

Decision No. 50445**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 LOS GATOS TELEPHONE COMPANY, a cor- )  
 poration, for authority to increase )  
 certain charges applicable to tele- )  
 phone service furnished within Los )  
 Gatos, Morgan Hill and Novato )  
 exchange areas, California.. )

Application No. 38074

OPINION AND ORDER

By the above-entitled application filed on May 28, 1956, Los Gatos Telephone Company seeks authority under Sections 454 and 491 of the Public Utilities Code to increase certain nonrecurring service connection charges, move and change charges, and installation charges applicable to supplemental equipment as set forth in Exhibit A attached to the application. A summary of applicant's proposed increases in nonrecurring charges follows:

<u>Description</u>	<u>Charge</u>		
	<u>Present</u>	<u>Company Proposed</u>	<u>Increase</u>
<b>Service Connections:</b>			
Business Primary Station or Trunk	\$7.00	\$10.00	\$ 3.00
Residence Primary Station	5.00	7.00	2.00
Primary Station-Instrument in Place	3.00	4.00	1.00
Extension Station or Line	3.00	4.00	1.00
<b>Moves and Changes:</b>			
Change of Location or Instrument	3.00	4.00	1.00
<b>Installation Charges:</b>			
Extension Bell or Gong	3.00	4.00	1.00
Extension Horn	1.25	4.00	2.75
Cord, 10 or 15 Feet	3.00	3.50	.50
Cord, 25 Feet	4.00	5.00	1.00
Key	2.50	4.00	1.50
<b>Signal Circuit Equipment:</b>			
Buzzer Circuit	3.00	4.00	1.00
Relay, Busy Signal	1.25	4.00	2.75
Relay, Line Signal	1.50	4.00	2.50
10-Inch Bell	1.25	4.00	2.75
Lamp Indicator: 1 Lamp	1.25	4.00	2.75
2 Lamps	1.50	4.00	2.50
3 Lamps	1.75	4.00	2.25
4 Lamps	2.00	4.00	2.00
Additional Push Button	.50	1.00	.50
Booth	5.00	15.00	10.00

Applicant proposes that the present charges be applied to all applications received prior to the effective date of the increased charges. All charges as proposed in this application are no higher than those in effect in serving areas adjacent to each of applicant's exchange areas.

In Exhibit B, applicant shows that had its proposed increases in charges been in effect for the entire year 1955, its gross revenues would have been increased by \$7,300 segregated as follows:

	<u>Annual Revenue Increase, 1955</u>
Los Gatos Exchange	\$3,860
Morgan Hill Exchange	790
Novato Exchange	<u>2,650</u>
Total Company	7,300

Of the \$7,300 total revenue increase, \$6,500 is applicable to service connections, \$300 to moves and changes, and \$500 to installations of supplemental equipment.

In support of the proposed increases, applicant asserts that the present charges have been in effect in Los Gatos and Morgan Hill since 1951, with minor exceptions, since which time the costs of labor and materials have increased to the extent that applicant's expenses relating to service connections and moves and changes are far in excess of the charges for such activities. In 1954 such charges in Novato exchange were increased to the level of those presently effective in Los Gatos and Morgan Hill. Applicant, in Exhibit C, shows its estimate of expenses associated with service

connections and moves and changes which may be compared to its proposed charges as follows:

	<u>Co. Estimate of Expenses</u>	<u>Company Proposed Charge</u>
Service Connections:		
No Instrument in Place	\$15.80	Business \$10.00 Residence 7.00
Instrument in Place	14.90	4.00
Extension Station	5.65	4.00
Moves and Changes	5.20	4.00

Applicant claims that its rate of return for the year 1955 was 5.48 per cent and would have increased to 5.60 per cent if the proposed charges sought in this application had been in effect for the entire year. These earning results are set forth in detail in Exhibit D of the application and are summarized below for the total company:

	<u>Year 1955</u>	
	<u>At Present Rates</u>	<u>At Company Proposed Rates</u>
Revenues	\$ 902,222	\$ 909,522
Expenses and Taxes	751,170	755,115
Net Revenue	<u>151,052</u>	<u>154,407</u>
Average Rate Base (Depreciated)	2,758,182	2,758,182
Rate of Return	5.48%	5.60%

At the company's proposed rates, applicant shows a rate of return for 1955 in Los Gatos of 5.41 per cent, in Morgan Hill of 5.97 per cent and in Novato of 6.02 per cent.

The proposed increases in charges sought in this application do not apply to existing services but will apply to new service and to moves and changes of equipment.

The Commission has considered this matter and is of the opinion that a public hearing thereon is not necessary and that the application should be authorized as herein provided. Finding 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 that Los Gatos Telephone Company is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with General Order No. 96, the schedules of rates and charges shown in Exhibit A attached to the application and, after not less than five days' notice to the Commission and to the public, to make said rates and charges effective for applications for service received on and after September 1, 1956.

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

Dated at San Francisco, California, this 16<sup>th</sup> day of July, 1956

[Signature]  
President  
Justin J. Caswell  
Roy L. Winters  
[Signature]  
[Signature]  
Commissioners