

ORIGINAL

Decision No. 65079

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
THE SISKIYOU TELEPHONE COMPANY, a )  
California corporation, for author- )  
ity to increase rates and charges )  
for exchange telephone service, )  
service connections and certain )  
miscellaneous charges in its vari- )  
ous exchanges. )

Application No. 43876  
(Filed October 26, 1961)

H. A. Dannenbrink and Leland Dowden, for  
applicant.  
William L. Knecht, for California Farm Bureau  
Federation and Siskiyou County Farm Bureau,  
interested parties.  
R. T. Perry, for the Commission staff.

O P I N I O N

By interim Decision No. 64070, dated August 7, 1962, and  
by supplemental order, Decision No. 64114, dated August 14, 1962,  
applicant was authorized, among other things, to increase its  
Hamburg and Happy Camp exchange rates up to the level of the  
exchange rates charged in the Fort Jones and Etna Exchanges. In  
Decision No. 64070, we stated, in part:

The increased revenue which will result from such  
interim order should produce a rate of return less than  
the 3.1% rate of return recommended by the staff. We  
conclude, however, that it would not be reasonable to  
authorize at this time any further increase in exchange  
rates when applicant's intracompany toll rates are so  
substantially below the rates of Pacific Company for  
similar service. Furthermore, it would not be proper  
to increase applicant's intracompany toll rates as there  
is nothing in the record as to the revenue effect of  
such an increase. We also conclude that it would not  
be reasonable to urge the inclusion of applicant's  
intracompany toll traffic in the cost toll settlement

with Pacific Company until such rates are equalized. Such an increase in intracompany toll rates could be initiated by the filing of a supplemental application for authority to concur in Pacific Company toll rates through the filing of a toll service schedule, including an adoption notice, in lieu of present rates.

Applicant was ordered by Decision No. 64070 to file a report showing the development of rates of return for the estimated year 1962 for both total and separated operations, to reflect on a full-year basis the revenue effect of the interim order and intracompany toll rates at the same level as the Pacific Telephone and Telegraph Company intrastate rates for like service and settlement for intracompany toll on the basis of a 7.7 percent rate of return. Applicant also was ordered to submit a written report setting forth the results of its negotiations with the Pacific Telephone and Telegraph Company to have its intracompany toll traffic included in the toll cost settlement.

Applicant has filed the reports required by said Decision No. 64070, and has filed Application No. 45028 requesting authority to increase its rates for intracompany message toll telephone service through concurrence in and adoption of Pacific Telephone and Telegraph Company Schedule "A" for like service. By separate order and concurrently herewith, we are today granting authority for applicant to increase its intracompany toll rates as requested in Application No. 45028.

By the evidence presented under that application, it is indicated that for the test year 1962 the effects of the interim order and the increase in intracompany toll rates authorized by the separate order will result in applicant's earning a rate of return of 3.14 percent on its total operations. In consideration of applicant having a financial structure with a common equity ratio of about three

percent, and the fact that over 95 percent of its plant has been financed by long-term R.E.A. loans bearing an interest rate of two percent per annum, we find a rate of return of 3.14 percent to be fair and reasonable for applicant's operations.

According to applicant's report, its negotiations with Pacific Telephone and Telegraph Company to include intracompany toll traffic in the toll cost settlement have not been productive.

A number of witnesses spoke in favor of extended service between the Etna and Fort Jones exchanges, a distance of 10 toll rate miles, but were divided and uncertain as to how much more, if any, they would be willing to pay in monthly rates, for such extended service. By ordering paragraph 2 herein the company will be directed to prepare and file with the Commission a study showing the costs and increases in basic monthly rates required to introduce and provide such service.

After considering the entire record, we find that the increases in rates heretofore authorized by interim Decision No. 64070 and by Decision No. 64114 should be affirmed and that in all other respects Application No. 43876 should be denied. This will have the effect of denying, at this time, any further increase in applicant's rates and charges for exchange telephone service.

O R D E R

IT IS ORDERED that:

1. The rates heretofore authorized by Decision No. 64070, dated August 7, 1962, and by Decision No. 64114, dated August 14, 1962, are affirmed.

2. Applicant shall prepare and submit to the Commission, within one year after the effective date hereof, a study comparing total company revenues, expenses, rate base and rate of return of present serving arrangements and of assumed extended service between Etna and Fort Jones exchanges, together with trial extended service rates sufficient to sustain its rate of return; and a study for a representative month to show the proportion of Etna and Fort Jones subscribers that would experience a net increase in service charges.

3. In all other respects, Application No. 43876 is denied.

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

Dated at San Francisco, California, this 12th day of March, 1963.

George G. Thayer  
President  
Robert B. ...  
Robert W. ...  
William W. Bennett

Commissioners

I concur with the result reached in the major portion of this decision but I dissent from that part which requires the company to make a study showing costs and increases in the monthly rates required to introduce extended area service.

Fredrick B. Holoboff