

Decision No. 62996

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application  
of DORRIS TELEPHONE COMPANY, a  
California corporation, for authority  
to increase rates and charges for  
exchange telephone service in the  
Dorris and Macdoel exchanges.

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)  
) Application No. 43495  
) (Filed June 12, 1961)  
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Robert H. Edgar, for applicant.  
Neal C. Hasbrook, for California  
Independent Telephone Association,  
interested party.  
R. T. Perry, for the Commission staff.

O P I N I O N

Public hearing in this matter was held before Examiner F. Everett Emerson on September 27, 1961, at Dorris. The matter was submitted and is ready for decision.

Applicant, a California corporation, seeks authority to increase rates and charges for exchange service and for directory advertising service so as to produce a gross operating revenue increase of \$7,230 (about 14 percent) based on the level of business during the year 1961.

Applicant furnishes automatic dial exchange telephone service to approximately 500 company-owned and 12 subscriber-owned stations within its Dorris and Macdoel exchanges, from central offices located in each community. Toll service is provided through interconnection with the lines of The Pacific Telephone and Telegraph Company at Dorris. The original cost of applicant's system was \$176,450.40 as of December 31, 1960. A depreciation reserve balance of \$36,398.63 was applicable thereto. Since January 1, 1958, all but \$742.07 of applicant's net revenue and depreciation accruals have been applied to plant additions and betterments and to the repayment of debt.

Recorded results of applicant's exchange operations indicate rates of return of 3.26 percent for the year 1959 and 1.57 percent for the year 1960. Applicant estimates a loss for 1961 exchange operations. The analysis made by the Commission's staff shows that applicant's exchange operations will produce a rate of return of less than 7/10 of one percent and that applicant's over-all operations, including toll service, will produce a rate of return of less than 3-1/4 percent during 1961. These results are clearly indicative of the fact that applicant is in need of increased revenues.

A comparison of the existing basic exchange rates with those which applicant seeks to make effective is as follows:

<u>Class and Grade of Service</u>	<u>Monthly Rate</u>	
	<u>Existing</u>	<u>Proposed</u>
<u>Business</u>		
1-Party	\$6.85	\$8.75
2-Party	5.60	7.00
10-Party Suburban	5.05	6.25
<u>Residence</u>		
1-Party	4.60	5.75
2-Party	3.85	4.80
4-Party	3.35	4.20
10-Party Suburban	3.55	4.45
<u>Farmer Line</u>		
Business	1.50	2.25
Residence	1.00	1.50
Minimum per line	5.00	7.50
<u>Extension Stations</u>		
Business	1.50	1.75
Residence	1.25	1.50

Applicant's and the Commission staff's evidence respecting prospective earnings under the proposed rates are summarized as follows:

Summary of Exchange Earnings  
Under Proposed Rates  
(Based on Estimated Year 1961)

<u>Item</u>	<u>Applicant</u>	<u>CPUC Staff</u>
Revenues	\$34,780	\$34,460
Expenses	30,780	29,490
Net Revenue	4,000	4,970
Rate Base - Exchange Portion (depreciated)	89,730	91,020
Rate of Return	4.46%	5.46%

The evidence is clear, as this earnings summary illustrates, that the rates which applicant has proposed will produce a rate of return which will not be excessive. In view of the evidence, the Commission finds that applicant is entitled to increased revenues in the total amount sought. Further, the Commission finds that the rate increases authorized herein are justified and that present rates and charges, insofar as they differ from those authorized herein, are for the future unjust and unreasonable.

In this proceeding a major point of difference arose between applicant and the Commission's staff and has to do with directory advertising rates. With respect to directory advertising, the staff recommended denial of applicant's request for increased charges on the ground that too great a percentage of directory revenues would go to the company which prints the directory. There was testimony by applicant's president that a directory company produces applicant's directory under contract with applicant; that the directory company's cost of producing the alphabetical section alone exceeds the revenues obtainable from the advertising section; that applicant's directory advertisers are nearly entirely composed of those whose businesses are outside of applicant's territory, and that applicant's directory advertising business is competitive with a number of other advertising media both in California and in Oregon.

It appears that applicant has obtained its contract through arms-length negotiations and that the increased revenues obtainable are needed to offset costs. In view of the particular circumstances, the Commission finds and concludes that the advertising rates proposed by applicant are fair and reasonable for the service to be rendered and that such rates should be authorized.

ORDER

Based upon the evidence and the findings set forth in the foregoing opinion,

IT IS ORDERED that Dorris Telephone Company is authorized to file in quadruplicate with this Commission, on or after the effective date of this order and in conformity with the provisions of General Order No. 96, tariffs revised to reflect the "proposed" rates and charges for exchange telephone service and for directory advertising set forth in Exhibit No. 2 in this proceeding and, on not less than five days' notice to the public and to this Commission, to make said revised tariffs for exchange telephone service effective for all such service rendered on and after February 1, 1962 and said revised tariffs for directory advertising effective coincident with the publication of its next telephone directory.

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

Dated at San Francisco, California, this 2nd day of JANUARY, 1962

[Signature]  
President

[Signature]

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Commissioners