

# ORIGINAL

Decision No. 52163

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
CENTRAL CALIFORNIA TELEPHONE COMPANY, )  
a California corporation, for auth- )  
ority to increase rates and charges )  
for exchange telephone service within )  
applicant's Corcoran Exchange and )  
applicant's Exeter Exchange. )

Application No. 36876

Orrick, Dahlquist, Herrington & Sutcliffe by  
Warren A. Palmer, for applicant.  
California Farm Bureau Federation by J. J. Deuel;  
California Independent Telephone Association  
by Neal C. Hasbrook, interested parties.  
John F. Donovan and James M. McCraney, for the  
Commission staff.

## O P I N I O N

By the above-entitled application, filed April 12, 1955 and as amended July 12, 1955 and July 15, 1955, Central California Telephone Company, a California corporation, seeks an order of this Commission authorizing it to increase rates and charges for exchange telephone service rendered in its Corcoran and Exeter exchanges. Basically, applicant seeks an annual gross revenue increase of \$44,000 annually.

Public hearing in the matter was held before Examiner F. Everett Emerson on September 13, 1955 at Exeter and on September 14, 1955 at Corcoran. The matter was submitted on the latter date.

### Rates, Present and Proposed

Present basic telephone rates have remained unchanged in Corcoran since May 8, 1928 and in Exeter since January 1, 1942.

The rates which applicant requests are compared with existing rates in the following tabulation.

<u>Classification and Grade of Service</u>	<u>Corcoran Exchange Rate per Month</u>		<u>Exeter Exchange Rate per Month</u>	
	<u>Present</u>	<u>Requested</u>	<u>Present</u>	<u>Requested</u>
<b>Residence</b>				
1-Party	\$3.00	\$4.00	\$2.75	\$4.00
4-Party	2.00	2.70	2.25	2.70
10-Party Suburban	3.25	3.10	2.50	3.10
10-Party Farmer Line	.25*	.80	.60*	.80
Extension	1.00	1.00	.75	1.00
<b>Business</b>				
1-Party	3.50	6.00	3.75	6.00
2-Party	2.75	4.75	3.00	4.75
10-Party Suburban	4.00	4.00	3.00	4.00
10-Party Farmer Line	.50*	1.35	.90*	1.35
Extension	1.25	1.50	1.00	1.50
<b>Private Branch Exchange</b>				
First Trunk	5.25	9.00	5.50	9.00
Additional Trunk	4.00	9.00	4.75	9.00

\* Present farmer line rates are quoted on an annual basis and are not limited as to number of parties per line.

#### Applicant's Operations

Applicant owns and operates a telephone system furnishing exchange and toll service in Corcoran and Exeter and, in addition, is presently constructing a telephone system in Linden and Clements.

The company was incorporated in 1922 as the Corcoran Telephone Exchange and served only the Corcoran area. In 1953 it purchased the properties of Exeter Telephone Company, financed through the sale of preferred and common stock, and changed its name to Central California Telephone Company.

As of March 31, 1955, applicant had 43 employees on its payroll, 20 of whom are stationed at Corcoran and 23 at Exeter. The construction work in Linden and Clements is being done by contract. Certain services, such as preparation of maps, purchase of materials, personnel training, some physical construction, and accounting services are performed for applicant by Kern Mutual Telephone Company.

Central office equipment in Corcoran consists of a six-position manual switchboard equipped for full-selective ringing. As of July 31, 1955, the board had 800 lines in place in the multiple. Three positions and 200 lines are being used on a loan basis from the equipment manufacturer. The central office at Exeter also contains a six-position board equipped with full-selective ringing, one position being on a loan basis. In total, the two offices have a capacity of 1,800 lines, have 1,720 lines equipped and have 1,535 lines working. Since the existing equipment will reach its capacity in the foreseeable future, applicant is now completing plans to replace the present manual equipment with dial equipment in both exchanges.

In recognition of the growth experienced in both exchanges, applicant proposes to increase the base rate areas in Corcoran and Exeter, thereby eliminating or decreasing mileage charges for a substantial number of subscribers in both exchanges.

#### Summary of Presentations

In this proceeding applicant and the Commission staff presented oral testimony and exhibits respecting the results of applicant's operations. These are summarized in the following tabulations.

#### Summary of Earnings Present Rates

<u>Item</u>	<u>Year 1954 Adjusted</u>		<u>Year 1955 Estimated</u>	
	<u>Applicant</u>	<u>CPUC Staff</u>	<u>Applicant</u>	<u>CPUC Staff</u>
Operating Revenues	\$259,689	\$261,190	\$275,858	\$275,600
Operating Expenses				
Before Taxes and Depr.	188,368	191,490	204,910	203,900
Taxes	28,258	23,530	22,461	22,680
Depreciation	18,780	32,230	35,780	34,820
Total Oper. Exps.	<u>235,406</u>	<u>247,250</u>	<u>263,151</u>	<u>261,400</u>
Net Revenue	24,283	13,940	12,707	14,200
Rate Base (Avg. Depr.)	498,600	499,200	553,100	551,800
Rate of Return	4.87%	2.79%	2.30%	2.57%

Summary of Earnings  
Proposed Rates

<u>Item</u>	<u>Year 1955 Estimated</u>	
	<u>Applicant</u>	<u>CPUC Staff</u>
Operating Revenues	\$319,536	\$319,700
Operating Expenses		
Before Taxes and Depr.	204,910	203,900
Taxes	41,451	42,140
Depreciation	35,780 <sup>a</sup>	34,820
Total Oper. Exps.	282,141	280,860
Net Revenue	37,395	38,840
Rate Base (Avg. Depr.)	553,100	551,800
Rate of Return	6.76%	7.04%

a. Does not include \$756 of depreciation expense claimed by applicant to be properly allocable to Central California Telephone Company.

As illustrated by the above, the evidence is clear that applicant is earning a less than reasonable return under existing telephone rates. Applicant has demonstrated its need for and entitlement to increased revenues.

Conclusions

The rates for telephone service which applicant has proposed are just and reasonable.

The differences in earnings presentations are relatively minor. Testimony respecting the staff analysis of trend of rate of return indicates a downward trend of about 1/4 of 1 per cent under existing rates. Under proposed rates, the staff indicates a slight upward trend. Such trends have been based upon analyses of operations for only one adjusted year and one estimated year and are not in themselves conclusive. The rates of return under proposed rates for the year 1955, as indicated above, will not be realized in such year.

In view of the evidence we adopt, and find to be fair and reasonable for the purposes of this proceeding, the revenues,

expenses, rate base and rate of return, set forth in the following tabulation, using the estimated year 1955 as the test year, under the telephone rates proposed by applicant.

Operating Revenues	\$319,536
Operating Expenses	282,489
Net Revenue	37,047
Depreciated Rate Base	553,000
Rate of Return	6.7%

The rates which applicant has proposed will be authorized. The enlarged base rate areas proposed by applicant will be of benefit to the public and will be authorized.

#### O R D E R

Central California Telephone Company having applied to this Commission for an order authorizing it to increase rates and charges for exchange telephone service rendered in its Corcoran and Exeter exchanges, public hearing thereon having been held in each of said communities, the matter having been submitted and now being ready for decision,

IT IS HEREBY FOUND AS A FACT that the increased rates and charges authorized herein are justified and that existing rates and charges, in so far as they differ from those authorized herein, are for the future unjust and unreasonable; therefore,

IT IS HEREBY ORDERED that applicant is authorized to file in quadruplicate with this Commission, on or after the date of this order and in conformity with the provisions of General Order No. 96, tariffs having rates and charges for telephone service in accordance with Appendix A attached to this order and, after not less than five days' notice to the public and to this Commission, to make such rates and charges effective for all exchange telephone service rendered on and after December 1, 1955.

IT IS HEREBY FURTHER ORDERED that coincidental with establishment of the new rates hereinabove authorized, applicant shall establish base rate areas at Corcoran and at Exeter, the boundaries of which shall be not less than as set forth in Exhibit E and Exhibit F attached to its application herein and, within thirty days thereafter, shall file with this Commission four copies of maps of said areas delineating thereon the precise boundaries thereof.

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

Dated at San Francisco, California, this 1st day of November, 1955.

[Signature]  
President  
[Signature]  
[Signature]  
[Signature]

Commissioners

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

APPENDIX A  
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RATES

The presently effective schedules of rates and charges are authorized to be changed as set forth in this appendix.

Maps

Revise Corcoran and Exeter base rate area boundaries substantially as set forth on Exhibits E and F, respectively, attached to the amendment to Application No. 36876 filed on July 12, 1955.

Schedule No. A-1

The following rates are authorized within the base rate area of the Corcoran and Exeter exchanges:

	<u>Rate per Month</u>	
	<u>Business Service</u>	<u>Residence Service</u>
Each individual line station .....	\$6.00	\$4.00
Each two-party line station .....	4.75	-
Each four-party line station .....	-	2.70
Each extension station .....	1.50	1.00

Schedule No. A-3

The rate per month for each extension station without coin box is authorized to be \$1.50 in the Corcoran and Exeter exchanges.

Schedule No. A-5

The following rates are authorized within the suburban area of the Corcoran and Exeter exchanges:

	<u>Rate per Month</u>	
	<u>Business Service</u>	<u>Residence Service</u>
Each ten-party line primary station .....	\$4.00	\$3.10
Each extension station without bell .....	1.50	1.00

APPENDIX A  
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RATES (Contd.)

Schedule No. A-6

The following rates are authorized outside the base rate area and within the exchange area of Corcoran and Exeter exchanges:

	<u>Rate per Month</u>	
	<u>Business Service</u>	<u>Residence Service</u>
Each ten-party farmer line station .....	\$1.35	\$0.80

Minimum Charge:

The minimum charge per circuit is the monthly charge for five stations at the residence rate.

Schedule No. A-7

The rates per month for trunk lines and stations are authorized as follows:

<u>Trunk Rate:</u>	<u>Rate per Month</u>
Each trunk line .....	\$9.00
<u>Station Rate:</u>	
Each station not located in hotel guest room	1.50
Each station located in hotel guest room ...	1.25

Schedule No. A-11

The following rates are authorized for each Visalia farmer line station within the Exeter exchange:

	<u>Rate per Month</u>	
	<u>Business Service</u>	<u>Residence Service</u>
Each Visalia farmer line station .....	\$3.45	\$1.95

Schedule No. A-18

The following charges are authorized in the Corcoran and Exeter exchanges:

	<u>Charge</u>
Subscriber's telephone sets (including stations connected to private branch exchange systems):	
Moving from one location to another on the same premises, each set .....	\$4.00
Change of subscriber's set in type or style not required by change in class, type or grade of service .....	4.00



RATES (Contd.)Schedule No. A -20

The following charges are authorized in the Corcoran and Exeter exchanges:

	<u>Charge</u>	
	<u>Business</u>	<u>Residence</u>
(1) New and additional service instrumentalities not in place:		
Each individual, party or auxiliary line primary station .....	\$10.00	\$7.00
Each private branch exchange or inter-communicating system trunk .....	10.00	7.00
Each private branch exchange or inter-communicating system station, except operator's sets .....	4.00	4.00
Each extension station .....	4.00	4.00
(2) Instrumentalities in place and no change of location or type of facilities involved:		
Each service, including all stations and supplemental equipment connected thereto	\$4.00	\$4.00
Each private branch exchange or inter-communicating system, complete with trunks .....	4.00	4.00
Supersedure .....	No charge	No charge

Schedule No. A-22

This schedule is authorized to be canceled.