

ORIGINALDecision No. 56844

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PETROLIA TELEPHONE)
 COMPANY (1) for authority to in-)
 crease rates and charges on an)
 interim basis and to change its)
 serving arrangements; (2) to issue)
 shares of its common stock; and)
 (3) to enter into contractual ar-)
 rangements for modernization of)
 its plant property.)

Application No. 39891

OPINION AND ORDER

The above-entitled application by Petrolia Telephone Company requests authorization (a) to increase rates and charges as set forth in Exhibit B on less than statutory notice under the provisions of Sections 491 and 454 of the Public Utilities Code and in compliance with the provisions of General Order No. 96; (b) to carry out the provisions of the contracts shown in Exhibits F and G; (c) to issue shares of its common stock as shown in Exhibit H; and (d) to issue additional shares of its common stock for each \$5,000 increment of value of new plant added under contracts, Exhibits F and G, and to issue a note.

Applicant is a corporation organized under the laws of the State of California and is engaged as a public utility in furnishing limited hour telephone service in the towns of Petrolia and Honeydew and adjacent areas of Humboldt County, California. Toll service is routed through Eureka over toll circuits owned and maintained by The Pacific Telephone and Telegraph Company.

Applicant requests authority to increase rates for business and residence service and to file rates for two-party business and suburban service not previously offered. Applicant also proposes to

replace limited-hour service with substantially 24-hour service when the proposed rates become effective. This type of limited-hour service under present day operating conditions is considered as sub-standard service.

Subsequent to the filing of this application, the company was authorized to file tariffs effective April 16, 1958, establishing the Honeydew-Curzon Special Rate Area with rates for two- and four-party business and two-party residence service at the rate levels requested herein. The above tariff filing also established rates for suburban service and move and change and service connection charges. The effect of this tariff filing is to narrow the rate request substantially to the Petrolia Base Rate Area. The present rates have been in effect for over 30 years. A comparison of the present and proposed rates is as follows:

<u>Class and Grade of Service:</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
<u>Business</u>		
1-Party	\$2.00	\$5.00
2-Party	-	4.25
4-Party	1.50	4.00
Extension Station	1.00	1.50
<u>Residence</u>		
1-Party	1.75	4.50
2-Party	1.50	4.00
4-Party	1.00	3.40
Extension Station	1.00	1.50

It is estimated that the proposed rates would increase annual gross revenues by \$600 based on development in Petrolia Base Rate Area as of April 1, 1958.

Estimates of revenues and expenses for the second and third quarters of 1958 annualized are contained in Exhibit C together with

the actual 1957 results. These results, both of which are on the basis of manual operation, are summarized below:

	<u>1957 Actual Present Rates</u>	<u>1958 Estimated Proposed Rates</u>
Operating Revenues	\$ 2,986	\$ 9,090
Operating Expenses	10,669	15,300
Net Revenue - Loss	7,683	6,210

The company also requests authorization for two contractual agreements. The first agreement provides for the furnishing by E. A. Hosmer & Co. of management engineering services. The second agreement provides for the purchase of certain telephone equipment and services from Independent Telephone Company as specified in Exhibit G at an estimated total cost of \$26,565. To finance this amount this agreement states that Petrolia shall issue common stock for each \$5,000 increment of equipment and services furnished by Independent. The agreement provides further that Petrolia shall execute a 10-year 5% note in favor of Independent for sums due. In addition to requesting authority to issue the above common stock and to execute the 10-year 5% note, the company also requests authority to issue to W. E. Johnston, the present Petrolia owner, 258 shares of \$50 par value common stock in total amount of \$12,900 which approximates the undepreciated historical plant cost on December 31, 1957 shown in Exhibit D attached to the application.

The authorization herein granted for the issuance and sale of the shares of common stock is not to be construed as indicative of amounts to be included in a future rate base for the purpose of determining just and reasonable rates.

The Commission has considered the above-entitled application and is of the opinion that a public hearing is not necessary; that the granting of the application, as herein provided, will not be adverse to the public interest and should result in improved telephone

service; that the money, property or labor to be procured or paid for by the issue to W. E. Johnston of 258 shares of common stock and by the issue of a note in the principal amount of not exceeding \$26,565 is reasonably required for the purposes specified herein; that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; and that the request to issue additional common stock to Independent Telephone Company should be considered in a supplemental decision upon receipt of additional information; therefore,

IT IS HEREBY FOUND AS A FACT that increases in rates and charges authorized herein are justified and that present rates and charges, in so far as they differ from those herein authorized for the future under dial operation, are unjust and unreasonable; therefore,

IT IS ORDERED as follows:

1. Upon notification in writing to the Commission to the completion of its conversion to full dial operation and the establishing of 24-hour service applicant is authorized to file in quadruplicate with this Commission and in conformity with the provisions of General Order No. 96, schedules of rates revised in accordance with Appendix A attached to this order and after not less than five days' notice to the public and to this Commission, to make said revised rates effective for all service rendered on or after the first day of the first calendar month thereafter.

2. Upon the completion of its dial conversion program, applicant shall determine depreciation accruals by the straight-line remaining life method of depreciation accounting, reviewing such accruals at intervals not exceeding four years and whenever major changes in plant composition occur. Results of such initial determination and subsequent reviews shall be submitted to the Commission.

3. Applicant is authorized to carry out the terms and conditions of the service agreement with E. A. Hosmer & Co., dated January 18, 1958, and attached to Application No. 39891 as Exhibit F thereof and to carry out the terms and conditions of the sales and loan agreement with the Independent Telephone Company, dated January 18, 1958, and attached to Application No. 39891 as Exhibit G, except as otherwise provided in this decision.

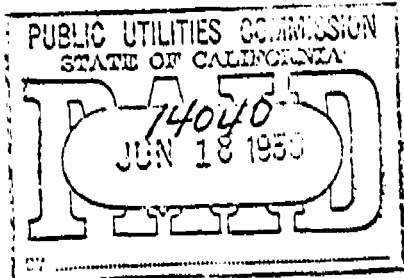
4. Applicant, on and after the effective date hereof and on or before June 30, 1959, may issue and sell not to exceed 258 shares of its common stock at not less than \$50 a share and a note in the principal amount of not exceeding \$26,565 for the purposes set forth in this application.

5. Applicant shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, in so far as applicable is made a part of this order.

6. On or before September 30, 1958, applicant shall file in quadruplicate with this Commission rules and regulations reflecting present-day operations and relations with his subscribers together with currently used forms pertaining thereto.

7. The authorization herein granted to issue a note will become effective when Petrolia Telephone Company has paid the fee prescribed in Section 1904(b) of the Public Utilities Code, which fee is \$27. In other respects, the order shall become effective twenty days after the date hereof.

Dated at San Francisco, California, this 17th day of June, 1958.



Handwritten signatures and names of the President and Commissioners.

APPENDIX A
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Schedule No. A-1

INDIVIDUAL LINE AND PARTY LINE SERVICE

APPLICABILITY

Applicable to individual and party line business and residence flat rate telephone service.

TERRITORY

Within the Petrolia Base Rate Area of the Company's exchange as defined on maps filed as part of the tariff schedules.

RATES

Rate per Month

Business Flat Rate Service:

Each Individual Line Station	\$5.00
Each Two-Party Line Station	4.25
Each Four-Party Line Station	4.00
Each Extension Station	1.50

Residence Flat Rate Service:

Each Individual Line Station	\$4.50
Each Two-Party Line Station	4.00
Each Four Party Line Station	3.40
Each Extension Station	1.25

SPECIAL CONDITIONS

1. Extension stations at the above rates will be installed on which the primary station is located. The above rates plus mileage charges are applicable to off-premises extension stations.

2. Party line services will be provided outside the base rate area at the above rates plus mileage rates as set forth in Schedule No. A-3.

APPENDIX A
Page 2 of 2

Schedule No. A-1(a)

PARTY LINE SERVICE

APPLICABILITY

Applicable to party line business and residence flat rate service.

TERRITORY

Within the Honeydew-Curzon Special Rate Area as said area is defined on a map filed as part of the tariff schedule.

RATES

	<u>Rate per Month</u>	
	<u>Business Service</u>	<u>Residence Service</u>
Each Two-Party Line Primary Station	\$4.25	\$ -
Each Four-Party Line Primary Station	4.00	3.40
Each Extension Station	1.50	1.25

SPECIAL CONDITIONS

1. Extension stations at the above rates are installed on the premises on which the primary station is located. The above rates plus mileage rates are applicable to off-premises extension stations;
2. Party line services will be provided outside the special rate area at the above rates plus mileage rates as set forth in Schedule No. A-3.