

ORIGINAL

Decision No. 48063

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
DELTA TELEPHONE AND TELEGRAPH COMPANY,)
a corporation, for an order authorizing)
certain increases and changes in its)
rates for exchange telephone service)
and certain increases and changes in)
its intra Delta Company toll rates)
and to abandon intra company telegraph)
service.)

Application No. 33463

B. E. Hart and F. V. Rhodes for applicant; Edson Abel
for California Farm Bureau Federation, Sacramento
County Farm Bureau and Yolo County Farm Bureau,
interested parties; F. V. Rhodes for California
Independent Telephone Association, interested party;
Neal C. Hasbrook for the Commission staff.

O P I N I O N

By the above-entitled application, filed June 4, 1952, Delta Telephone and Telegraph Company, a California corporation, seeks authority to increase rates for exchange and toll telephone service rendered in San Joaquin, Yolo, Solano and Sacramento Counties. Applicant also seeks authority to withdraw from rendering telegraph service. Based on the level of business of April 30, 1952, the rates proposed by applicant would produce additional operating revenues of about \$26,000 annually.

A public hearing in the matter was held before Commissioner Peter E. Mitchell and Examiner F. Everett Emerson on October 29, 1952 at Courtland. Approximately 30 of applicant's subscribers were in attendance. Thirteen witnesses were heard during the course of the hearing. In addition, seven persons indicated that their testimony, if given, would be substantially the same as that given by those public witnesses actually heard.

Rates, Present and Proposed

Applicant's present basic exchange service rates have remained unchanged since 1928. In 1948 applicant placed in effect direct toll rates, thereby reducing its charges to its toll customers by an estimated amount of about \$17,000 annually. In June 1951, applicant, after conference with the Commission staff, reduced its rates for service with a hand telephone set to the level of rates applicable to service with a wall telephone set and thereby effected an estimated annual reduction in charges to its subscribers of approximately \$4,300.

A comparison of the basic exchange rates, as presently in effect, with those charges which applicant requests, follows. In general the rates which applicant proposes are below the level for similar service on other California telephone utilities.

All Exchanges

Item	No. of Services: as of July 20, 1952	Rate Per Month		
		Present	Proposed	Increase
<u>Residence</u>				
1-party	77	\$2.75	\$3.00	\$0.25
2-party	241	2.25	2.50	.25
4-party	121	2.00	2.00	-
10-party (Suburban)	677	2.50	2.50	-
<u>Business</u>				
1-party	132	3.25	5.00	1.75
2-party	190	2.50	4.00	1.50
10-party (Suburban)	159	3.00	3.50	.50

Applicant's proposal respecting increases in intra-company toll rates is compared with present charges in the following tabulation. The proposed charges are identical with the intrastate message toll telephone rates effective generally in California.

Station Service, Initial Period

:Courtland:Isleton:Rio Vista:Sacramento:Walnut Grove:

Courtland					
Present	\$-	\$0.10	\$0.15	\$0.15	\$0.10
Proposed	-	.15	.15	.20	.10
Isleton					
Present	.10	-	.10	.25	.10
Proposed	.15	-	.10	.30	.10
Rio Vista					
Present	.15	.10	-	.25	.10
Proposed	.15	.10	-	.35	.15
Sacramento					
Present	.15	.25	.25	-	.25
Proposed	.20	.30	.35	-	.25
Walnut Grove					
Present	.10	.10	.10	.25	-
Proposed	.10	.10	.15	.25	-

Note: For calls originating or terminating in the Rio Vista exchange a terminal charge of 5 cents per message for the first three minutes and 5 cents for each additional three minutes is added by and for Citizens Utilities Company of California.

Summary of Presentations

The tabulation below is a summary of the presentations respecting results of operations as made by applicant and the Commission staff.

Item	Present Rates		Proposed Rates	
	Applicant	CPUC Staff	Applicant	CPUC Staff
<u>Year 1951*</u>				
Gross Revenues	\$165,092	\$157,912		
Operating Expenses	144,311	137,051		
Net Revenues	20,781	20,861		
Rate Base (deprec.)	371,417	372,000		
Rate of Return	5.60%	5.61%		
<u>Year 1952**</u>				
Gross Revenues	\$161,810	\$163,704	\$186,545	\$188,700
Operating Expenses	147,300	144,266	160,393	157,766
Net Revenues	14,510	19,438	26,152	30,934
Rate Base (deprec.)	405,243	394,000	405,243	394,000
Rate of Return	3.58%	4.93%	6.45%	7.85%

* Applicant used recorded calendar year; CPUC staff used 12 months ending July 31, pro forma.

** Applicant used 4 months recorded, 8 months estimated for a normalized calendar year; CPUC staff used 12 months ending July 31, pro forma.

Rate Base

The respective developments of rate bases differ in the amounts included for materials and supplies, working cash and in the treatment accorded items of contributed plant. In addition, applicant's rate base is the average of estimated end of the year totals while the staff rate base recognized average weighted additions. The pro forma presentation made by the staff reflects, for the full periods, the investment in operator toll dialing equipment.

For the purposes of this proceeding we adopt, and hereby find to be reasonable, an estimated rate base of \$395,000 for the year 1952.

Revenues and Expenses

As of July 20, 1952 applicant served 1,860 stations. For the year 1952 it used 1,855 as the average number of stations for the purpose of estimating revenues. Applicant's estimate of 1952 gross revenues amounts to \$161,810 under present rates and \$186,545 under the rates which it proposes. In view of the evidence we shall adopt respective amounts of \$162,000 and \$188,000 as reasonable estimates of gross revenues for the year 1952.

With respect to operating expenses applicant based its 1952 estimates on an over-all amount per station, except for depreciation and taxes, after having given full-year effect to wage increases granted in midyear. While such method may be appropriate for some few accounting classifications it gives erroneous results when applied to those accounts which are uninfluenced by the number of stations served or to those expense accounts not increased in direct proportion to an increase in the number of stations served.

The staff, in determining pro forma operating expenses for 1952, also reflected the full-year effects of wage increases. Recorded charges were adjusted upward in a total amount of \$3,000 after giving consideration to individual accounts and their interrelationships.

With respect to depreciation accounting, applicant uses the total life straight-line method. By such method applicant calculated an amount of \$17,052 as the depreciation expense for the year 1952. The Commission staff, on the other hand, used the straight-line remaining life method and thereby calculated a 1952 depreciation expense of \$13,600. For the purposes of this proceeding we shall adopt the staff method and resulting calculation.

To summarize, we hereby adopt the following as reasonable estimates of operating revenues, operating expenses and net revenues for the period shown:

Item	Calendar Year 1952	
	Present Rates	Co. Proposed Rates
Operating Revenues	\$162,000	\$188,000
Operating Expenses	144,300	157,800
Net Revenues	17,700	30,200

Rate of Return

The above-adopted net revenues, when related to the depreciated rate base hereinabove found to be reasonable, indicate rates of return of 4.48% under present rates and 7.64% under applicant's proposed rates for the year 1952.

The pro forma showing of the staff indicates an annual downward trend of about 0.6% for the test periods ending July 31, 1952. An analysis of Exhibit No. 2 in this proceeding reveals that the primary factor in such downward trend is a per-station decrease in toll revenues during the test periods. Applicant's territory is almost exclusively agricultural and its toll revenues are sensitive to fluctuations in any phase of agriculture affecting the area. Applicant has no major program of plant expansion or rehabilitation and during 1953 its fixed capital items will be substantially the same as those included in the 1952 rate base.

In view of the above-discussed elements, we are of the opinion that a downward trend of about $\frac{1}{2}$ % in rate of return will continue into the year 1953, the first 12-month period in which revised rates may be made effective. It is apparent that applicant is not now earning a reasonable return, nor will it earn a reasonable return in 1953 if present rates are continued. Applicant is entitled to rate relief. The proposed rates, however, would produce revenues

in excess of those needed by applicant. The rates hereinafter authorized should yield revenues sufficient to produce a rate of return of 6.5% on a rate base of \$395,000 after due allowance for the declining trend discussed above. We find such return to be reasonable. The authorized rates should produce a gross revenue increase of about \$19,000 based upon the level of 1952 business.

Subscriber Participation

Considerable testimony was offered, by witnesses called by the California Farm Bureau Federation and by witnesses appearing in their own behalf, indicating complete dissatisfaction with the service rendered by applicant in so far as frequent and lengthy delays in reaching the telephone operator impair the service.

All of the company's exchanges are dial operated. Extended service or subscriber toll dialing, however, is not offered. This means that the individual subscriber must place all calls to stations outside of his own exchange through operators located at the central office in Courtland where a six-position switchboard is attended. Testimony of the Commission staff engineer disclosed that all calls appearing at the switchboard were handled promptly. It was his observation that, "insofar as the operators were concerned, they were answering all signals that appeared on the board in a much more rapid manner than any operators I have observed in Pacific Company offices or any other independent company offices." He further testified, however, that subscribers' calls were delayed in reaching the switchboard and that such delay resulted from the fact that the automatic switching equipment was not designed to distribute the incoming calls to the switchboard in the order in which they appeared on the automatic equipment.

applicant's vice president testified that corrective equipment was on order but that 22 months might elapse before delivery from the manufacturer might be made. There the matter rested at the conclusion of the hearing on October 29th. The Commission is of the opinion that the excessive delays experienced in reaching an operator do not constitute reasonably adequate service. Immediately following the hearing, therefore, the Commission sought means of expediting corrective measures and, as a result of the efforts of its staff, the needed equipment was obtained and installed by applicant and was properly functioning as of November 14th. We believe it pertinent to observe that had the complained-of service deficiencies been made known at an earlier date, either to applicant or this Commission, they might sooner have been corrected.

Subscribers generally desired service which would permit dialing of adjacent exchanges without the necessity of placing calls through an operator. Applicant indicated such service was contemplated, but in the indefinite future. In view of the general interest in and desire for such service, applicant will be required to undertake a study as to its early feasibility.

Authorized Tariff Changes

In view of the record in this proceeding we shall authorize applicant to place in effect the level of toll rates requested. Applicant's present exchange rates for business service, in relation to residence service rates, are disproportionately low. We shall authorize no increase in residence service basic exchange rates. Rates for business service will be authorized as follows:

<u>Business</u>	<u>Rate per Month</u>
1-party	\$3.65
2-party	2.75
10-party, suburban	3.20

Applicant's request for increases in charges for certain supplemental equipment will also be authorized. Applicant will be required to enlarge its base rate areas at Courtland, Isleton and Walnut Grove and to file up-to-date rules and regulations.

Applicant is an agent of The Western Union Telegraph Company and has rendered no telegraph service of its own for some period of time. In view of such circumstances we shall permit applicant to withdraw its telegraph tariffs.

O R D E R

Delta Telephone and Telegraph Company, having applied to this Commission for an order authorizing certain increases in rates and charges and to withdraw from the telegraph business, a public hearing having been held, the matter having been submitted and being now 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 authorized, 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, in conformity with General Order No. 96, the schedules of rates set forth in Exhibit No. 1 in this proceeding as specifically approved or modified by Exhibit A attached to this order and, after not less than five (5) days' notice to the Commission and the public, to make said rates effective for service rendered on and after February 1, 1953.
2. Applicant shall, coincidentally with its filing of the new rates hereinabove authorized, enlarge the base rate areas at Courtland, Isleton and Walnut Grove to not less than those areas shown on Charts I-C, I-D and I-E of Exhibit No. 2 in this proceeding, and appropriate tariff filings of maps in connection therewith shall be made on not less than five (5) days' notice to the public and this Commission.

EXHIBIT A
Page 1 of 2

RATES

The rates, charges and conditions set forth in Exhibit No. 1 in this proceeding are authorized as specifically approved or modified hereinafter.

Schedule No. A-1, Flat Rate Exchange Service

Rates and conditions as shown in Exhibit No. 1 are approved except that the following rates are authorized.

	<u>Wall, Desk or Hand Set</u>	
	<u>Rate per Month</u>	
	<u>Residence</u>	<u>Business</u>
	<u>Service</u>	<u>Service</u>
Each individual line primary station.....	\$2.75	\$3.65
Each two-party line primary station.....	2.25	2.75
Each four-party line primary station.....	2.00	-
Each extension station.....	1.00	1.50

Schedule No. A-2, Listings in Directory

Approved without change.

Schedule No. A-5, Suburban Service

Rates and conditions as shown in Exhibit No. 1 are approved except that the following rates are authorized.

	<u>Wall, Desk or Hand Set</u>	
	<u>Rate per Month</u>	
	<u>Residence</u>	<u>Business</u>
	<u>Service</u>	<u>Service</u>
Each ten-party primary station.....	\$2.50	\$3.20
Each extension station.....	1.00	1.50

Schedule No. A-9, Service Connection Charges

Approved without change.

Schedule No. A-10, Move and Change Charges

Approved without change.

Schedule No. A-13, Supplemental Equipment

Approved without change.

EXHIBIT A
Page 2 of 2

RATES (Continued)

Schedule No. A-15. Private Branch Exchange Service

Rates and conditions as shown in Exhibit No. 1 are approved except that the following rate is authorized.

	<u>Rate Per Month</u>
Trunk Line Rate:	
Each central office trunk line.....	\$5.40

Schedule No. A-17. Residence Foreign Exchange Service

Rates and conditions as shown in Exhibit No. 1 are approved except that the following rates are authorized.

	<u>Wall, Desk or Hand Set</u> <u>Rate Per Month</u>
Individual and party line residence service:	
(a) Station Rate:	
Each individual line primary station.....	\$2.75
Each two-party line primary station.....	2.25
Each four-party line primary station.....	2.00
Each extension station.....	1.00

Schedule No. A-19. Joint User Service

Rates and conditions as shown in Exhibit No. 1 are approved, except that the following rate is authorized.

	<u>Rate Per Month</u>
Each joint user service in connection with business flat rate service.....	\$1.50

Schedule No. B-1. Message Toll Telephone Service

Approved without change.

Schedule No. C-1. Telegraph Service

This schedule may be withdrawn.

3. Applicant is authorized to withdraw its tariffs for telegraph service as of February 1, 1953.
4. Applicant shall, on or before April 1, 1953, file in quadruplicate with this Commission rules and regulations together with forms currently used, reflecting present-day operations and relations with its subscribers.
5. Applicant shall undertake a study to determine the feasibility of providing direct toll dialing within its own exchanges and to the adjacent exchanges of connecting companies and shall report the results of such study to this Commission not later than June 30, 1953.
6. Effective January 1, 1953, applicant shall base future accruals to the reserve for depreciation upon a spreading of the original cost of the plant, less estimated net salvage and depreciation reserve, over the estimated remaining life of the property; further applicant shall review such accruals 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 Los Angeles, California, this 16th day of December, 1952.

R. T. Dunderman
President.

Justus F. Craven

Harold F. Hull

Lawrence H. Pittman

Peter L. Mitchell
Commissioners.