

ORIGINAL

Decision No. 52620

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 THE WESTERN TELEPHONE COMPANY, a
 California corporation, for authority
 to increase certain rates and charges
 applicable to telephone service
 furnished within the State of
 California.

Application No. 37439

Neal C. Hasbrook for applicant;
Bert Buzzini for California Farm Bureau
 Federation, Neal C. Hasbrook for
 California Independent Telephone
 Association, interested parties;
Harold J. McCarthy, William W. Dunlop
 and John F. Donovan for the
 Commission staff.

ORDER DENYING INTERIM RELIEF

By the above entitled application, filed October 29, 1955, The Western Telephone Company, a California corporation, seeks an order of this Commission authorizing increased rates and charges on a system-wide basis for toll telephone service rendered by it. Pending completion of a separation study being made by applicant, applicant seeks interim rate relief.

Public hearing was held before Commissioner Matthew J. Dooley and Examiner F. Everett Emerson on January 19, 1956, in San Francisco for the purpose of receiving applicant's testimony respecting the over-all results of operation of the utility and for the purpose of receiving evidence respecting applicant's request for interim rate relief.

Applicant, through its president and its auditor and assistant treasurer presented oral testimony and 8 exhibits respecting the operations of the utility. The Commission staff

through one witness presented one exhibit summarizing and comparing results of applicant's operations for the years 1951 to 1955 as presented by applicant or as taken from applicant's annual reports to the Commission.

Applicant's showing as respects its over-all operations is summarized as follows:

SUMMARY OF OPERATIONS

<u>Item</u>	<u>Present Rates</u>		<u>1955</u>
	<u>1953</u>	<u>1954</u>	<u>Estimated</u>
Operating Revenues	\$195,970.73	\$232,498.95	\$ 306,600
Operating Expenses			
Before Taxes and Deprec.	\$126,479.92	\$142,353.39	\$ 172,700
Taxes	18,719.81	21,563.49	36,600
Depreciation	<u>24,009.00</u>	<u>32,274.44</u>	<u>43,800</u>
Total Oper. Expenses	\$169,208.73	\$196,191.32	\$ 253,100
Net Revenue	\$ 26,762.00	\$ 36,307.63	\$ 53,500
Rate Base (Depreciated)	\$508,666.14	\$752,350.89	\$1,033,800
Rate of Return	5.3 %	4.8 %	5.2%

At the hearing applicant testified that subsequent to the time of preparing the above estimate for 1955, it had hired additional personnel, granted wage increases, and made other modifications which on an annualized bases would reduce its estimated rate of return for the year 1955 to 4.6% under existing rates.

Applicant's 1955 operations were seriously affected by extremely damaging floods late in the year. Assessment of the storm damage indicates immediate plant replacements, and repairs are required in the order of \$22,200. The initial effect of such expenditures is to reduce applicant's cash resources to a point which necessitates some early additional financing if applicant is

to carry on its over-all construction program. Applicant's contention is that it cannot continue making plant additions unless its earning position is improved to the point where it can meet the financial requirements which will be imposed upon it through the issue of additional securities.

The evidence indicates that applicant requires approximately \$58,700 per annum in order to service its presently outstanding securities. Such sum would provide interest coverage on its outstanding debt, dividends at the prescribed rate on its outstanding preferred stock, and the continuation of dividends on common stock at the rate of 6 per cent of the par value. The evidence also indicates that based upon details of 1955 operations as available as of the date of hearing, applicant had earnings available for fixed charges and dividends in the approximate amount of \$59,400. Such sum should be sufficient to fully service applicant's outstanding securities. With respect to operations in the year 1956, applicant offered no evidence which would indicate that its net earnings would be less than those actually realized during the year 1955. Further, applicant's witness indicated that applicant had been able to market its securities as the need for additional funds arose and that it does not anticipate any difficulties in obtaining additional funds through this medium in the immediate future.

On the record thus far developed in this proceeding we find that no rate relief of an emergency nature or on an interim basis is necessary or warranted.

When applicant notifies this Commission that it has completed its separations study and is ready to proceed with its further affirmative showing respecting its need for rate relief on a permanent basis, this matter will be set down for further hearings,

such hearings to be held within the service areas of applicant.

Based upon the evidence and the foregoing finding with respect thereto,

IT IS ORDERED that applicant's request for rate relief on an interim basis, pending submission of the proceeding for final decision, is hereby denied.

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

Dated at Los Angeles, California, this 14th day of September, 1956.

Robert E. Mitchell
President
Justin J. Casner
Raymond J. Carver
William J. Pool
R. Hardy
Commissioners