

Decision No. 54227**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
TUOLUMNE TELEPHONE CO. for authority)	
to increase rates and charges for)	Application No. 38240
exchange telephone service within)	Amended
the Tuolumne exchange.)	
(Amended Title))	

Neal C. Hasbrook for Tuolumne Telephone Co.
 California Independent Telephone Association
 by Neal C. Hasbrook; California Farm
 Bureau Federation by Bert Buzzini,
 interested parties.
Geo. F. Baker, for Citizens Group Subscribers
 of Tuolumne; Guy T. Gurney for Local 2810,
 Lumber and Sawmill Workers, AFL-CIO,
 protestants.
James M. McCraney for Commission staff.

O P I N I O NApplicant's Request

John R. Wise, an individual doing business as Tuolumne Telephone Exchange, filed the above-entitled application on July 12, 1956, and amended the application on March 4, 1957, because of transfer of properties of Tuolumne Telephone Exchange to Tuolumne Telephone Co. pursuant to authority granted by the Commission in Decision No. 53924, dated October 16, 1956, under Application No. 38417. The amended application requested an increase in exchange revenues on an annual basis of \$3,313.97, or 20.19 percent on the 1956 revenues of \$16,413.92 for local service. A copy of applicant's proposed rates are set forth in Exhibit No. 2 in this proceeding.

Public Hearing

After due notice, a public hearing on the amended application was held before Examiner Manley W. Edwards on

March 4, 1957, in Tuolumne, California. Applicant presented five exhibits and testimony by one witness in support of its application. The Commission staff presented two exhibits, testimony by two witnesses, and cross-examined the applicant's witness for the purpose of developing a complete record in order to aid the Commission in deciding this matter. Counsel for the California Farm Bureau Federation also cross-examined certain of the witnesses.

A representative for the lumber and sawmill workers appeared as a protestant and advised that the Union had passed a resolution objecting to any rate increase. Also he questioned any Commission decision which would grant a rate increase on the ground the applicant expects to obtain an R.E.A. loan for \$202,000 at an interest rate of 2 percent in order to finance the rebuilding of applicant's plant. Applicant's reply was to the effect that the proposed level of rates should be sufficient after the loan is obtained and the proposed dial service had been inaugurated.

A representative for a citizens group also appeared as a protestant, presented a petition with 214 signatures of local subscribers asking that the proposed rate increase be denied, alleged that the service is of poor quality compared to other telephone systems, and that the proposed rates would be higher than those of The Pacific Telephone and Telegraph Company for comparable service.

In addition, a number of public witnesses presented testimony regarding poor service, slow operator response, difficulty in hearing, and delays in restoring service after storms. However, one witness indicated that the service had improved since Mr. Wise purchased the system compared to what it had been under previous owners.

Tuolumne Telephone Co.

The Tuolumne Telephone Co. serves approximately 420 company-owned stations and 10 subscriber-owned stations in the unincorporated community of Tuolumne and surrounding territory in Tuolumne County. Telephone service is rendered through a two-position, 200-line, magneto switchboard. Most stations are magneto; however, there are some common battery instruments in the base rate area. Toll traffic is handled over The Pacific Telephone and Telegraph Company toll lines, and is timed and ticketed by Pacific Company operators in the Sonora toll office. Service is rendered 24 hours per day which requires the services of three full-time operators and two part-time operators. Also, Mr. Wise, the manager, operates the switchboard in the early morning hours and on reliefs, and performs most of the maintenance and construction work. Mrs. Wise performs part-time office work in connection with billing and bookkeeping.

Mr. Wise has owned the company since 1950 and the present level of exchange rates have been in effect since 1952.¹

Rates - Present and Proposed

Applicant's present and proposed rates for the major classes of service are as follows:

	Rate per Month	
	Present	Proposed
<u>Business</u>		
1-party	\$5.50	\$6.50
2-party	4.75	5.75
6-party	4.50	5.25
10-party suburban	4.50	5.25
<u>Residence</u>		
1-party	4.00	4.75
2-party	3.50	4.25
6-party	3.00	3.50
10-party suburban	3.00	3.50

¹ By Decision No. 46713 dated February 5, 1952, under Application No. 32646, the applicant was authorized to increase exchange rates.

<u>Moves and Changes</u>	<u>Charge</u>	
Subscribers' Telephone Sets:		
Moves	\$3.00	\$4.00
Changes	3.00	4.00
<u>Service Connections</u>		
Business Primary Station	6.00	10.00
Residence Primary Station	5.00	7.00
Extension Station	3.00	4.00
Instrumentalities in Place	3.00	4.00

Evidence of Earnings

Both the applicant and the Commission staff presented statements of results of operations for the year 1956 under the present and proposed rates. A comparison of these statements follows:

	<u>Applicant's Present Rates</u>		<u>Applicant's Proposed Rates</u>	
	<u>Applicant</u>	<u>Staff</u>	<u>Applicant</u>	<u>Staff</u>
Revenues:				
Local	\$16,414	\$16,430	\$19,728	\$19,720
Toll	6,591	7,320	6,591	7,320
Miscellaneous	1,013	1,430	1,013	1,640
Uncollectibles	(145)	(160)	(164)	(190)
Total	<u>\$23,873</u>	<u>\$25,020</u>	<u>\$27,168</u>	<u>\$28,490</u>
Expenses:				
Operating Expense	\$21,634	\$21,710	\$21,634	\$21,710
Taxes	1,184	1,270	1,501	2,240
Depreciation	3,149	2,120	3,149	2,120
Total Expense	<u>\$25,967</u>	<u>\$25,100</u>	<u>\$26,284</u>	<u>\$26,070</u>
Net Revenue	\$(2,094)	\$ (80)	\$ 884	\$ 2,420
Rate Base - Depreciated	\$12,551	\$15,800	\$12,411	\$15,800
Rate of Return	-	-	7.12%	15.32%

(Red Figure)

The principal difference between the staff and the applicant as to revenue was due to an error in posting toll and accounting for miscellaneous revenue. Under cross-examination applicant admitted the error on toll revenue and did not produce detailed figures to refute the staff's computation of miscellaneous revenues.

With regard to expenses the principal difference was in the item of depreciation. The applicant assumed a two-year remaining life on the majority of the present equipment which was expected to be replaced during the first quarter of 1958. The staff assumed a four-year remaining life and suggested that any red depreciation reserve figure that might result be written off over the life of the new equipment.

Discussion

Based upon applicant's testimony, the new plant to be purchased with the R.E.A. loan should be in service during the first quarter of 1958. Applicant presented no study or estimate to show what the earnings of the system might be under dial operation. Furthermore, applicant had recently purchased a Ford station wagon which was used for both business and personal purposes but no adjustment was made for personal usage. If for some reason the new plant were delayed more than four years even the lower depreciation allowance suggested by the staff would be too high.

Findings and Conclusions

Applicant's showing as to need for a rate increase was based on operations during the year 1956. No estimate of earnings for the year 1957, nor for the year 1958 was shown, after the system had undergone a radical change in operations. After considering the evidence of record the Commission finds and concludes that applicant's showing was not sufficient to warrant a general increase in exchange rates. If granted, it might be less than a year before the Commission would be called upon to question the propriety of the increased rate level because of the economies that might properly result from dial operation. However, in order to stop the loss shown by the staff's analysis, increases

will be authorized in Moves and Changes and Service Connections as proposed by the applicant. Changes in all other rate categories will be denied. The resulting increase is estimated at \$220 yearly.

The Commission finds that the increases in rates and charges authorized herein are justified; that present rates, insofar as they differ from those herein prescribed, for the future are unjust and unreasonable; and that an order should be issued authorizing increases only in moves and changes and service connections.

O R D E R

Tuolumne Telephone Co. having applied to this Commission for an order authorizing increases in telephone rates and charges, a public hearing having been held, the matter having been submitted and now being ready for decision, therefore,

IT IS ORDERED as follows:

1. That applicant is authorized to file, in quadruplicate, with this Commission after the effective date of this order, in conformity with General Order No. 96, revised charges for moves and changes and service connections only, to the level proposed in Exhibit No. 2 of this proceeding, and, after not less than five days' notice to the Commission and to the public, to make said rates effective for applications received on and after April 15, 1957.
2. That in all other respects the amended application should be and is hereby denied.
3. That the effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 9th day of April, 1957.

[Signature]
 President
[Signature]
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 Commissioners