

Decision No. 47862

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
Mrs. Ina Roome operating as DUCOR)
TELEPHONE COMPANY, for an order)
authorizing increases and changes in)
rates and charges for exchange and)
toll telephone service and withdrawal)
from the telegraph business.)

Application No. 33403

Virgil A. Roome and F. V. Rhodes,
for applicants; Frank V. Rhodes,
for California Independent Telephone
Association, interested party;
J. J. Deuel, for California Farm
Bureau Federation, interested party;
Paul Popenoe, Jr., for the Commission
staff.

O P I N I O N

By this application filed May 12, 1952, Mrs. Ina Roome, one of the co-owners of Ducor Telephone Company, seeks an order of this Commission authorizing applicants (1) to restate their books to conform to an original cost appraisal of their plant properties, (2) to make certain increases and changes in their rates for exchange and toll telephone service, (3) to discontinue their telegraph service, and (4) to establish a new base rate area.

A public hearing in this matter was held before Examiner Cline on August 14, 1952, at Ducor.

At the hearing applicants amended their application as follows: (1) by withdrawing their request for a minimum annual charge of \$90 for toll stations; (2) by requesting a mileage rate per month for each local leased line and private line circuit or channel of \$3 for the first one-quarter mile or fraction thereof, air-line measurement, and \$1 for each additional one-quarter mile

or fraction thereof, air-line measurement; and (3) by requesting authority to establish a public telephone toll charge of \$0.10 for each exchange message.

Applicants also requested authority to make certain new filings and revisions of tariff schedules which are set forth in Exhibit No. 3 introduced in evidence.

Identity of Applicants

Although the application herein was filed solely in the name of Mrs. Ina Roome, as owner of Ducor Telephone Company, Commission Decision No. 36873 in Application No. 25973 and the record herein shows that the Ducor Telephone Company is owned and operated by H. B. Roome and Ina Roome, husband and wife, as joint owners. The order herein issued will therefore be directed to H. B. Roome and Ina Roome, husband and wife, as joint owners, doing business as Ducor Telephone Company.

Description of System

The applicants furnish local exchange and toll telephone service to approximately 90 subscribers in an 80 square mile exchange area with central office facilities at Ducor, California. In addition, toll service only is furnished to nine subscribers in a 30 square mile area in the vicinity of California Hot Springs. The Hot Springs area is separated from the Ducor exchange area by a distance of 6 miles. The hours of service are 6 a.m. to 10 p.m. with emergency service provided at other times.

Exchange Rates

Present exchange rates have been in effect without change since 1912. In this proceeding, applicants propose to increase exchange rates which, on the average, would increase revenues from exchange service by approximately 55%; or \$1,650 annually. The monthly rates for basic exchange service would be increased by

varying amounts ranging from \$0.75 to \$3. For example, business one-party rates would be increased from \$2.75 to \$5.50, two-party from \$2.25 to \$4.50, four-party from \$2.25 to \$3.50, and ten-party from \$2.50 to \$4.00. Residence one-party rates would be increased from \$2.00 to \$3.50, two-party from \$1.75 to \$3.00, four-party from \$1.50 to \$2.50, and ten-party from \$2.00 to \$3.00. In addition to increases in basic exchange rates applicants seek authority to increase rates for extension stations, suburban mileage, leased lines, supplemental equipment, and miscellaneous services. The present 25-cent differential for wall set stations is proposed to be eliminated and the rate for each local message placed from public pay stations is proposed to be \$0.10.

Toll Rates

Applicants' present toll rates, which are below the level generally applicable throughout California, apply to toll messages placed over their toll lines between Hot Springs, Ducor, and Porterville. The toll rates proposed in Exhibit No. 3 are those generally applicable throughout the state and are estimated to increase annual revenues by approximately \$430.

Rate Base

As of December 31, 1951, the recorded book accounts of applicants show a total gross plant of \$19,678.50 and a depreciation reserve of \$15,182.89, leaving a net plant of \$4,495.61.

Applicants allege and the record shows that their books of account incorrectly state the original cost of the physical property. Applicants have therefore made an inventory and appraisal as of January 1, 1952, showing the original cost of the physical property as \$27,511.69, the depreciation reserve as \$13,939.00 and the cost less depreciation as \$13,572.69.

The Commission staff engineer testified that the inventory and appraisal of applicants contained certain arithmetical errors which were revealed when the detailed inventory and appraisal

figures were checked. The staff engineer also adjusted the appraisal (1) by deducting \$5,644.78, representing the cost of a new 1952 truck which belongs to Virgil Roome, (2) by transferring furniture and office equipment in the amount of \$50.25 from Account 221 to Account 261, and (3) by allocating the total depreciation reserve to the various depreciation reserve accounts on the basis of the staff's estimates.

The final adjusted appraisal as of January 1, 1952, appearing on Table E of Exhibit No. 2 shows gross plant of \$20,973 less a depreciation reserve of \$13,005 leaving net plant of \$7,918, which amounts we hereby find to be reasonable. Applicants will be authorized and directed to restate their books to conform to the original cost appraisal of their plant properties set forth in Table E of Exhibit No. 2.

The Commission staff's method of computing the depreciated rate base for the estimated average year 1952 as \$9,950 is detailed in Exhibit No. 1. This rate base is found to be reasonable.

Evidence on Earnings

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

Item	: Estimated Year 1952 :	
	: at Proposed Rates :	
	: Applicants:	: CPUC Staff:
Operating Revenues	\$10,773	\$11,330
Operating Expenses and Taxes	10,679	10,690
Net Operating Revenues	94	640
Average Rate Base (Depreciated)	14,091	9,950
Rate of Return	.67%	6.4%

The applicants did not take any exception to the estimates shown by the staff. With respect to depreciation, the staff used the "remaining life" method of depreciation accounting.

The evidence with respect to taxes on income is based on the assumption that applicants are 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.

Conclusion on Earnings

A 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 applicants under average conditions. For the year 1952 we find that applicants' proposed rates would result in net revenues of \$640, if the same were effective for the full year, and would yield a rate of return of 6.4% when related to a rate base of \$9,950, which rate of return we hereby find to be fair and reasonable. Therefore, we find that applicants' proposed rates are justified and should be authorized.

Base Rate Area

The Commission staff engineer recommended that the base rate area be revised in such a manner that the boundary follow geographical divisions and include all telephone customers included in the present base rate area. Applicants propose to file the new base rate area map which appears in Exhibit No. 3, but this map

excludes from the base rate area three customers who are presently located therein. To include these three customers the proposed base rate area would have to be extended 1,320 feet to the north, east and south. Applicants will therefore be authorized and directed to file a new base rate area map, the northern boundary line being 1,520 feet instead of 200 feet north of the center line of Sierra Avenue, the eastern boundary line being 1,520 feet instead of 200 feet east of State Highway No. 65, and the southern boundary line being 1,520 feet instead of 200 feet south of the center line of Sinnard Avenue.

Telegraph Service

The record shows that since February, 1952, telegraph service has been available in the Ducor area at through rates under the terms of a contract between applicants and The Western Union Telegraph Company. The telegraph customer is furnished a connection to the nearest open Western Union office where the operator takes his message. Western Union absorbs the toll charges, and the applicants add the telegraph charge to the customer's monthly telephone bill. The applicants reserve a 10% commission of the telegraphic charges for this service.

Under this new arrangement there is no longer any need for telegraph service being furnished by applicants, and their request to discontinue telegraph service will be granted.

Proposed Changes in Filed Tariff Schedules

Exhibit No. 3 which contains the proposed changes in the filed tariff schedules has been reviewed and will be approved for filing providing (1) the Ducor Base Rate Area be revised as required in this decision, (2) the \$6 rate for installation charge appearing in proposed Schedule No. A-7 is removed from the "Rate per Month" column and placed immediately following the phrase "Each station

and each termination-", and (3) the sentence "The minimum service period for such stations will be twelve consecutive months," appearing in Special Condition 4 of proposed Schedule No. B-2 is deleted.

Rules and Regulations

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

Customer Interest

A number of telephone customers appeared as witnesses to express complaints as to service. Many of the witnesses stated that the connections on some of their long distance calls were poor and in some cases so poor that conversations could not be carried on. Witness Virgil Roome stated that applicants were aware of this difficulty and are presently working with The Pacific Telephone and Telegraph Company representatives to remedy the situation.

Other complaints were expressed regarding the emergency service between the hours of 10 p.m. and 6 a.m. Some of the witnesses testified that Porterville operators refused to ring the Ducor exchange between those hours. Others, however, testified that after some insistence they had been able to complete emergency calls through the Porterville operators. Witness Roome testified that emergency service is available and that The Pacific Telephone and Telegraph Company representatives have been so advised. It is recommended that the applicants bring these complaints to the attention of the Porterville office of The Pacific Telephone and

Telegraph Company and again make certain that the Porterville operators are informed that emergency calls may be placed to the Ducor exchange between 10 p.m. and 6 a.m.

None of the customers expressed any objection to the proposed increase in rates provided applicants render adequate service.

O R D E R

H. B. Roome and Ina Roome, husband and wife, as joint owners doing business as Ducor Telephone Company, having applied to this Commission for an order authorizing them (1) to restate their books to conform to an original cost appraisal of their plant properties, (2) to make certain increases and changes in their rates for exchange and toll telephone service, (3) to discontinue their telegraph service, and (4) to establish a new base rate area, 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 original cost appraisal of applicants' physical properties, as approved in this decision, is just and reasonable and applicants should restate their books to conform therewith; (2) that the increases and changes in rates and charges authorized herein are justified and, in so far as they differ therefrom, present rates and charges are unjust and unreasonable; (3) that public convenience and necessity no longer require applicants to continue offering telegraph service to the public; and (4) that the base rate area described and approved herein is the proper and reasonable base rate area for applicants' telephone service; therefore,

IT IS HEREBY ORDERED AS FOLLOWS:

1. Applicants are authorized to restate their books as of January 1, 1952, in accordance with the

original cost appraisal of applicants' physical properties set forth in Table E of Exhibit No. 2. On or before January 1, 1953 applicants shall submit to the Commission a copy of the journal entries necessary to effect this adjustment.

2. Applicants are authorized to file in quadruplicate with this Commission after the effective date of this order in conformity with General Order No. 96, the Preliminary Statement, the Base Rate Area Map, and the schedules of tariffs set forth in Exhibit No. 3 of this proceeding, after correction (1) by modifying the Ducor Base Rate Area Map to conform to the base rate area authorized by this order, (2) by removing from the "Rate per Month" column the \$6 rate for installation charge appearing in proposed Schedule No. A-7 and placing said \$6 rate immediately following the phrase "Each station and each termination-", and (3) by deleting from Special Condition 4 of proposed Schedule No. B-2 the sentence "The minimum service period for such stations will be twelve consecutive months." After not less than five (5) days' notice to the Commission and the public applicants shall make said rates and changes effective for service rendered on and after December 1, 1952.
3. Applicants are authorized to discontinue their telegraph service and to withdraw and cancel their Schedule No. C-1 as of December 1, 1952.
4. Applicants shall establish as their Ducor Base Rate Area an area in and near Ducor, California, bounded by a northerly line 1,520 feet north of and parallel to the center line of Sierra Avenue and extension thereof, an easterly line 1,520 feet east of and parallel to the center line of State Highway No. 65, a southerly line 1,520 feet south of and parallel to the center line of Sinnard Avenue and extension thereof, and a westerly line 200 feet west of and parallel to the center line of Braley Street.
5. On or before February 1, 1953, applicants 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.
6. Applicants 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.

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

Dated at San Francisco, California, this 20th day of October, 1952.

R. T. [Signature]
President.
James J. [Signature]
Harold [Signature]
[Signature]
[Signature]
Commissioners.