

ORIGINAL

Decision No. 50435

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 the SISKIYOU TELEPHONE COMPANY, for)
 an order authorizing increases and) Application No. 34616
 changes in the rates and charges for)
 exchange Toll, Telegraph and other)
 services.)

H. A. Dannenbrink, for applicant Siskiyou Telephone
 Company.
J. J. Deuel and Eldon N. Dye, for California Farm
 Bureau Federation, interested party, and for
 Siskiyou County Farm Bureau, protestant.
Burton, Lee & Hennessy, by Michael Hennessy and
Fred W. Burton, for R. E. Graun, et al., and
Klamath River Community Hall Association,
 protestants.
Russell W. Bower, for U. S. Forest Service,
 interested party.
Wilson Cline, Luther Gulick, E. J. Macario and
L. Thormod, for the Commission staff.

O P I N I O N

Siskiyou Telephone Company, a California corporation,
 by the above-entitled application filed August 6, 1953, seeks an
 order of this Commission authorizing increases in rates and
 charges for exchange and toll telephone services and telegraph
 service furnished in Etna, Fort Jones, and other locations in
 Siskiyou County. The rates requested are designed to increase
 applicant's operating revenues by approximately \$12,600 or 30 per
 cent on the test year 1953.

Public Hearings

Public hearings were held before Examiner F. Everett
 Emerson on October 26 and 27, 1953 and on May 11, 1954 at Fort
 Jones and on May 13, 1954 at Happy Camp. A total of 41 witnesses

were heard and 31 exhibits were received. Two exhibits, No. 21 setting forth in detail the requested tariff changes and No. 31 summarizing a survey made of 41 individuals regarding telephone service in the Klamath River area, were filed subsequent to the May 13, 1954 hearing.

On November 19, 1953 R. E. Graun, et al., filed a formal complaint (Case No. 5506) against the Siskiyou Telephone Company, particularly with respect to the quality of telephone service furnished in the areas of Happy Camp, Seiad, Hamburg, Horse Creek, Walker and Scott Bar. Application No. 34616, the rate proceeding, and Case No. 5506, the service complaint, were consolidated for hearing.

At the conclusion of the hearing on May 13, 1954 the matters, particularly with respect to service problems, were adjourned to a date to be set depending upon completion of negotiations between the United States Forest Service and the applicant relating to certain telephone facilities between Happy Camp and Yreka. These negotiations are not expected to be concluded before the end of the 1954 fire season.^{1/} The record clearly demonstrates that applicant is in need of prompt rate relief in order adequately to meet its service responsibilities. Accordingly, this opinion and order will concern itself primarily with the rate application.

We are setting down Case No. 5506 for further hearing in order to receive further evidence on service and other matters, including the status of negotiations, mentioned above, between applicant and the U. S. Forest Service.

^{1/} Approximately the end of October, 1954.

Applicant's Operations

Applicant owns and operates a telephone system furnishing exchange telephone service in six exchanges in Siskiyou County and toll telephone and telegraph services over its own toll lines which connect with facilities of The Pacific Telephone and Telegraph Company at Yreka. At various points on applicant's system its lines also connect with government lines owned and operated by the U. S. Forest Service. As of December 31, 1953 there were approximately 720 telephone stations connected to applicant's facilities. Etna and Fort Jones are the two largest exchanges on the system, each serving in excess of 300 stations. All central offices are of the magneto type and are regularly operated only during portions of the day, with emergency service offered after hours. The number of stations served at present has more than doubled since the end of 1946 when but 340 stations were being served. Portions of the exchange and toll lines are operated as single-wire ground-return circuits.

Applicant's Position

In justification of its need for rate increases applicant claims that its operating expenses have increased materially since the present rates were made effective generally, in 1922. Applicant maintains that present revenues from operations are not sufficient to cover its operating expenses and produce any return on its capital investment.

Present and Requested Rates

In Exhibits C and D attached to the application and in Exhibit No. 21, applicant sets forth its requested increased rates.

A comparison of the rates requested with those presently effective for the principal classifications of exchange service in Etna and Fort Jones and in applicant's other exchanges follows:

<u>Classification</u>	<u>Rate per Month</u>			
	<u>Hand or Desk Set Station*</u>			
	<u>Etna and Fort Jones Exchanges</u>		<u>All Other Exchanges</u>	
	<u>Present Rate</u>	<u>Requested Rate</u>	<u>Present Rate</u>	<u>Requested Rate</u>
<u>Residence</u>				
1-Party	\$ 2.50	\$ 3.75	\$ 2.25	\$ 3.50
2-Party	2.25	3.50	2.00	3.25
4-Party	2.00	3.25	1.75	3.00
Suburban	2.25	3.50	2.00	3.25
Extension Station	1.00	1.75	1.00	1.75
<u>Business</u>				
1-Party	3.00	4.75	2.75	4.00
2-Party	2.50	4.00	2.25	3.50
Suburban	2.50	3.75	2.25	3.50
Extension Station	1.00	2.00	1.00	2.00
<u>Farmer Line</u>				
Residence, per Mo.	0.50#	1.00	.50#	1.00
Business, per Mo.	.50#	1.00	.50#	1.00
Minimum Charge per Circuit per Year	30.00	60.00	30.00	60.00

* Rates for a wall-set station generally are less than for a hand or desk set station.

Present rate is quoted as \$6.00 per year.

In addition to the increases in basic exchange rates, new rates are proposed for suburban and other mileage charges, for public telephone service, private line telephone service, items of supplemental equipment, and joint user service. Also, increases are proposed in line extension charges and in rates for toll telephone and telegraph services.

Position of Interested Parties and Protestants

Of paramount interest and concern to all parties, other than applicant, are service deficiencies and particularly toll service deficiencies. A goodly portion of the record in this proceeding is devoted to such problems as delays in being able to reach the operator, poor transmission quality and long periods

without service. Times without number, according to subscriber witnesses, messages other than local calls cannot satisfactorily be completed, many times even with operator assistance in orally repeating both sides of a conversation. Because of terrain and the inaccessibility of some lines, telephone service in certain areas may be interrupted for long periods, commonly for days during the winter season and occasionally for weeks. Interested parties and protestants claim that applicant is not meeting its public utility obligation by permitting such conditions to exist and strenuously object to any increase in rates without the availability of fully adequate service.

In addition, these parties allege that applicant makes no effort to develop the telephone revenue potential of its service area and that if applicant's management would undertake a modern and progressive service designed to meet the needs and growth of the area applicant's business and resulting revenues would greatly increase.

With respect to these contentions it is appropriate to point out that applicant will be required to supply adequate service at reasonable rates. Realistically, however, service improvements cannot be accomplished overnight nor without funds. Applicant must be accorded rate relief and sufficient earnings to permit the obtaining of capital funds through borrowing at reasonable interest rates as well as to meet its expenses of operating and maintaining the system. System improvement will follow within a reasonable time.

Nature of Evidence and Conclusions

Applicant presented, in Exhibit No. 6, earning results for the year 1952 and an estimate for the year 1953. These results show a rate of return at present rates of 1.4 per cent for the

year 1952 and an estimated loss for 1953. Applicant estimated that if its proposed rates had been effective for the entire year 1953 it would have realized a rate of return of 4.9 per cent.

The Commission staff's study on revenues, expenses, rate base, and rate of return was presented in Exhibit 22. The staff also presented several additional exhibits showing the effect on applicant's operations of placing into effect certain improvements in service. At the time the staff presented its study, the actual results for the year 1953 were available. For 1953 the staff showed a rate of return at present rates of 0.9 per cent compared with 1.4 per cent for 1952 and 1.8 per cent estimated for 1954 also at present rates. While the staff's results estimated for 1954 took into account wage rates currently effective, they do not include the effects of recent increases in intercompany toll rates or the addition of maintenance personnel.

The evidence clearly shows the applicant is entitled to some increases in rates at this time. It appears to the Commission that the revenues, expenses, rate base and rate of return set forth below reasonably may be expected to obtain at present rates and at the rates hereinafter authorized under reasonably efficient operations and service based on the level of business anticipated for 1954.

	<u>At Present Rates</u>	<u>At Authorized Rates</u>
Operating Revenues	\$48,340	\$58,370
Operating Expenses & Taxes	50,175	52,620
Net Revenue	<u>(1,835)</u>	5,750
Avg. Depreciated Rate Base	92,850	92,850
	-	6.19%

(Red Figure)

We hereby find a rate of return of 6.19 per cent for this utility to be fair and reasonable at this time. The above level of expenses will permit the utility to lengthen by two hours a day the

hours of service regularly furnished at Etna and at Fort Jones exchanges and the order herein will so provide.

Applicant used the straight-line total life basis for computing depreciation expense while the staff used the straight-line remaining life method. As the remaining life method meets the basic objective of depreciation of recovering the original cost of fixed capital, less estimated net salvage, over the useful life of the plant by means of an equitable plan of charges to operating expense accounts applicant will be required by the order herein to use such method in the future.

Applicant admitted to many deficiencies in its accounting methods and records, some records even being kept in shorthand notes decipherable only by its president. Such situation was readily apparent to the Commission's staff and recommendations relative thereto are contained in Exhibit No. 22 in this proceeding. Applicant will be required to follow the staff's recommendations.

Service Matters and Authorized Rates

In authorizing increases in applicant's rates, the Commission is fully aware of the service deficiencies testified to by a number of witnesses. The principal deficiencies appear to be in toll service and in exchange service in the Klamath River area. As above mentioned, these matters will have the further attention of the Commission in connection with Case No. 5506. It further appears that some substantial service improvements have been realized in Fort Jones and Etna exchange service.

No increases are being authorized in applicant's toll or telegraph rates over its lines. Likewise no increases are being authorized in basic exchange rates in the Happy Camp, Hamburg, and Horse Creek exchanges.

Applicant requested authority to discontinue the Sawyers Bar exchange since no exchange service has been furnished in that

exchange for some time. Toll service will continue to be furnished at Sawyers Bar. Applicant's request in this regard appears to be reasonable and will be authorized.

The order herein will authorize increases in exchange rates at Etna and at Fort Jones exchanges. For the principal classifications of service the following rates are being authorized.

	<u>Etna and Fort Jones Exchanges</u> <u>Authorized Rate</u> <u>Wall, Desk or Handset Station</u>
<u>Residence, per Month</u>	
1-Party	\$3.75
2-Party	3.40
4-Party	3.10
Suburban	3.40
Extension Station	1.25
<u>Business, per Month</u>	
1-Party	4.75
2-Party	4.00
Suburban	3.75
Extension Station	1.50
<u>Farmer Line</u>	
Each Station, per Month	1.00
Minimum Rate per Circuit, per Month	5.00

Applicant requested a discount of \$1.00 per month for service furnished with a wall set except that for extension stations a discount of \$0.50 per month was suggested. We see no reason for such discount and, therefore, will authorize identical rates for wall, desk and handset stations.

The Commission staff recommended that applicant file base rate area maps for Fort Jones, Etna, and Happy Camp, the boundaries to be those set forth on Charts 1-B, 1-C and 1-D of Exhibit No. 22. This recommendation appears reasonable and will be required by the order herein. Applicant proposes a new schedule for mileage rates, public telephone service, private line telephone service, and supplemental equipment applicable throughout its territory. These schedules, with some modifications, appear reasonable and will be authorized.

With respect to line extension charges, applicant proposes to increase the free footage allowance from 500 to 750 feet and increase the charge over the allowance from \$2.00 to \$10.00 per 100 feet or fraction thereof. Such increased charge gives recognition to the higher present-day costs of construction and will be authorized by the order herein.

O R D E R

Siskiyou Telephone Company having applied to this Commission for an order authorizing increases in rates and charges for telephone service, public hearings having been held and the matter being 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 and charges, in so far as they differ from those herein prescribed, for the future 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 the Commission's General Order No. 96, revised tariff schedules with changes in rates, charges, and conditions as set forth in Appendix A attached hereto, and, after not less than five days' notice to this Commission and to the public, to make said revised tariff schedules effective for service furnished on and after September 15, 1954.

2. Coincident with the filing of the increased rates provided for in Paragraph 1 above, applicant shall file base rate area maps for the Etna, Fort Jones, and Happy Camp exchanges, with boundaries as shown on Charts 1-B, 1-C and 1-D of Exhibit No. 22.

3. Applicant shall annually prepare a construction program and budget and shall file its 1955 construction budget with this Commission on or before December 1, 1954.

4. Effective January 1, 1955, 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 occur in plant composition and for each plant account at intervals of not more than four years. Results of these reviews shall be submitted to this Commission.

5. Applicant shall maintain accounting records in conformity with this Commission's prescribed system of accounts and develop average unit costs of depreciable property to permit proper accounting for retirements of plant in connection therewith.

6. Applicant is authorized as of the effective date hereof to discontinue the offering of exchange telephone service in the Sawyers Bar exchange area and may cancel and withdraw its tariff schedules relative thereto.

7. Applicant shall conduct and prepare a commercial survey of its entire territory, segregated by exchanges, and file a copy thereof with this Commission on or before December 1, 1955.

8. That in all other respects Application No. 34616 is denied.

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

Dated at San Francisco, California, this 17 day of August, 1954.

Arthur L. Mitchell President
James F. Casner
Herbert L. Lott
Gene Duggins
Commissioners

RATES

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

Preliminary Statement

Applicant shall change the hours of service for weekdays, Sundays and holidays at Etna and Fort Jones exchanges to: "5:30 AM to 11:30 PM and emergency night service."

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

The following schedule is authorized:

APPLICABILITY

Applicable to individual and party line business and residence flat rate service.

TERRITORY

Within the base rate areas of Etna, Fort Jones, and Happy Camp exchanges as said areas are defined on maps filed as part of the tariff schedules and within a distance of 1/4 mile air line from the central office of Hamburg and Horse Creek exchanges.

RATES

<u>Class of Service</u>	<u>Rate per Month</u>		
	<u>Etna and Fort Jones Exchanges</u>	<u>All Other Exchanges</u>	
	<u>Wall, Desk or Handset</u>	<u>Wall Set</u>	<u>Hand or Desk Set</u>
<u>Business</u>			
Each Primary Station:			
Individual Line	\$4.75	\$2.50	\$2.75
Two-Party Line	4.00	2.00	2.25
Each Extension Station	1.50	1.00	1.00
<u>Residence</u>			
Each Primary Station:			
Individual Line	3.75	2.00	2.25
Two-Party Line	3.40	1.75	2.00
Four-Party Line	3.10	1.50	1.75
Each Extension Station	1.25	1.00	1.00

SPECIAL CONDITIONS

1. Under the rates listed above subscribers are allowed unlimited local exchange service within the limits of the exchange with which their lines connect.

2. Construction of new lines or of extensions to existing lines will be made in accordance with rates and conditions listed in Schedule No. A-8, Line Extension Charges.

RATES

3. Individual and party line business and residence service will be furnished outside the base rate area of Etna, Fort Jones and Happy Camp and at a distance exceeding 1/4 mile air line from the central office of Hamburg and Horse Creek and within the exchange area at the above rates and mileage rates as set forth in Schedule No. A-2, Mileage Rates.

4. Extension stations at the above rates will be installed on the same premises as the primary station or an off-premises extension station. Off-premises extension stations will be installed at the above rates and mileage rates as set forth in Schedule No. A-2, Mileage Rates.

Schedule No. A-2, Mileage Rates

The schedule set forth in Exhibit No. 21 is authorized, except as follows:

- (a) Change the word "truck" to "trunk".
- (b) Change Special Condition No. 1 to read as follows:

"The mileage rates under Rates (1) above are based on the air-line distance measured between the subscriber's primary station and (a) for Etna, Fort Jones, and Happy Camp, the nearest point on the boundary of the base rate area, and (b) for Hamburg and Horse Creek, the nearest point 1/4 mile air-line distance from the central office. The mileage rates are in addition to the other rates applicable to the service involved."

Schedule No. A-3, Suburban Service

The following changes in the present schedule are authorized.

- (a) Change "Area" to "Territory" with the following description: "Outside the base rate area of the Etna, Fort Jones and Happy Camp exchanges and beyond a distance of 1/4 mile air line from the central office at Hamburg and at Horse Creek."
- (b) The rate per month for each suburban line wall, desk, or handset station in Etna and in Fort Jones exchange is authorized to be \$3.75 for business service and \$3.40 for residence service.
- (c) Change Condition 2 to read "Line construction will be made in accordance with the rates and conditions contained in Schedule No. A-8, Line Extension Charges."
- (d) Change Condition 3 to read "Suburban line stations will not be connected within the base rate area of Etna, Fort Jones and Happy Camp exchanges nor within a distance of 1/4 mile air-line distance from the central office of Hamburg and Horse Creek."

APPENDIX A
Page 3 of 3RATESSchedule No. A-4, Public Telephone Service

The schedule set forth in Exhibit No. 21 is authorized.

Schedule No. A-5, Farmer Line Service

The schedule set forth in Exhibit No. 21 is authorized, except as follows:

(a) Change "Rates" as indicated below:

RATES

	<u>Rate per Month</u>	<u>Rate per Year</u>
	<u>Etna and Fort Jones</u>	<u>All Other Exchanges</u>
Each station, residence or business	\$1.00	\$ 6.00
Minimum charge per circuit	5.00	30.00

Schedule No. A-6, Local Switching Service

The schedule set forth in Exhibit No. 21 is authorized.

Schedule No. A-7, Private Line Telephone Service

The schedule set forth in Exhibit No. 21 is authorized.

Schedule No. A-8, Line Extension Charges

The schedule set forth in Exhibit No. 21 is authorized except in Condition No. 2 change "1,000 feet" to "750 feet".

Schedule No. A-10, Supplemental Equipment

The schedule set forth in Exhibit No. 21 is authorized.

Schedule No. A-11, Joint User Service

The schedule set forth in Exhibit No. 21 is authorized.