

Decision No. 62404**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 WESTERN CALIFORNIA TELEPHONE COMPANY,
 a California corporation, for an
 order of the Commission authorizing
 it to increase certain rates and
 charges in the McCloud exchange
 serving the Town of McCloud and
 adjacent areas in Siskiyou and
 Shasta Counties, State of California.)

Application No. 44139 ✓
 Filed January 29, 1962

O P I N I O NApplicant's Request

By the above-entitled application the Western California Telephone Company seeks an order of this Commission pursuant to Sections 454, 491 and 701 of the Public Utilities Code authorizing it to:

1. File and make effective increased rates for telephone service within the McCloud exchange area, upon installation of a modern automatic dial central office, as set forth in Exhibit D, attached to the application;
2. File and make effective the proposed McCloud base rate area, suburban area farmer line zone, and toll station service areas as delineated on the map marked Exhibit E, attached to the application; and
3. Make said rates effective with the McCloud cutover to dial operation in April, 1962.

Applicant's Operations

Applicant, a California corporation, having its principal place of business in Santa Clara County, owns and operates telephone systems in various cities and territories in the Counties of Marin, Santa Clara, Santa Cruz, Shasta, Siskiyou and Sonoma, State of California. It was authorized to own, operate and maintain the

telephone system serving the Town of McCloud and adjacent areas in Siskiyou and Shasta Counties by Decision No. 61917, Application No. 43234, dated May 1, 1961. The Commission's order also authorized the sale and conveyance of certain properties by The McCloud Telephone Company, a California corporation, The McCloud River Lumber Company and The McCloud River Railroad Company to applicant.

Service Improvement

McCloud exchange area presently is served by a manual magneto telephone system with toll service provided through connections with the toll system of The Pacific Telephone and Telegraph Company at Mt. Shasta, California. Since acquiring the properties, applicant states it has installed a complete new outside plant and station connection facility throughout the Town of McCloud, and presently is installing a modern automatic dial central office. The office will be equipped with automatic toll ticketing equipment which will allow McCloud subscribers to direct dial toll calls to points throughout the United States. Applicant's tentative schedule is to cut the new system into service in the latter part of April, 1962. It represents that this modernization program has required that the investment in telephone properties be greatly increased and that operating expenses, taxes, interest and depreciation will be considerably higher than they have been in the past. Accordingly, it requests increased rates for telephone service within the McCloud exchange area.

Proposed Serving Arrangement

Applicant's proposed serving arrangement will allow only one-, two- and four-party grades of service within the base rate area, wherein eight-party service also now is provided. Also, the present McCloud exchange farmer-line zone, presently identified as Zone 2, will be reduced through the establishment of the suburban area. In the mountainous area east of McCloud, applicant proposes to offer

toll station service through the use of the pole line acquired from The McCloud River Railroad Company. This line, in the past, has been used principally for the lumber company and railroad company communications. Applicant will install subscriber line carrier equipment on these rehabilitated open wire facilities, which will expand the number of channels available, and enable it to offer service to the public in general. This will be done through the proposed establishment of three separate toll service areas with individual toll rate points. The present seven two-way toll trunks to Mt. Shasta will be greatly expanded by a new 16-pair aluminum sheath aerial cable reinforced with 20 channels of carriers.

Exchange Rates

The rates which applicant proposes for exchange telephone service compared to those presently in effect for the principal grades of service are:

		<u>Rate Per Month</u>	
		<u>Present</u>	<u>Proposed</u>
Business			
1-party		\$4.75	\$7.25
2-party		4.00	6.00
10-party		2.75 ^a	5.50
Farmer Line Station		1.50	2.75
Farmer Line Minimum Per Line		4.50	5.25
Residence			
1-party		3.25	5.25
2-party		b	4.50
4-party		2.25	3.85
10-party		1.50 ^a	4.25
Farmer Line Station		1.50	1.75
Farmer Line Minimum Per Line		4.50	5.25

a. 8-party presently no suburban area.

b. Not offered under present rates.

Applicant states that the above-listed rates are at the level that it advised customers in a survey of potential requirements. On the basis of 1962 estimates the above rates represent an average 56 per cent increase in exchange rates, but since toll rates are substantially the same as before, the overall increase is 13 per cent on the average for the McCloud exchange.

Customer Survey

Applicant found it necessary to canvass the telephone subscribers to learn how much telephone equipment it should provide in McCloud. It addressed a letter to each subscriber and requested each of them to indicate the class and grade of service they would desire assuming a general level of rates as indicated in the letter. A copy of the letter is included in Exhibit G attached to the application. Of 527 letters mailed, 90 per cent were returned and, in addition, applicant represents that 87 contacts were made in person and no unfavorable comments were received concerning the proposed rates.

Public Notice

Applicant was directed to give public notice of the pendency of this application through newspapers having local circulation. Affidavits have been filed showing publication of such notices in The Siskiyou Daily News on February 16, 1962, and in the weekly Mount Shasta Herald on February 22, 1962.

These notices advised the public of the present and proposed rates in the McCloud exchange area; that a copy of the application was available for inspection at the McCloud Hotel; that Section 454 of the Public Utilities Code requires a showing before the Commission and a finding that the rate increase is justified; that the staff will make a thorough investigation of these matters; and that customers wishing to communicate with the Commission should write by not later than March 8, 1962. No customer letters in response to this notice have been received and no opposition to applicant's proposal has been expressed.

Earning Position

Exhibit B attached to the application sets forth applicant's summary of earnings for the 12 months ended September 30,

1961, as recorded for operations in the McCloud exchange and total company operations, and for the estimated year 1962 with operations separated between toll and exchange for the McCloud exchange, but nonseparated for the total company. The applicant's estimated results for 1962 operations under the proposed new rates follows:

Item	McCloud Exchange			Total Company Total
	Total	Exchange	Toll	Operations
Revenues				
Local Service	\$ 46,300	\$ 46,300	\$ -	\$1,730,400
Toll Service	97,300	-	97,300	925,900
Miscellaneous	1,800	1,800	-	216,400
Uncollectible	(1,500)	(100)	(1,400)	(37,000)
Total Oper.Revenues	143,900	48,000	95,900	2,835,700
Expenses				
Maintenance	14,600	5,500	9,100	338,100
Traffic	700	600	100	46,100
Commercial	14,000	5,300	8,700	294,600
Gen.Office Sal.& Exp.	13,200	5,000	8,200	292,800
Other Oper.Expense	6,000	2,700	3,300	126,100
Total Oper.Expenses	48,500	19,100	29,400	1,097,700
Depreciation	21,500	8,000	13,500	324,100
Ad Valorem Taxes	15,500	5,700	9,800	338,500
Taxes on Income	23,600	5,200	18,400	424,400
Payroll Taxes	800	300	500	21,800
Total Expenses	109,900	38,300	71,600	2,206,500
Net Revenue	34,000	9,700	24,300	629,200
Rate Base, Depreciated	503,700	188,000	315,700	9,637,600
Rate of Return	6.75%	5.16%	7.70%	6.53%

(Red Figure)

Staff Investigation

The Commission staff made an investigation of applicant's general office operations in Los Gatos and a field inspection of applicant's new equipment and proposed serving arrangement in McCloud. The result of the staff's investigation has been presented in a memorandum dated March 23, 1962, and is received in evidence as

Exhibit No. 1. The staff's analysis, when compared with the company's shows little difference in rate of return for the McCloud exchange for 1962.

The staff has noted improper construction in some of the older outside plant in violation of the Commission's General Order No. 95 or earlier orders. It is recommended that these infractions be corrected by the end of the year 1962, and bimonthly progress reports submitted.

Findings and Conclusions

The Commission has considered the above-entitled application and finds and concludes that a public hearing thereon is not necessary, and that the granting of the application as herein provided will not be adverse to the public interest and should result in improved telephone service in the McCloud exchange area.

The Commission finds that such increases in rates and charges as will result from a granting of this application are justified and that present rates, insofar as they differ from those herein prescribed, upon cutover to the new dial central office, will for the future be unjust and unreasonable.

O R D E R

Application as above-entitled having been considered and the Commission having found that applicant's request should be granted; therefore,

IT IS ORDERED as follows:

1. Applicant is authorized to file, in quadruplicate, with this Commission, revised tariff schedules, incorporating revisions in serving arrangements as proposed in maps of base rate area, suburban area farmer line zone and toll station service areas as delineated on Exhibit E, attached to the application, and with

changes in exchange and toll rates, rules, terms and conditions as set forth in Exhibit D attached to the application and as discussed herein, and, upon not less than one day's notice to this Commission and to the public, to make said rates effective for service rendered on and after the establishment of dial telephone service at McCloud.

2. At the time of making effective the rates authorized by Paragraph 1 hereof, applicant may withdraw and cancel rates for telephone service on the basis of a manual magneto telephone system.

3. Applicant shall correct violations of General Order No. 95 and/or earlier orders before the end of the year 1962 and submit bimonthly progress reports (three copies) starting with the first report due on June 30, 1962.

4. Applicant shall notify the Commission, in writing, of the cutover to dial service in the McCloud exchange within fifteen days thereafter.

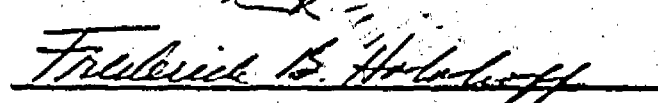
The effective date of this order shall be ten days after the date hereof.

Dated at San Francisco, California, this 3rd day of APRIL, 1962.



President





Commissioners

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.