

Decision No. 56307

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 CALIFORNIA INTERSTATE TELEPHONE)
 COMPANY, a corporation, for authority)
 to: (a) revise tariffs of California)
 Interstate Telephone Company to in-)
 clude the service territory of Kern-)
 ville Telephone Company in its)
 California service territory as the)
 Kernville Exchange; (b) charge and)
 make effective in the Kernville)
 Exchange, rates and charges of)
 California Interstate Telephone Com-)
 pany on file with your Commission,)
 including basic exchange rates at the)
 lower level of single-office exchange)
 rates; (c) continue certain service)
 deviations known to exist, until said)
 deviations can be eliminated and;)
 (d) make effective the several)
 authorizations more particularly)
 described above on the same date and)
 coincidental with acquisition of the)
 system and properties of Kernville)
 Telephone Company by California)
 Interstate Telephone Company.)

Application No. 39263

Best, Best & Krieger by James Krieger and
Richard Edsall, for California Interstate
 Company, applicant.
J. J. Deuel, for California Farm Bureau Fed-
 eration, interested party.
William W. Dunlop, for the Commission staff.

O P I N I O N

On July 23, 1957, California Interstate Telephone Company, applicant herein, filed its application requesting authority under Section 454 of the Public Utilities Code: (1) to revise its tariffs to include in its service territory as the Kernville Exchange the service territory of Kernville Telephone Company; (2) to charge and make effective in the Kernville Exchange the rates and charges of California Interstate Telephone Company which are presently on file

with the Commission, including basic exchange rates at the lower level of single-office exchanges; and (3) to continue certain service deviations presently existing until said deviations can be eliminated. Applicant has requested that the Commission make the orders herein sought effective on the same date and coincidental with the acquisition of the system and properties of Kernville Telephone Company by California Interstate Telephone Company.

Public hearing was held before Examiner Wilson E. Cline at Isabella, California, on December 17, 1958. At the conclusion of the hearing the matter was taken under submission.

Authorization to Acquire Properties
of Kernville Telephone Company

By Decision No. 55563, issued September 17, 1957 in Application No. 39262, the Commission authorized Donovan F. Gouldin to sell the properties constituting the Kernville Telephone Company to California Interstate Telephone Company under the terms and conditions set forth in the decision. The order in said decision further provided that the rates, rules and regulations of Donovan F. Gouldin, doing business as Kernville Telephone Company, now on file with the Commission should be refiled within 30 days after the date of transfer under the name of California Interstate Telephone Company, or, in lieu of such refileing, California Interstate Telephone Company might file a notice of adoption of said presently filed rates, rules and regulations, and that no increase in the present rates should be made unless authorized by the Commission. The authority granted in said decision will lapse unless exercised on or before June 30, 1958.

Prospective Growth and
Proposed Construction Program

In December of 1957 the Kernville Telephone Company had about 231 stations. One of applicant's witnesses estimated that there would be a need for service to 931 stations in 1958, 1,051 stations in 1959, and 1,195 stations in 1960. He further testified that

the existing telephone plant of the Kernville Telephone Company would be inadequate to handle growth of this magnitude. Applicant has tentatively formulated plans for a proposed construction program which will cost in excess of one half million dollars and which will expand the exchange service and inaugurate an entirely new toll service arrangement. Applicant proposes to commence the construction work as soon as it takes over the properties of the Kernville Telephone Company and intends to complete the work within 18 months thereafter.

The construction program is designed to provide telephone service to all present subscribers and to those who are not now subscribers but desire telephone service. All classes of service will be provided in quantities sufficient to enable each present or future subscriber to select the type and grade of service which will most adequately meet his requirements. There will also be new types of service available which are not now offered in the Kernville area such as colored telephones, key telephones, and electronic secretaries.

At the present time The Pacific Telephone and Telegraph Company provides long distance circuits between Kernville and Bakersfield, and the long distance operators are located at Bakersfield. Under the new arrangement long distance calls will be handled at applicant's Ridgecrest toll center at Inyokern. This requires construction of a new line for long distance circuits between Kernville and Inyokern. The existing circuits between Kernville and Bakersfield will also remain in operation. Calls from Kernville to the Bakersfield area will be handled by applicant's operators at Ridgecrest but will be routed over the existing line between Kernville and Bakersfield. All other long distance calls, for example, those to Los Angeles, San Francisco and New York, will be routed

from Ridgecrest to San Bernardino where applicant maintains a major connecting point with The Pacific Telephone and Telegraph Company. The principal improvement in the long distance service will be due to the increase in the number of long distance circuits which will be provided. This will make more long distance service available to present subscribers and will provide facilities to handle long distance calls of future subscribers. It will also provide additional service to help meet the peak periods during the tourist and resort seasons in the Kernville area.

Operating results

The Annual Report of Kernville Telephone Company for the year 1956 shows net telephone plant of \$51,890.90, operating revenues of \$13,284.72, operating expenses of \$15,163.49, cost of leasing property of \$673.20, operating taxes of \$1,051.13, and net operating loss of \$3,603.10.

Exhibit No. 5 shows that the proposed exchange rates would have produced \$1,992.60 additional revenue for the year ended May 31, 1957, and that the percentage increase to business subscribers would have been 31.64 per cent and to residential subscribers 13.12 per cent. For the same period the proposed toll rates would have produced \$1,870.64 additional revenues.

For internal purposes applicant made an estimate of results of operation in 1960. Revenues of the Kernville exchange, including tolls, were estimated at \$166,200 and operating expenses including taxes at \$135,700, leaving a net operating income of \$30,500. The rate of return on the investment of \$539,000 would be 5.66 per cent. On the estimated rate base the rate of return would be 6.15 per cent.

Exhibit B attached to Application No. 39262 which was incorporated herein by reference shows as of March 31, 1957, applicant's total telephone plant less depreciation amounted to \$11,932,694.

For the three months' period, January 1 to March 31, 1957, it had total operating revenues of \$811,678, total operating expenses and taxes of \$641,099, and a net operating income of \$170,579.

Customer Interest

The public witnesses testified regarding the inadequacy and insufficiency of the present service offered by the Kernville Telephone Company. There are quite a number of persons in and near to the proposed Kernville exchange who desire but have been unable to obtain telephone service.

The representative for the California Farm Bureau Federation stated that the present rates of the Kernville Telephone Company are inadequate and that those proposed by applicant are not unreasonable when compared with rates for exchanges of the same size scattered throughout the territory. He pointed out the need for the transfer of the telephone properties of the Kernville Telephone Company to applicant and urged that the Commission issue a proper decision in this matter as promptly as possible which would effectuate the consummation of such transfer.

Conclusion

Based upon a consideration of the entire record in this proceeding the Commission hereby finds and concludes that public convenience and necessity require the Commission to authorize applicant to revise its tariffs to include in its service territory as the Kernville Exchange the service territory set forth in Exhibit No. 1 herein. The Commission further finds and concludes that the increases resulting from applicant's proposed rates for Kernville exchange are justified. Said rates will be authorized. However, applicant is placed on notice that in future rate proceedings this Commission will require it to produce separated results of exchange and toll operations.

As of May 31, 1957, 75 of the total 211 connected subscribers in the Kernville base rate area were receiving suburban 10-party exchange service. Applicant proposes to charge said subscribers the rate to be authorized for 4-party line service, and to upgrade said suburban service to a minimum of 4-party line service as promptly as possible through the installation of adequate central office equipment and additional outside plant construction. The Commission finds that the continuance of such service deviations is justified for a period not to exceed one year from the effective date of this order and such deviations will be authorized.

O R D E R

The above-entitled application having been considered, a public hearing having been held, and the matter now being ready for decision,

IT IS HEREBY ORDERED that:

1. California Interstate Telephone Company, applicant herein, is authorized to extend its service territory to include the service territory of Kernville Telephone Company as the Kernville Exchange, the base rate area and the exchange area being as shown on Exhibits Nos. 1 and 2 herein, respectively.

2. Applicant is authorized to file in quadruplicate with this Commission in conformity with the Commission's General Order No. 96, revised tariff schedules as set forth in Exhibit No. 4 herein, incorporating maps of the Kernville Exchange and Kernville base rate areas as set forth in Exhibits Nos. 1 and 2, and after not less than five days' notice to the Commission and to the public, to make said revised rates, charges and conditions effective for service rendered in the Kernville Exchange, and

3. Applicant is further authorized to continue for a period not to exceed one year from the effective date of this order the service deviations as proposed in its application herein.

The authorizations herein granted will become effective on the same date and coincidental with the acquisition of the system and properties of Kernville Telephone Company by applicant herein pursuant to Decision No. 55563, issued September 17, 1957, and will lapse unless exercised on or before June 30, 1958.

Dated at Los Angeles, California, this 3rd day of MARCH, 1958.

[Signature]
President

[Signature]

[Signature]

[Signature]

Commissioners