

ORIGINALDecision No. 53138

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) Application No. 37439
 applicable to telephone service)
 furnished within the State of)
 California.)

Warren A. Palmer of Orrick, Dahlquist, Herrington &
 Sutcliffe, and 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.

OPINION AND ORDER ON REHEARING

On April 17, 1956, rehearing in the above-entitled matter as respects the granting of interim relief was held before Examiner F. Everett Emerson in San Francisco. Interim relief had theretofore been denied, by Decision No. 52620, on the basic grounds that applicant's showing indicated no necessity for such relief based upon 1955 operations and that no showing was made respecting 1956 operations.

On rehearing applicant's witnesses presented testimony and exhibits respecting both actual 1955 operations and estimated 1956 operations. Such showing is summarized as follows:

Results of Operations

Existing Telephone Rates

Item	Actual Year 1955	Estimated Year 1956
Operating Revenues	\$301,198	\$339,079
Operating Expenses	257,503	293,276
Net Operating Revenues	43,695	45,803
Average Depreciated Rate Base	987,543	1,211,163
Rate of Return	4.42%	3.78%

Applicant further compared like periods in 1955 and 1956 which discloses that whereas a positive net revenue of \$2,090.11 was realized for the first two months of 1955, the same two months in 1956 produced a net revenue loss of \$17,261.31. A major portion of such loss is directly attributable to storm damages suffered over the entire system. As a result, applicant's earnings are adversely affected not only for the two-months period but, when annualized, produce a subnormal rate of return for the entire year. Such situation further adversely affects applicant's ability to market the securities necessary to the obtaining of funds for its normal plant expansion demanded by the public for telephone service.

Applicant has further showed that although its preliminary estimates for the year 1955 indicated that it could meet its security obligations, actual results of operations for the year, when applied to the total securities outstanding at the end of 1955, including only a 6 per cent dividend on common stock, were deficient by approximately \$16,000 before allowance for any credits for interest during construction, and by approximately \$9,000 after making such allowance.

With respect to the prospective operations during the year 1956, applicant estimates that it must raise an additional \$247,068 and that the income required to service additional securities in such amount must total \$6,413 assuming that the securities will be outstanding for one-half of the year. The total income deficiency, therefore, would be \$15,031. Applicant also estimates that additional construction required during 1956 will result in additional operating revenues of \$2,162, leaving the sum of \$12,869 as the amount of additional gross operating revenues required before providing for taxes based on income, and

the sum of \$24,883 after providing for such taxes.

Upon the evidence adduced on rehearing of the matter, we conclude that applicant is in need of and entitled to the interim relief sought.

Applicant's proposal for revised toll service rates and an interim surcharge on all telephone bills is reasonable under the circumstances disclosed in this record. However, such surcharges will be granted only for the period of time necessary to reach a final disposition of applicant's over-all request for permanent rate relief. Applicant will be expected to complete its separations study by not later than August 31, 1956. Following receipt of such study, this matter will be set down for further hearings, such hearings to be held within the service areas of the utility.

Based upon the evidence and the foregoing discussion of certain of its elements,

IT IS ORDERED that applicant is authorized to file in quadruplicate with this Commission, on or after the effective date of this order and in conformance with the provisions of General Order No. 96, the revised schedule of toll telephone rates attached to this order as Appendix A and, after not less than one day's notice to the public and this Commission, to make said revised rates effective for all toll telephone service rendered on and after June 1, 1956.

IT IS FURTHER ORDERED that applicant is authorized to file in quadruplicate with this Commission, on or after the effective date of this order and in conformance with the provisions of General Order No. 96, the schedule attached to this order as Appendix B setting forth a temporary surcharge of 5½ per cent applicable to each exchange or combined exchange and California

intrastate toll telephone service billing, except coin-box collections, telegrams and directory advertising services and, after not less than one day's notice to the public and this Commission to apply such temporary surcharge to billings rendered on and after June 1, 1956 and continuing to but not beyond January 1, 1957 unless sooner terminated by order of this Commission.

IT IS FURTHER ORDERED that on or before August 31, 1956 applicant shall complete and file with this Commission its separation study.

In view of the emergency nature of the interim relief herein granted, the effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 28th day of May, 1956.

President
Justin F. Cassel

Ronald Winters

W. H. Dooly

R. Harbo
Commissioners

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

THE WESTERN TELEPHONE COMPANY

Schedule No. B-1

MESSAGE TOLL TELEPHONE SERVICEAPPLICABILITY

Applicable to message toll telephone service.

TERRITORY

Between toll stations and exchanges connected by toll facilities owned or operated by the company.

RATES

1. Mileage and corresponding rates for different classes of service between any two toll points:

	Station Service		Person Service	
	Paid and Collect ^a		Paid and Collect	
	Day	Night	Day	Night
	except Sunday		and Sunday	
	Each	Each	Each	Each
	First: add. 3 mins.	First: add. 3 mins.	First: add. 3 mins.	First: add. 3 mins.
Air-line Mileage:	mins.:	mins.:	mins.:	mins.:
0-8	.10	^b .05	.30	.10
9-12	.15	.05	.35	.10
13-16	.20	.05	.40	.10
17-20	.25	.05	.45	.15
21-25	.30	.10	.50	.15
26-30	.35	.10	.55	.15
31-35	.40	.10	.60	.20
36-40	.45	.15	.70	.20
41-50	.50	.15	.75	.25
51-60	.55	.15	.85	.25
61-70	.60	.20	.95	.30
71-85	.65	.20	1.00	.30
86-100	.70	.20	1.10	.35
101-115	.75	.25	1.15	.35
116-130	.80	.25	1.25	.40
131-150	.85	.25	1.30	.40

a. The minimum charge for a station service collect call is \$0.30 for the first 3 minutes, \$0.10 for each minute for the first 3 minutes of overtime and \$0.05 for each minute over the first 3 minutes of overtime.

b. \$0.05 for each 2 minutes of overtime.

2. Toll guarantee for each toll station - \$5.50 per month.

APPENDIX B

THE WESTERN TELEPHONE COMPANY

Schedule No. S-1

TEMPORARY SURCHARGE

A temporary surcharge of 5½ per cent will be added to each exchange or combined exchange and California intrastate toll telephone service billing, except coin-box collections, telegrams and directory advertising services, commencing with all billings rendered on and after June 1, 1956 and continuing to but not beyond January 1, 1957 unless sooner terminated by order of the Public Utilities Commission of the State of California.