

**ORIGINAL**

Decision No. 46010

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Supplemental )  
Application of GILROY TELEPHONE )  
COMPANY, a corporation, for an order ) Application No. 33303  
authorizing increases and changes in ) (First Supplemental)  
rates for exchange telephone service.)

OPINION AND ORDER  
ON FIRST SUPPLEMENTAL APPLICATION

By the above-entitled application, filed on November 18, 1952, the Gilroy Telephone Company seeks authority to increase rates for exchange telephone service by amounts sufficient to produce an estimated annual increase in revenue of \$2,700 based on the level of business as of July 1, 1952. The \$2,700 represents that portion of the wage increase granted to company employees effective July 1, 1952 which could not be paid until authorized by the Wage Stabilization Board. Applicant has submitted a copy of a letter from the Wage Stabilization Board, dated September 23, 1952, approving the full amount of the wage increase effective July 1, 1952.

Applicant's Position

Applicant states that the rate increase granted in original Application No. 33303 by Decision No. 47650 provided for an estimated annual net revenue of \$20,700, which would produce a 6.25% rate of return on a depreciated rate base of \$331,000. Applicant further states that inclusion of the \$2,700 of wages as an expense item at present rates would result in an estimated annual net revenue of \$19,500 to give a rate of return of 5.89%

on the same rate base, and that applicant's proposed rate increase would bring the rate of return up to the level of 6.25% found to be fair and reasonable in Decision No. 47650.

In Decision No. 47650, this Commission presented its opinion, in part, as follows:

"For the purposes of this order we find that a rate of return of 6.25% is fair and reasonable for the 1952 level of operations when applied to a rate base of \$331,000. Adopting the staff's expense figures and adjusting them in the amount of \$2,700 for wage increases not yet authorized, we find that at this time an annual increase in revenue of \$29,900 is warranted on the 1952 level of business."

The evidence submitted in original Application No. 33303 established that applicant would become obligated to pay the higher wages as soon as authorization was received from the Wage Stabilization Board. Since applicant has now received the necessary authorization, it appears obvious that the applicant's obligation to pay the additional \$2,700 in wages has become a fact, which may now be considered as a reasonable expense item. Therefore, in order to restore the 6.25% rate of return found to be fair and reasonable, the applicant will be authorized to increase its rates sufficiently to produce \$2,700 of additional revenue annually, based on the level of business as of July 1, 1952.

Rate Proposal

Applicant proposes to raise the additional revenue by increases ranging from 10 cents to 15 cents per month for residential service as follows:

: Class and Grade : of Service	: Number of : Subscribers	: Rates		: Revenue : Increase
		: Present	: Proposed	
One-party	186	\$4.60	\$4.75	\$27.90
Two-party	215	3.80	3.90	21.50
Four-party	824	3.25	3.40	123.60
Suburban	525	3.55	3.65	52.50
Monthly Increase				225.50
Annual Increase (rounded)				2,700

Conclusion, Finding and Order

The Commission has considered this matter and is of the opinion that applicant's proposal is reasonable and that a public hearing thereon is not necessary, and has 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 for the future are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED 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, charges, and conditions revised as set forth in Exhibit A attached hereto, and, on not less than five (5) days' notice to the Commission and to the public, to make said rates effective for service furnished on and after February 1, 1953.

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

Dated at San Francisco, California, this 9th day of December, 1952.

A. J. [Signature]  
President.

Justus J. [Signature]  
Joseph P. [Signature]

Francis H. [Signature]  
[Signature]  
Commissioners.

## EXHIBIT A

The presently effective rates are changed only as specifically set forth in this exhibit.

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

	<u>Wall, Desk or Hand Set Station</u> <u>Rate per Month.</u>
	<u>Residence</u> <u>Service</u>
Each individual line primary station	\$4.75
Each two-party line primary station	3.90
Each four-party line primary station	3.40

Schedule No. A-5, Suburban Service

	<u>Wall, Desk or Hand Set Rate</u> <u>Rate per Month</u>
	<u>Residence</u> <u>Service</u>
Each suburban ten-party primary station	\$3.65