

ORIGINAL

Decision No. 47833

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
Robert H. Edgar, operating as DORRIS  
TELEPHONE COMPANY, for an order  
authorizing increases and changes in  
rates and charges for exchange telephone  
and other services, and revising the  
boundaries of the Dorris Telephone  
Company, and establishment of a new  
exchange at Macdoel, California.

Application No. 33442

- ✓ Robert H. Edgar and F. V. Rhodes, for applicant; Ralph C.  
Lutz, protestant; Frank V. Rhodes, for California Independent  
Telephone Association, interested party; Edson Abel, for  
California Farm Bureau Federation, Butte Valley Farm Center and  
Macdoel Mutual Telephone Company, interested parties;  
Ermet Macario, for the Commission staff.

O P I N I O N

By the application herein filed May 26, 1952, Robert H. Edgar, operating as Dorris Telephone Company, seeks an order of this Commission authorizing him to establish an exchange at Macdoel, the exchange and base rate area boundaries to be as shown in Exhibits F and G attached to this application. The authority so requested was granted applicant ex parte by Decision No. 47466, dated July 15, 1952.

By his application, applicant also requested an order authorizing (1) the establishment of rates for the new Macdoel exchange, (2) the revision of the boundaries of the Dorris exchange, and (3) certain increases and changes in rates and charges for local telephone service at the Dorris exchange.

This is the first rate application by this company since it was formed in 1934. It is estimated that the proposed rates

will increase revenues from exchange service at Dorris by approximately 18%, or about \$1,700 annually.

A public hearing in this matter was held before Examiner Cline on August 20, 1952, at Dorris, California.

At the hearing applicant amended his application (1) by striking the word "future" from the first sentence of the second paragraph in Subdivision VII of the application so that the revised sentence now reads: "Applicant asks to eliminate the twenty-five cent differential between wall and handset type telephones on all installations"; (2) by striking from "Exhibit B" the proposed minimum charge per year per farmer line circuit of \$50 and substituting therefor a proposed minimum charge per month per farmer line circuit of \$5; (3) by proposing the installation charges for supplemental equipment set forth in Schedule No. A-15 of Exhibit No. 2 in this proceeding; (4) by proposing an installation charge for each business and residence extension station of \$3; and (5) by requesting that all of the proposed rates and charges set forth in "Exhibit B" as amended be authorized for the Macdoel exchange even though not set forth in "Exhibit E".

Applicant also requested authority to make the proposed changes in filed tariff schedules set forth in Exhibit No. 2.

#### Description of System

The Dorris Telephone Company is owned and operated by applicant, and the central office is located in his home in Dorris.

As of July 15, 1952 service was being furnished in the Dorris exchange on a 24-hour basis to 64 business, 157 residence and 19 farmer line stations. Construction plans for the balance of 1952 include the placing of 5,000 feet of cable which will provide adequate cable facilities for the Dorris exchange.

Applicant has been authorized to establish a community dial office in the Macdoel exchange, which is anticipated to be in operation by December 1, 1952. Applicant estimates that he will serve 26 company and 30 farmer line stations out of this exchange.

#### Evidence on Earnings

Both the applicant and the Commission's staff submitted evidence showing, for the year 1951, that the applicant operated at a loss. The respective estimates of earnings for the year 1952 at the rates proposed by the applicant are summarized as follows:

Item	Estimated Year 1952 at Company Proposed Rates					
	Applicant			CPUC Staff		
	Dorris:Macdoel:	Combined:		Dorris:Macdoel:	Combined:	
Operating Revenues	\$16,238	\$2,565	\$18,803	\$17,150	\$2,760	\$19,910
Operating Expenses and Taxes	15,537	2,316	17,853	15,700	2,390	18,090
Net Oper. Revenues	701	249	950	1,450	370	1,820
Average Rate Base (Depreciated)	17,033	7,000	24,033	22,000	7,560	29,560
Rate of Return	4.1%	3.6%	3.9%	6.59%	4.89%	6.16%

The applicant did not take any exception to the estimates shown by the staff. 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 applicant was agreeable to adopting the "remaining life" method.

The evidence with respect to taxes on income is based on the assumption that applicant is a corporation. In view of this evidence, 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 rate base the Commission staff's engineer made certain adjustments to the recorded fixed capital and depreciation reserve to eliminate acquisition adjustments and certain accounting errors as detailed in Exhibit No. 3.

#### Conclusion on Earnings

A careful review of the record in this proceeding leads to the conclusion that the staff's estimates of revenues, expenses, and rate base are fair and reasonable amounts for measuring the rate of return of the applicant under average conditions. For the year 1952 we find that applicant's proposed rates would result in net revenues of \$1,820, if the same were effective for the full year, and would yield a rate of return of 6.16% when related to a rate base of \$29,560, which rate of return we hereby find to be fair and reasonable. Therefore, we find that applicant's proposed rates are fully justified and should be authorized both for the Dorris and the Macdoel exchanges.

#### Authorized Rates

The monthly rates for basic exchange services are being increased by varying amounts ranging from 25 cents to \$1.75. For example, the business individual line monthly rate is presently \$4.25 and the proposed and authorized rate is \$6. The four-party residence monthly rate of \$3 is being increased to \$3.25. In addition to increases in basic exchange rates, applicant is authorized to increase rates for extension stations, suburban mileage, supplemental equipment, and miscellaneous services. The present 25-cent per month differential for wall set stations is authorized to be eliminated and the rate for each local message placed from pay stations is authorized to be increased from 5 cents to 10 cents.

Boundaries of Dorris Exchange

Applicant has requested authority to revise the boundary lines of the Dorris exchange to conform to those appearing on Exhibit F attached to the application on file herein. The record shows the proposed revision to be reasonable and applicant will be granted the necessary authority to so revise the boundary lines of the Dorris exchange.

Rules and Regulations

Applicant requested that he be given three months after the date of this decision within which to file his rules and regulations. This request appears to be reasonable and will be granted.

Customer Interest

Mr. Ralph C. Lutz, one of the owners of the Mount Hebron farmer line, appeared at the hearing as a witness to protest discontinuance of the toll service by The Pacific Telephone and Telegraph Company in the Macdoel exchange area until such time as the farmer line can be connected to the lines of the applicant. Witness Lutz testified that he thought this could be accomplished by January 1, 1953. Witness Lutz also expressed opposition to the removal of the public toll telephone service at Mount Hebron.

Applicant testified that at such time as he establishes dial service at the Macdoel exchange that he will have to take over The Pacific Telephone and Telegraph Company's toll circuits. He expects the Macdoel exchange to be in operation on or about December 1, 1952. This should give the owners of the Mount Hebron farmer line sufficient time to hook on to applicant's lines.

Applicant further testified that it would be uneconomical to continue the operation of the public pay station at Mount Hebron and that none of the prospective subscribers at Mount Hebron is

requesting semipublic pay telephone service. At present there are eight toll stations in the Macdoel exchange area. Applicant estimates that upon completion of the Macdoel exchange the number of stations will increase to 56. The increase in the number of stations will considerably reduce the need for a public pay station at Mount Hebron. On the basis of the record herein the Commission at this time will not require applicant to install a public pay telephone at Mount Hebron.

No customer expressed any objection to the increase in rates proposed by applicant.

O R D E R

Robert H. Edgar, doing business as Dorris Telephone Company, having applied to this Commission for an order authorizing him (1) to establish certain rates for the Macdoel exchange, (2) to revise the boundaries of the Dorris exchange, and (3) to make certain increases and changes in the rates and charges for local telephone service at the Dorris exchange, a public hearing thereon having been held, and the matter having been submitted and now being ready for decision.

IT IS HEREBY FOUND AS A FACT (1) that the rates herein authorized for Macdoel exchange are just and reasonable, (2) that the revision in the Dorris exchange area as shown on Exhibit F attached to the application on file herein is justified, and (3) that the increases and changes in rates and charges for the Dorris exchange authorized herein are justified and, in so far as they differ therefrom, present rates 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 changes in rates, charges, and conditions set forth in Exhibit A

EXHIBIT A

RATES

The presently effective rates, charges, and conditions are changed only as specifically set forth in this exhibit.

Preliminary Statement

The preliminary statement set forth in Exhibit No. 2 is authorized.

Map of Dorris and Macdoel Exchange Areas

The map of the Dorris and Macdoel exchange areas set forth in Exhibit F attached to the application is authorized.

Map of Macdoel Base Rate Area

The map of the Macdoel base rate area set forth in Exhibit G attached to the application is authorized.

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

Schedule No. A-4, Mileage Rates

Schedule No. A-6, Farmer Line Service

Schedule No. A-13, Public Telephone Service

Schedule No. A-15, Supplemental Equipment

Schedule No. A-27, Service Connection Charges

Schedule No. A-32, Move and Change Charges

These schedules as set forth in Exhibit No. 2 are authorized.

Schedule No. A-12, Semipublic Coin-Box Service

This schedule as set forth in Exhibit No. 2 is authorized except that Special Condition No. 2 shall show reference to Schedule No. A-4.

Schedule No. A-2, Suburban Service

Schedule No. A-7, Commercial Private Branch Exchange Service

Schedule No. A-7, Hotel Private Branch Exchange Service

Rule and Regulation No. 6

Rule and Regulation No. 27

Rule and Regulation No. 32

These schedules and rules and regulations shall be cancelled.

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 in the Dorris exchange on and after December 1, 1952, and for service furnished in the Macdoel exchange on and after the date said exchange is placed in operation.

2. Coincident with the establishment of the Macdoel exchange, applicant shall establish the boundaries of the Dorris exchange substantially as set forth in Exhibit F of the application on file herein.
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 January 15, 1953, 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 services.

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

Dated at San Francisco, California, this 21<sup>st</sup> day of October, 1952.

J. Z. [Signature]  
President.

Justin F. [Signature]

Harold [Signature]

[Signature]

[Signature]  
Commissioners.