll rate changes hereinabove ordered and authorized coincident with the filing by the Raymond Telephone Company.

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

Dated at San Francisco, California, this 30th day of September 1952.

G. J. [Signature]
 President

Harold [Signature]

[Signature]

Commissioners.

EXHIBIT A
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Schedule No. A-1

FLAT RATE EXCHANGE SERVICEAPPLICABILITY

Applicable to individual and party line business and residence flat rate exchange telephone service.

TERRITORY

Within the Raymond base rate areas of the Raymond Zone and the Oakhurst base rate area of the Coarse Gold Zone as said areas are defined on maps filed as part of the tariff schedules.

RATES

	Rate per Month			
	Raymond		Oakhurst	
	Residence Service	Business Service	Residence Service	Business Service
Each individual line primary station	\$6.00	\$7.50	\$6.50	\$8.50
Each two-party line primary station	5.00	6.60	-	7.50
Each four-party line primary station	4.25	5.90	4.50	6.50
Each extension station	1.25	1.75	1.25	1.75

SPECIAL CONDITIONS

1. Individual and party line services will be provided outside the base rate areas and within the Raymond and Coarse Gold Zones at the above rates and mileage charges.
2. Extension stations at the above rates will be installed on the same premises as the primary station.
3. The above rates within the Oakhurst base rate area are applicable in connection with dial service.

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Schedule No. A-4

EXCHANGE SERVICE - MILEAGE RATESAPPLICABILITY

Applicable to individual and party line business and residence flat rate exchange telephone service.

TERRITORY

Within the suburban areas of the Raymond and Coarse Gold Zones as said areas are defined on maps filed as part of the company's tariff schedules.

RATES

	<u>Rate per Each One-Quarter Mile or Fraction thereof per Month.</u>
Each individual line primary station	\$0.50
Each two-party line primary station	.35
Each four-party line primary station	.25

SPECIAL CONDITIONS

1. The above rates are based on the air-line distance measured between the subscriber's primary station and the nearest point on the boundary of the base rate area.
2. The above rates are in addition to the base rates for similar service set forth in Schedule No. A-1.

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Schedule No. A-5

SUBURBAN SERVICE

APPLICABILITY

Applicable to suburban service.

TERRITORY

Within the suburban areas of the Raymond and Coarse Gold Zones as said areas are defined on the map filed as part of the company's tariff schedules.

RATES

	Rate per Month			
	<u>Raymond Zone</u>		<u>Coarse Gold Zone</u>	
	<u>Residence Service</u>	<u>Business Service</u>	<u>Residence Service</u>	<u>Business Service</u>
Each ten-party line primary station	\$4.75	\$6.25	\$5.00	\$6.75
Each extension station with bell	1.25	1.75	1.25	1.75

SPECIAL CONDITIONS

1. Suburban service is furnished outside the base rate areas but within the zone area. In no case will the total number of primary stations connected to one circuit exceed ten (10) stations.
2. Extension stations at the above rates will be installed on the same premises as the primary station. Only one extension station with bell will be furnished in connection with each primary station.
3. The above rates within the Coarse Gold Zone are applicable in connection with dial service.

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Schedule No. A-5(d)

SUBURBAN MULTI-PARTY SERVICE

APPLICABILITY

Applicable to suburban multi-party service.

TERRITORY

Within the Ahwahnee, Ben Hur and Coarse Gold Zones as said zones are defined on a map filed as part of the company's tariff schedules.

RATES

	<u>Rate per Month</u>	
	<u>Residence Service</u>	<u>Business Service</u>
Each multi-party line primary station	\$4.00	\$5.60
Each extension station without bell	1.25	1.75

SPECIAL CONDITIONS

1. Suburban lines within the above zones are not limited as to the number of stations on each line.
2. Service under this schedule in the Coarse Gold Zone will be discontinued to any subscriber when the company offers to provide suburban 10-party service in accordance with Schedule No. A-5.
3. Extension stations at the above rates will be installed on the same premises as the primary station.

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Schedule No. B-1

TOLL SERVICEAPPLICABILITY

Applicable to message toll telephone service.

TERRITORY

Within the company serving area as defined on maps filed as part of the tariff schedules.

RATES

1. Mileages and Corresponding Rates for Different Classes of Service.

Rate Mileage		Station Service, Paid and Collect* Day, Night and Sunday		Person Service, Paid and Collect Day, Night and Sunday		
Up to	& Incl.	First	Each Add'l. Min.	First	Each Additional Minute	Over 3
0	10	\$0.15	\$0.05	\$0.35	\$0.10	\$0.05
10	15	.20	.05	.40	.10	.05
15	20	.30	.10	.50	.15	.10
20	25	.35	.10	.55	.15	.10
25	30	.40	.10	.60	.20	.10
30	35	.45	.15	.65	.20	.15
35	40	.50	.15	.75	.25	.15
40	50	.55	.15	.80	.25	.15

* Minimum charge for a station service collect message is \$0.30 for the first 3 minutes and \$0.10 for each additional minute.

2. The rate mileages between company toll zones and between these zones and Madera are the Post Route Map air-line distances as shown below:

Between	Raymond	Madera	Coarse Gold	Ben Hur
Madera	20 miles	- miles	29 miles	28 miles
Coarse Gold	12 miles	29 miles	- miles	16 miles
Ben Hur	11 miles	28 miles	16 miles	- miles
Ahwahnee	15 miles	33 miles	8 miles	13 miles

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Schedule No. B-1 (Continued)

TOLL SERVICE

RATES (Continued)

3. The initial period rate for station service between company zones and between these zones and Madera are as follows:

<u>Between</u>	<u>Raymond</u>	<u>Madera</u>	<u>Coarse Gold</u>	<u>Ben Hur</u>
Madera	\$0.30	\$ -	\$0.40	\$0.40
Coarse Gold	.20	0.40	-	.30
Ben Hur	.20	.40	.30	-
Ahwahnee	.20	.45	.15	.20

4. Toll terminal charge applicable to each intrastate toll message involving connecting company lines beyond Madera: \$0.30 for the first 3 minutes and \$0.10 for each additional minute.

SPECIAL CONDITIONS

1. Rates shown in this schedule under RATES 1, above, apply to messages between zones over lines owned and operated by this company, including messages between zones of this company and Madera.

2. Rates for intrastate messages between zones of this company and points reached over the connecting company lines, except Madera, are the through (direct) rates quoted by The Pacific Telephone and Telegraph Company, in addition to the toll terminal charge listed under RATES 4, above.

3. Rates for interstate toll messages are the through (direct) rates quoted by the American Telephone and Telegraph Company or its connecting companies, not including the toll terminal charge listed under RATES 4, above.

4. Classes of service consist of station and person service.

a. Station service is that service under which the person originating the call gives only the telephone number of the station or PBX system desired or the name and address under which the telephone is listed and does not specify a particular person or PBX station to be reached at the called point.

The measurement of the duration of a station call for the purpose of application of rates shall begin at

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Schedule No. B-1 (Continued)

TOLL SERVICE

SPECIAL CONDITIONS (Continued)

at the moment telephone communication is established between the calling station and the called station or PBX switchboard.

- b. Person service is that service under which orders are accepted to establish communication between specified persons, or a particular station reached through a PBX.

The measurement of the duration of a person call for the purpose of the application of rates shall begin at the moment when communication begins with or between the particular person or persons specified in the order, or other party acceptable to the person calling on the PBX station called.

- 5. Charges for all classes of telephone calls are billed against or collected from the calling telephone, except that upon request toll charges on calls may be billed against or collected from the called telephone (i.e. charges may be reversed) if the charges are accepted at the called station, or by special arrangement, the calls are billed against a third party or telephone.