

# ORIGINAL

Decision No. 48147

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of )  
San Joaquin Telephone Company to )  
increase certain rates and charges ) Application No. 33494  
for Telephone Service )

A list of appearances is appended hereto as Attachment No. 1.

## O P I N I O N

By the above-entitled application, filed June 16, 1952, San Joaquin Telephone Company, a California corporation, seeks an order of this Commission authorizing increases in certain rates and charges for telephone service rendered in its Manteca and Ripon exchanges sufficient to produce additional gross revenues in the amount of \$63,000 per year, based on the 1952 level of business.

Public hearings in this matter were held before Commissioner Peter E. Mitchell and Examiner F. Everett Emerson on October 23, 1952, at Manteca and on November 7 and 10, 1952, at San Francisco. The matter was submitted on the latter date.

### Rates, Present and Proposed

A comparison of presently effective basic exchange service rates with those which applicant has proposed, is as follows:

Item	Rate Per Month		
	Present Rate	Requested Rate	
	Manteca	Ripon	Manteca and Ripon
<u>Residence</u>			
1-party	\$3.00	\$2.50	\$5.00
4-party	2.25	2.00	3.50
Suburban	2.25	2.25	4.00
Extension	1.00	1.00	1.00
<u>Business</u>			
1-party	3.50	3.00	7.00
2-party	3.00	2.50	5.75
4-party	2.75	2.25	4.75
Suburban	2.75	2.50	5.25
Extension	1.25	1.25	1.25

The rates shown above are for service with a hand set. Present wall set rates are 25 cents per month less, except for 1-, 2-, and 4-party service and extension stations in the Manteca exchange where the wall set differential does not presently apply. The proposed rates would eliminate the wall set differential now applicable.

Applicant has proposed no increases in any of its other rates, such as mileage, PBX, key systems, supplemental equipment and directory advertising, although applicant indicated a revenue effect of certain increases in such other rates.

The company has rates on file for two-party business service, but not for two-party residence service. However, according to the record in this proceeding, the company is not now providing any two-party service, nor has it accepted any applications for such service.

Applicant's tariffs provide for the offering of individual line semipublic pay station service in the Ripon exchange, but not in the Manteca exchange. However, it has been the company's policy not to provide semipublic service in either exchange. Instead, applications for pay stations have been construed, by the company, to mean requests for public pay station service, with such service

being established in accordance with Schedule No. A-13, Public Pay Station Service. This latter schedule provides that public telephone stations will be nonlisted; therefore, in order to obtain a listing in the telephone directory, the person receiving public pay station service must also subscribe to another grade of service.

#### Applicant's Operations

Previous to 1923 the telephone system serving Manteca was the private property of various individuals operating under the name of Manteca Telephone and Telegraph Company. In 1923, the Manteca Telephone Company was incorporated, following which various improvements were made, including the extension of service to Lathrop. On May 4, 1951, the name was changed to San Joaquin Telephone Company. During September, 1951 the properties of the Ripon Telephone Exchange were purchased and established as the company's Ripon exchange.

On August 31, 1952 service was being furnished to 2,475 company stations in the Manteca exchange and 902 company stations in the Ripon exchange by means of common battery manual equipment. The company times and tickets all outgoing intrastate toll calls.

To relieve the overload on the present switchboard and provide additional capacity in Manteca, the company has purchased and is now installing a four-position toll switchboard to handle all outgoing toll traffic. The new board will take the outgoing toll traffic from three positions of the existing board which will release these positions for local traffic and incoming toll traffic. It is planned to add 100 lines to the existing local switchboard.

The company plans to convert the Ripon exchange to dial operation on April 4, 1953. Toll and operator assistance functions are to be performed by the Pacific Company, Modesto central office, commencing July 1, 1953.

On August 31, 1952 the company held a total of 205 unfilled orders for new or additional service, all of which were dependent on provision of outside plant facilities. It is noted that according to the company's presently planned construction program presented in this proceeding, some of the held orders may be more than eight years old by the time service is provided.

Summary of Presentations

The tabulation below is a summary of presentations respecting results of operations under present rates, as made by applicant and the Commission staff:

Item	Adjusted Year 1951		Estimated Year 1952		Estimated
	Applicant	CPUC Staff	Applicant	CPUC Staff	Year 1953
Operating Revenues	\$203,544	\$202,194	\$229,780	\$228,700	\$254,275
Operating Expenses					
Before Taxes & Depr.	151,300	159,240	191,485	186,100	221,152
Taxes	17,789	16,175	15,282	15,274	18,174
Depreciation	14,819	11,454	16,955	18,046	23,539
Total Oper. Expenses	183,908	186,869	223,722	219,420	262,865
Net Revenues	19,636	15,325	6,058	9,280	(8,590)
Rate Base (Depr.)	347,940	292,700	387,200	378,300	536,820
Rate of Return	5.64%	5.24%	1.56%	2.45%	Loss

(Red Figure)

In addition to the presentations summarized above, applicant, in Exhibit No. 1, set forth estimates for the years 1952 and 1953 under the rates which applicant proposes be made effective. Such estimates indicate rates of return of 8.89% for 1952 and 7.21% for 1953.

Conclusions

Major differences between applicant's and the staff's presentations arise from the treatment accorded management salaries and company rental of land, building, and furniture owned personally by applicant's officers. A considerable portion of the testimony in this proceeding concerned such items. Other differences occur in various accounts. In trending or forecasting expenses, a total operating expense per station was first derived. These figures were then multiplied by the number of future stations, including known or anticipated station growth. Such method inherently assumes that all expenses increase in direct proportion to the increase in number of stations in service, a situation which is not factual.

In view of the evidence and in accordance with long-established Commission policy, we shall include in the reasonable rate base, upon which applicant is entitled to earn a reasonable return, the cost of the land and the depreciated historical cost of the buildings and furnishings in question. By so doing, rentals aggregating \$9,000 yearly will be deducted from the total operating expenses which applicant urged be accepted as allowable. Corresponding adjustments to the expense items of taxes and depreciation will also be made.

With respect to the reasonableness of the salaries challenged by the staff, the record in this proceeding makes it clear that applicant's recorded operating expenses are carrying heavy charges for management salaries and officers' personal expenses not properly chargeable to the utility's operations. Applicant recognized the impropriety of certain charges and itself eliminated amounts aggregating approximately \$13,600 from its recorded expenses and plant accounts by stating that such amounts

would be transferred to accounts receivable and collected from its officers. It is not this Commission's function to establish wage or salary levels within this or any other public utility, nor shall we attempt directly or indirectly to do so in this proceeding. However, it is the clear duty of this Commission, in the exercise of its rate fixing functions, to protect the public from the payment of exorbitant rates for utility service and to authorize rates and charges that are no more than reasonable from the standpoints of both the subscriber and the utility. In determining those reasonable rates which applicant may charge for its services, therefore, we shall allow a total operating expense which, in the light of all of the evidence, in our opinion will meet the reasonable needs of this utility.

The record in this proceeding is replete with instances of erroneous accounting entries. Applicant's plant accounts are in such poor condition that it has authorized a consulting engineer to make a plant inventory and appraisal. It is clear that in numerous respects the books and records of applicant are unreliable. In this latter connection we are constrained to point out that it ill behooves any utility to come before this Commission praying for rate relief when its records are in such disorder that all of the facts may not readily be determined.

Based upon the 1952 level of business and in view of the entire record in this proceeding, we hereby adopt and find the following tabulation to be a reasonable estimate of the results of

operations of applicant utility for the average calendar year 1952 under present rates.

Gross Revenues	\$229,800
Operating Expenses	
Before Taxes and Depreciation	178,800
Taxes	17,000
Depreciation	20,000
Total Operating Expenses	<u>215,800</u>
Net Revenue	14,000
Average Rate Base, Depreciated	435,000
Rate of Return	3.22%

It is apparent that applicant is not now earning a reasonable rate of return and is entitled to relief in the form of increased revenues.

The unfilled order situation on this utility is deplorable. As above mentioned, waiting subscribers may experience delays of as long as eight years if applicant's expansion program is allowed to run its planned and normal course. There is no evidence in this proceeding which justifies such delay. To the contrary, it is clear that applicant is reinforcing and expanding its service in its base rate areas and taking on new subscribers therein with little, if any, delay. Those experiencing the longest delays are in the outlying areas where subscriber density may be low. No telephone utility holding itself out to serve the public may so confine its activities to the built-up areas as to skim off the cream and disdain to accept the leavings. Nothing in the present record indicates that establishment of service to the long-waiting applicants is unreasonable. The order herein will require the utility to undertake their service without further unreasonable delay.

With respect to future operations applicant, as previously mentioned, presented an estimate indicating that its requested rates would produce a rate of return of 7.21% on its estimated 1953 rate base, after full allowance of all of its estimated operating expenses. Such a return for this utility, in this instance, would be unreasonable. Net additions to fixed capital which applicant may reasonably undertake during the next 12-month period in our opinion will not result in an increase in average fixed capital of more than \$100,000, including the plant required to serve unfilled orders for service. We shall authorize rates which, after providing for reasonable total operating expenses of \$242,500, should produce a rate of return of 6.25% on a depreciated rate base of \$535,000. For the purposes of this proceeding we find such rate base and rate of return to be reasonable. The authorized rates should produce gross revenues of approximately \$276,000 in 1953, an increase of about \$22,000 annually over what present rates would produce in that year.

Authorized Rates

Basic exchange service rates, authorized hereinafter, are as follows:

<u>Classification</u>	<u>Rate Per Month</u>
<u>Residence</u>	
1-Party	\$3.50
4-Party	2.50
Suburban	2.50
Extension	1.00
<u>Business</u>	
1-Party	5.35
2-Party	4.00
4-Party	3.00
Suburban	3.00
Extension	1.25



Other services will be authorized at rate levels generally applicable throughout California. Applicant will be required to furnish two-party service in accordance with its filed tariffs and to establish and file rates for semipublic coin-box service.

Applicant's filings will be consolidated into one set of tariffs which, with the exception of directory advertising, farmer line service and line extension charges, will be applicable to both the Ripon and Manteca exchanges. Applicant also will be required to file a set of up-to-date rules and regulations.

O R D E R

San Joaquin Telephone Company having applied to this Commission for an order authorizing an increase in rates and charges for telephone service, public hearings having been held and the matter having been submitted 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 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 and in conformity with General Order No. 96, revised and consolidated tariffs containing changes in rates and charges as set forth in Exhibit A attached hereto and, after not less than five (5) days' notice to this Commission and to the public, to make said rates effective for service rendered on and after February 1, 1953, excepting that increases in installation charges shall be made effective on applications received by the utility on and after February 1, 1953.

IT IS HEREBY FURTHER ORDERED as follows:

1. Applicant utility shall establish service to all applicants for service of record on December 31, 1950 on or before December 31, 1953; further, applicant utility shall so arrange its plant and construction program as to serve all applicants for service on a current basis by June 30, 1954; applicant shall submit bimonthly reports of progress thereon.
2. Applicant shall submit a plan acceptable to this Commission not later than December 1, 1953, to place its depreciation accruals on the straight-line remaining life basis, effective January 1, 1954.
3. Applicant shall immediately undertake to provide two-party service in accordance with its filed tariffs and shall file the schedule for semipublic coin-box service set forth in Exhibit A attached to this order, making said schedule effective on February 1, 1953.
4. Within one hundred twenty (120) days from and after the effective date of this order 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 the current forms that are normally used in connection with customer service.

The effective date of this order shall be fourteen (14) days after the date hereof.

Dated at San Francisco, California, this 13<sup>th</sup> day of January, 1953.

A. F. [Signature]  
President.

Harold A. [Signature]

[Signature]

[Signature]

Commissioners.

Commissioner Justus F. Craemer, being necessarily absent, did not participate in the disposition of this proceeding.

ATTACHMENT 1

LIST OF APPEARANCES

For Applicant: John McFall, C. T. Mess and Reginald L. Vaughan,  
by C. T. Mess and Reginald L. Vaughan.

Interested Parties: Eleon N. Dye, for California Farm Bureau  
Federation; Frank V. Rhodes, for California Independent Telephone  
Association; Blanche Harrington, for Livingston Telephone Co.;  
Richard D. Crewe, for Dec Palos Telephone Co., Inc.; John H. Evans, for  
The Evans Telephone Co.; Alden C. Knapp, for Sanger Telephone Co.;  
William G. Sebastian, for Kerman Telephone Co.; Donald H. Strahl, for  
Gilroy Telephone Company; Lyndon Farwell, for Los Gatos Telephone  
Company.

For the Commission: Hal F. Wiggins, J. F. Donovan and W. W. Dunlop.

EXHIBIT A

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RATES

The presently effective rates, charges and conditions for all service furnished within the Manteca and Ripon exchanges, as contained in applicant's present filings, shall be consolidated into a single set of tariffs revised as specifically set forth hereinafter.

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

Schedule to be applied in both the Manteca and Ripon exchanges with rates revised to the following:

	<u>Wall, Desk or Hand Set Stations</u>	
	<u>Rate Per Month</u>	
	<u>Residence Service</u>	<u>Business Service</u>
Each individual line primary station . . . . .	\$3.50	\$5.35
Each two-party line primary station . . . . .	-	4.00
Each four-party line primary station . . . . .	2.50	3.00
Each extension station . . . . .	1.00	1.25

Delete the following rate: "Each wall set station - above rates less \$0.25 per month."

Schedule No. A-3, Semipublic Coin-Box Service

Schedule to be applied in both the Manteca and Ripon exchanges.

	<u>Rate</u>
Each individual line coin-box wall set station:	
Each local exchange message . . . . .	\$0.10
Minimum charge per day . . . . .	.20
Each extension station, without coin box,	
per month . . . . .	1.25

The first sentence under Special Conditions, Paragraph 5, shall be revised to read "Service under this schedule is furnished on a daily guarantee basis."

Schedule No. A-4, Mileage Rates

Schedule to be applied to both the Manteca and Ripon exchanges without rate revision.

Schedule No. A-5, Suburban Service

Schedule to be applied to both the Manteca and Ripon exchanges, with rates revised to the following:

	<u>Wall, Desk or Hand Set Station</u>	
	<u>Rate Per Month</u>	
	<u>Residence Service</u>	<u>Business Service</u>
Each ten-party line primary station . . . . .	\$2.50	\$3.00
Each extension station . . . . .	1.00	1.25

Delete the following: "Each wall set station - above rates less \$0.25 per month."

EXHIBIT A  
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RATES (Continued)

Schedule No. A-6, and No. A-12, Joint User Service

The present schedule No. A-6 (Manteca) shall be cancelled. Schedule No. A-12 (Ripon) shall be applied to both Ripon and Manteca exchanges with the following rates:

	<u>Rate</u>
Each joint user service in connection with flat rate business service, per month . . . .	\$1.50

Schedule No. A-6, Farmer Line Service (Ripon Exchange)

This schedule shall be applied only to the Ripon exchange.

	<u>Rate Per Month</u>
Residence . . . . .	\$1.00
Business . . . . .	1.50
Minimum charge per line . . . . .	5.00

Schedule No. A-7, Private Branch Exchange Service

Schedule to be applied to both the Manteca and Ripon exchanges, with the following rates:

	<u>Rate Per Month</u>
Manual Switchboard Rate:	
Cordless Type Switchboard:	
Maximum capacity 3 trunks and 10 station lines . . .	\$ 7.00
Maximum capacity 4 trunks and 16 station lines . . .	9.00
Cord Type Switchboard:	
Nonmultiple:	
Maximum capacity 30 lines or less . . . . .	12.00
Maximum capacity 31 to 50 lines . . . . .	15.00
Maximum capacity 51 to 100 lines . . . . .	20.00
Over 100 lines capacity . . . . .	25.00
Multiple . . . . .	35.00
Mechanical Equipment Rate:	
Each selector . . . . .	3.50
Each connector . . . . .	3.50
Each selector-conductor . . . . .	3.50
Trunk rate, each line . . . . .	8.00

Schedule No. A-10, Key System Service

Schedule to be applied to both the Manteca and Ripon exchanges with the following rate:

	<u>Rate</u>
Trunk line rate per month . . . . .	\$8.00

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RATES (Continued)

Schedule No. A-11. Public Pay Station Service (Ripon)

Schedule to be applied to both the Ripon and Manteca exchanges.

	<u>Rate</u>
Each local exchange message . . . . .	\$0.10

Schedule No. 13. Public Pay Station Service (Manteca)

This schedule shall be cancelled.

Schedule No. A-14. Directory Listings

The present Manteca schedule shall be applied to both the Ripon and Manteca exchanges with the following rates:

	<u>Rate Per Month</u>
Additional listings and lines of information, each listing . . . . .	\$0.35

Schedule No. A-15. Supplemental Equipment

The present Manteca schedule shall be applied to both the Ripon and Manteca exchanges with rates revised to the following:

	<u>Installation Charges</u>	<u>Rate Per Month</u>
Bells:		
Ordinary extension bell . . . . .	\$2.00	\$0.50
Loud ringing extension gong . . . . .	3.00	.75
Buzzer Circuits:		
Each buzzer circuit, including push button buzzer, battery and 50 feet of wiring . .	2.00	.40
Cords:		
Two-, three-, or four-conductor cords:		
Each ten-foot cord . . . . .	2.00	-
Each fifteen-foot cord . . . . .	3.00	-
Each twenty-five-foot cord . . . . .	5.00	-
Each retractile type cord not exceeding seven feet when extended, substituted for regular cord . . . . .	2.00	-
Jack and Plug Installations:		
Each two, three or four contact jack . . .	7.50	-
Keys in addition to station:		
Each two-way key . . . . .	1.50	.40
Each three-way key . . . . .	2.50	.50

EXHIBIT A  
Page 4 of 4

RATES (Continued)

Schedule No. A-19, Move and Change Charges

Schedule to be applied to both the Manteca and Ripon exchanges with rates revised to the following:

	<u>Charge</u>
Subscribers' Telephone Sets:	
Moving from one location to another on the same premises . . . . .	\$3.00
Change in type or style not required by change in class, type or grade of service or type of operation . . . . .	3.00

Schedule No. A-20, Service Connection Charges

Schedule to be applied to both the Manteca and Ripon exchanges with charges revised to the following:

	<u>Charge</u>	
	<u>Business</u>	<u>Residence</u>
New and Additional Service		
Instrumentalities not in Place:		
Each individual, party, or auxiliary line primary station or PBX trunk . . . . .	\$7.00	\$5.00
Each PBX station, except operators' sets . . . . .	3.00	3.00
Each extension station . . . . .	3.00	3.00
Instrumentalities in Place and no Change of Location or Type of Facilities Involved:		
Each service including all stations and supplemental equipment connected thereto . . . . .	3.00	3.00
Each PBX or intercommunicating system, complete with trunks . . . . .	3.00	3.00

Schedule No. D-2, Directory Advertising

Schedules for the Ripon and Manteca exchanges shall be consolidated without revision of rates in either exchange.