

ORIGINAL

Decision No. 65793

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of CALIFORNIA-PACIFIC UTILITIES COMPANY, a California corporation, for authority to increase rates and charges for exchange telephone service furnished to Westwood in Lassen County, and a portion of the northeast shoreline of Lake Almanor in Plumas County.

Application No. 45505
(Filed June 7, 1963)

Orrick, Dahlquist, Herrington & Sutcliffe, by James F. Crafts, Jr. and Pardee & Cady, by Donald P. Cady, for applicant.
Peninsula Village Business Association, by George W. Radvich and Margaret Malby, protestant.
William Bricca and William Caveney, for the Commission staff.

O P I N I O N

Public hearing in this matter was held before Examiner Emerson on November 12 and 13, 1963 at Susanville, November 14, 1963 at Westwood and November 19, 1963 at San Francisco.^{1/} The matter is submitted and ready for decision.

Applicant owns and operates electric, gas, water and telephone properties in California, Nevada, Oregon, Utah and Arizona. Its operations are divided into eleven divisions, for purposes of administration and accounting, one of which is the Lassen Division. Within the Lassen Division, applicant supplies public utility electric, water and telephone service, the latter constituting the Westwood exchange.

^{1/} Heard on a consolidated record with Applications Nos. 45506 and 45507.

The Westwood exchange, centered in the unincorporated community of Westwood and serving portions of both Lassen and Plumas Counties, has a central office equipped for 400 lines of which approximately 375 lines are fully in use serving about 683 utility-owned and 7 subscriber-owned telephone stations. Toll service is furnished over trunking facilities owned by Citizens Utilities Company to Susanville.

In this proceeding, applicant seeks an increase of \$17,500 in annual revenues from exchange services in order to offset what it alleges to be the uncontrollable and increasing costs of providing telephone service to the exchange. The principal categories in which applicant proposes increased rates are as follows:

<u>Type or Class of Service</u>	<u>Monthly Rate</u>	
	<u>Present</u>	<u>Proposed</u>
Business:		
1-party	\$5.25	\$8.60
2-party	4.25	6.80
Suburban	4.00	6.30
Extension	1.25	1.75
Residence:		
1-party	3.50	5.60
2-party	3.00	4.80
4-party	2.50	4.10
Suburban	3.00	4.45
Extension	1.00	1.25
Farmer Line:		
Business	.75	1.25
Residence	.50	.75
Mileage Rates per Quarter Mile:		
1-party	.50	.75
2-party	.35	.50
4-party	.25	.35

Testimony in this proceeding consists of the presentations of witnesses for applicant and the Commission staff and the protests or complaints of applicant's subscribers, of whom

approximately 40 attended the hearing at Westwood. With respect to applicant's earnings position, the evidence of applicant and the Commission staff may be summarized as follows:

Total Westwood Telephone Operations
SUMMARY OF EARNINGS
Test Year 1963

Under Applicant's Present Rates

<u>Item</u>	<u>Applicant</u>	<u>CPUC Staff</u>
Operating Revenues	\$ 51,400	\$ 61,620
Operating Expenses	44,335	52,030
Net Revenue	7,065	9,590
Rate Base (depreciated)	242,191	245,500
Rate of Return	2.9%	3.9%

Under Applicant's Proposed Rates

<u>Item</u>	<u>Applicant</u>	<u>CPUC Staff</u>
Operating Revenues	\$ 72,000	\$ 79,790
Operating Expenses	55,590	61,970
Net Revenue	16,410	17,820
Rate Base (depreciated)	242,191	245,500
Rate of Return	6.8%	7.3%

Separated Exchange Telephone Operations
SUMMARY OF EARNINGS
Test Year 1963

Under Applicant's Present Rates

<u>Item</u>	<u>Applicant</u>	<u>CPUC Staff</u>
Operating Revenues	\$ 32,600	\$ 33,826
Operating Expenses:		
Before taxes and depreciation	14,738	15,672
Taxes	4,627	5,597
Depreciation	<u>9,546</u>	<u>8,805</u>
Total Operating Expenses	\$ 28,911	\$ 30,074
Net Revenue	3,689	3,752
Rate Base (depreciated)	179,948	169,675
Rate of Return	2.1%	2.2%

Under Applicant's Proposed Rates

<u>Item</u>	<u>Applicant</u>	<u>CPUC Staff</u>
Operating Revenues	\$ 50,100	\$ 51,996
Operating Expenses:		
Before taxes and depreciation	14,738	15,672
Taxes	14,187	15,537
Depreciation	<u>9,546</u>	<u>8,805</u>
Total Operating Expenses	\$ 38,471	\$ 40,014
Net Revenue	11,629	11,982
Rate Base (depreciated)	179,948	169,675
Rate of Return	6.5%	7.1%

The foregoing tabulations concerning estimated test-year earnings, while setting forth the respective itemized showings in columnar form, are not in fact wholly comparable. Basically, applicant's presentation is one in which the test year is intended to be a "normalized actual year" 1963. The staff presentation, on the other hand, is basically intended to show a "near future year" under normal operating practices of the utility. This difference in basic approach affects rate base, expenses and revenues. As an

example, applicant is placing central office equipment, including toll-ticketing equipment, in its Westwood office which will make that office compatible with the direct distance dialing equipment of the connecting utility at Susanville. The equipment will not be physically operable until about April 1964 and applicant so treated it in its earnings study. The staff, however, in order to take the effect of the abrupt change in operations resulting from the use of this equipment out of its trending methods, assumed that such equipment was installed as of January 1, 1962. Such a "roll back" has a direct influence on the separation of telephone plant, the corresponding rate base, the associated operating expenses and the toll-settlement revenues dependent on the separation study.

The toll settlement on Independent-Independent (I-I) traffic, between applicant and Citizens has a substantial effect on the earnings studies presented in this proceeding. In this connection the staff showing, for example, assumed that the rate of return to be earned on that portion of applicant's plant which is devoted to toll operations and for which settlement is made with Citizens, is at a rate of 7.7 percent. However, their traffic is not earning any return under the settlement agreement with Citizens because Citizens has earned a zero, or negative, return on this I-I business. It is the Commission's position that this business should contribute its reasonable share to the net earnings of both Citizens and applicant. This could be accomplished by inclusion of this I-I toll business in the cost settlement for business interchanged with The Pacific Telephone and Telegraph Company and applicant will be ordered to report on negotiations to accomplish this settlement change. Pending such settlement change, the realities of this unique situation must be taken into account. Consequently, the net operating revenues of applicant's total telephone operations (under proposed rates) are reduced by \$2,299 and the rate of return which the staff computed as 7.3 percent reduces to 6.32 percent.^{2/} Under similar treatment,

^{2/} This effect is most clearly shown by Exhibit No. 13 in this proceeding.

a comparable reduction would occur in the rate of return calculation shown in the "applicant" column of the foregoing tabulation. In the light of such evidence, it is clear that applicant's proposed rates will produce no more than a reasonable return on its Westwood telephone operations. As to the amount of revenues needed by applicant, the testimony of a staff witness demonstrates applicant's need for approximately \$15,696 in net revenues if applicant is to meet its debt and realize a reasonable return on equity capital. Here again, in the light of the evidence respecting toll settlements, it is clear that applicant's proposed rates will produce no greater amount. The Commission finds that applicant is in need of and entitled to increased revenues in approximately the total amount sought.

Except to the extent modified herein, we find that the operating results and rate base presented by the staff reasonably represent the results of operation and that such rate base and the rate of return flowing from the rates prescribed herein are reasonable.

Many of applicant's subscribers have complained about service matters, the great majority of such complaints having to do with long-distance and operator-assistance calling. The evidence in such respect is abundantly clear that the fault lies not with applicant but with the connecting company at Susanville. Further, it is clear that the connecting company is now taking steps to alleviate this situation and that by mid-1964 these problems should wholly disappear. If such does not occur, this Commission may undertake an investigation of the same on its own motion.

A few of applicant's subscribers complain of inability to reach a troubleman or obtain repair service on weekends and over holiday periods. Applicant will be expected to improve these situations by having competent personnel available "on call".

A group of subscribers from the Lake Almanor area have protested applicant's proposal to increase the mileage charges occasioned by their remoteness from the base rate area at Westwood. For these telephone users, the additional mileage charges commonly are on the order of 26 one-quarter mile charges. In this respect, applicant made no specific showing as to a justification for increasing mileage charges, nor does other evidence beyond the broad showing of generally increased costs, support its request in this regard. Some agitation exists for the establishment of a satellite central office and special base rate area for the Lake Almanor subscribers and applicant is studying such possibilities, but to date studies are not completed and applicant can make no firm proposal in such regard. In any event, applicant's showing respecting a justification for increased mileage charges is not convincing that such should be authorized at this time.

In view of the evidence, the Commission finds that the increases in rates authorized herein are justified and that existing rates, insofar as they differ from those authorized herein, are for the future unjust and unreasonable.

O R D E R

IT IS ORDERED that:

1. California-Pacific Utilities Company is authorized to file with this Commission, on or after the effective date of this order and in conformity with the provisions of General Order No. 96-A, schedules of rates revised as set forth in Appendix A attached to this order and, on not less than five days' notice to the public and to this Commission, to make said revised rates effective for exchange telephone service rendered on and after March 1, 1964.

2. Applicant shall at all times have not less than one competent employee available "on call" for meeting the emergency and reasonable service needs of its subscribers, shall carry a "repair service" listing in its telephone directory and shall assure that the connecting utility which provides "operator-assistance" service is aware of such situation. Within sixty days after the effective date of this order, applicant shall inform this Commission in writing of its plans and program in such respect.

3. Except as authorized in paragraph 1, above, the application herein is denied.

4. Not later than May 1, 1964, applicant shall submit a written report setting forth the results of negotiations with Citizens Utilities Company of California and The Pacific Telephone and Telegraph Company with a view to including all I-I toll in the settlement agreement for traffic interchanged with The Pacific Telephone and Telegraph Company.

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

Dated at San Francisco, California, this 11th day of February, 1964.

Robert A. Rago President

George T. Gower

Fredrick B. Holoboff

Commissioners
Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.

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

APPENDIX A
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RATES

The presently effective rates, charges and conditions of California-Pacific Utilities Company are changed to the levels and extent set forth in this appendix, and the base rate area shall be revised substantially as set forth in Chart 2-B of Exhibit No. 4.

Schedule No. A-1-L

INDIVIDUAL LINE AND PARTY LINE SERVICE

	<u>Rate per Month</u>
1. <u>Business Flat Rate Service</u>	
Each individual line station	\$ 8.60
Each two-party line station	6.80
Each extension station	1.75
2. <u>Residential Flat Rate Service</u>	
Each individual line station	\$ 5.60
Each two-party line station	4.80
Each four-party line station	4.10
Each six-party line station	Withdraw
Each ten-party line station	Withdraw
Each extension station	1.25

CONDITIONS

Delete Condition 3.

Schedule No. A-2-L

SUBURBAN SERVICE

RATES

	<u>Rate per Month</u>	
	<u>Residence Service</u>	<u>Business Service</u>
Each ten-party line primary station	\$ 4.45	\$ 6.30
Each extension station, with or without bell	1.25	1.75

Schedule No. A-3-L

FARMER LINE SERVICE

	<u>Rate per Month</u>		
	<u>Residence Service</u>	<u>Business Service</u>	<u>Minimum Charge Per Line</u>
Each Station	\$0.75	\$ 1.25	\$ 4.00

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Schedule No. A-8

DIAL PRIVATE BRANCH EXCHANGE SERVICERATES

	<u>Installation Charge</u>	<u>Rate per Month</u>
8. Trunk rate, each trunk		
Westwood	\$10.00	\$12.90
9. Station Rates		
Each station equipped for automatic transfer		
Westwood	4.00*	1.90
Other	2.50*	1.50
Each station not located in a hotel guest room		
Westwood	4.00*	1.75
Other	2.50*	1.25
Each station located in a hotel guest room		
Westwood	4.00*	1.25
Other	2.50*	1.00

* In lieu of service connection charges set forth
elsewhere in tariff schedules.

Schedule No. A-14-L

EXCHANGE SERVICE

DIRECTORY LISTINGSRATE

	<u>Rate per Month</u>
(2) Additional Listings:	
Each business listing	\$ 0.50
Any individual residing at a residence, listed at the residence, each listing	.50
Reference to service of same subscriber, or that of another subscriber, each listing	.50
Any information in addition to a listing, each line	.50

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Schedule No. A-15-L

SUPPLEMENTAL EQUIPMENT

RATES

	<u>Installation Charge</u>	<u>Rate per Month</u>
(1) Bells:		
Each extension bell	\$ 4.00	\$ 0.40
Each extension gong	4.00	.50
Each special bell	4.00	.60
(2) Buzzer Circuits:		
Buzzer Circuit	4.00	.50
Push Button	1.00	.10
Buzzer	1.00	.10
(3) Cords:		
(a) Two, Three, and Four Conductor Cords:		
Each standard length cord, not less than five and one-half feet from tip to tip	-	-
Each ten-foot cord	3.00	-
Each fifteen-foot cord	4.00	-
Each twenty-five foot cord	5.00	-
Retractable, 5 ft. ext'd.	3.00	-
Retractable, 5-15 ft. ext'd.	4.00	-
Each cord of length other than standard, ten-foot, fifteen- foot, and twenty-five foot, but not longer than twenty- five feet	*	-
(b) Cords of more than four conductors but not more than twenty-five feet in length	Actual cost	-
* The charge for the next longer listed cord plus \$1.00.		
(4) Jack and plug installations:		
Two-contact	Withdraw	
Three or Four contact	7.50	-
Eight contact	20.00	-
(5) Keys:		
Two-way	4.00	.35
Three-way	4.00	.50
4-A key	4.00	2.00
Holding, with Assoc. Eqpt.	4.00	.50
Pickup, with Assoc. Eqpt.	4.00	.50

(Continued)

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Schedule No. A-15-L

SUPPLEMENTAL EQUIPMENT (Continued)

<u>RATES</u> (Cont'd)	<u>Installation Charge</u>	<u>Rate per Month</u>
(6) Lamp Indicators:		
Desk type, each	\$ 4.00	\$ 0.40
Flush type, strip	5.00	2.75
Substation amplifier	5.00	2.00
(7) Compact telephone set (See Special Condition No. 5)		
Each compact telephone set including a combined dial-night-light	5.00*	.75*
(8) Hands free telephone	-	5.00*
(9) Colored telephone	10.00	-
(10) Automatic answering and recording service (No change in present rates)		
(11) Automatic dialing equipment		
Equipment including tape, 350 lines	35.00	7.50
Each line over 350	.05	-
Additional tape	20.00	-

*In addition to regular station charges.

SPECIAL CONDITIONS

7. Colored Telephones

- (a) The charge for a colored telephone is in addition to the rates and charges for regular station service of the class, type and grade of service ordered except a move and change charge does not apply where the nonrecurring charge for providing the telephone in color is applicable.
- (b) The charge applies to each installation and to each complete or partial replacement of colored hand sets when made at the request of the applicant or subscriber. The charge does not apply to replacement of colored hand sets initiated by the Company and required for the proper maintenance of the equipment or service.
- (c) The charge shown includes colored cords associated with the hand set. The charge applies in connection with common battery installations only. Colored hand sets are not furnished in connection with magneto service.
- (d) The charges do not apply to a customer previously furnished a standard colored set when the customer moves to a new location within the exchange.

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Schedule No. A-15-L

SUPPLEMENTAL EQUIPMENT (Continued)

SPECIAL CONDITIONS (Cont'd)

8. Hands-Free Telephone Sets
 - (a) The subscriber is required to furnish the commercial power required for the operation of the equipment.
 - (b) The equipment will be furnished in connection with any class, type and grade of service for which it is adapted.
 - (c) Hands-free telephone sets are furnished for the use of the subscriber. They are also furnished for use of the subscriber to make a telephone message audible to others, but such use shall be made only by and with the consent of the speakers of the telephone message to be transmitted by means of the loudspeaker component of this set, which consent is to be obtained by the subscriber to the service. The ordering and use by the subscriber of these sets for the purpose described herein constitutes his consent to transmit and receive messages by means of these sets furnished to him.
 - (d) The Company may decline to furnish this service or discontinue service already furnished in the event of use or intention to use a hands-free set at public locations.
 - (e) Hands-free telephone sets shall not be used by the subscriber to permit a telephone message to be overheard by a person or persons not entitled to hear said message.

9. Automatic Dialing Equipment
 - (a) Automatic dialing equipment will be furnished in connection with any dial equipped telephone including any dial equipped attendant's telephone.
 - (b) The subscriber is required to furnish the electrical power necessary to operate the automatic dialing unit.
 - (c) Allowances for omissions, interruptions, delays, errors or defects in transmission, or failure or defects of the automatic dialing equipment, shall be equivalent to the proportionate charge to the subscriber for the period of service during which such omission, interruption, delay, or error or defect in transmission, or failure or defect in the automatic dialing equipment occurs.
 - (d) Directory tapes will be replaced by the Company at no charge to the subscriber when such tapes have been rendered obsolete by Company-initiated telephone number changes in connection with:
 - (1) Boundary realignments of the local exchange or of any central office within the local exchange.
 - (2) Number reassignments, on a central office or exchange-wide basis, required by growth within the local exchange.

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Schedule No. A-16-L

EXCHANGE SERVICE

JOINT USER SERVICERATERate per Month

Each joint user service in connection with flat rate business service.

\$ 1.50

Schedule No. A-19-L

EXCHANGE SERVICE

MOVE AND CHANGE CHARGESRATESCharge

- | | |
|---|---------|
| (1) Move on same premises | \$ 4.00 |
| Change in type or style | 4.00 |
| Withdraw present item (2) Private Branch Exchange Systems, and 3 other equipment and wiring and replace by the following: | |
| (2) Other Equipment and Wiring: | |
| Charge limited to the actual cost, not to exceed the original installation charge. | |

Schedule No. A-20-L

EXCHANGE SERVICE

SERVICE CONNECTION CHARGESRATES

Service connection charges apply to exchange services and facilities, except farmer line service, as set forth below.

Charge

- | | |
|---|----------|
| (1) New and Additional Service -
Instrumentalities Not in Place: | |
| Business Service: | |
| Each primary station | \$ 10.00 |
| Each extension station | 4.00 |
| Each PEX station | 4.00 |
| Each PEX trunk | 10.00 |
| Residence Service: | |
| Each primary station | 7.00 |
| Each extension station | 4.00 |
| Each PEX station | 4.00 |
| Each PEX trunk | 7.00 |

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Schedule No. A-20-L

EXCHANGE SERVICESERVICE CONNECTION CHARGES (Continued)

<u>RATES</u> (Cont'd)	<u>Charge</u>
(2) Instrumentalities in Place, and No Change in Location or Type of Facilities Involved:	
Each station line, including all stations connected to that line	\$ 4.00
Each PEX system as a unit	4.00
Supersedure	No Charge

Schedule No. A-23-L

PRIVATE BRANCH EXCHANGE SERVICE

<u>RATES</u>	<u>Installation Charge</u>	<u>Rate per Month</u>
1. Each switchboard position equipped with battery and ringing power and switchboard telephone:		
3 trunk, 10 line cordless type switchboard	\$ 50.00	\$ 10.00
5 trunk, 16 line cordless type switchboard	80.00	13.00
40 lines or less, cord type non-multiple switchboard		Withdraw
2. Trunk Rate		12.90
3. Station Rate:		
Each station not located in hotel guest room		1.75
Each station located in hotel guest room		1.25

Schedule No. A-24-L

PUBLIC TELEPHONE SERVICE

<u>RATES</u>	<u>Rate</u>
1. Each exchange message	\$0.10

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Schedule No. A-26-L

SEMI-PUBLIC COIN BOX SERVICE

(New Schedule)

<u>RATE</u>	<u>Rate per Mo.</u>	<u>Ea. Exch. Msg.</u>	<u>Min. Chgc./Day</u>
Each individual line coin box station	\$ 1.25	\$ 0.10	\$ 0.25
Extension station without coin box	1.75	-	-

SPECIAL CONDITIONS

1. Individual line semi-public coin box service will be furnished outside the base rate area and within the exchange area at the above rates and mileage rates.
2. Extension stations at the above rates will be installed on the same premises as the primary station. Off-premises extension stations will be installed at the above rates and mileage rates as set forth in Schedule No. A-4, Mileage Rates.
3. Service under this schedule will be furnished upon applicant's request in stores, shops, restaurants, theatres, apartment houses, hotels, automobile courts, automobile trailer camps and other semi-public locations where there is a collective use of the service by a number of guests, members, employees, or occupants, or where there is a requirement for a combination of transient and subscriber usage.
4. Service under this schedule is furnished on a daily guarantee basis, Sundays and holidays included (plus a monthly charge). Collections will be made as nearly as practicable at monthly intervals. When the amount of money collected from a coin box covering local messages is less than the minimum guarantee, the subscriber will be required to make up the deficit. Failure to use the minimum guaranteed number of messages in any such period between collections or the use of messages in excess of such number does not entitle the subscriber to any allowance in any other month.
5. Where a mileage rate applies, such rate is not covered by the above guarantee nor by charges for messages that are over and above the guarantee.
6. The above guarantee is based upon local exchange usage only. Collections from the coin box for toll or inter-exchange messages are not applicable to the guarantee.

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Schedule No. D-1-L

CLASSIFIED TELEPHONE DIRECTORY ADVERTISING SERVICE

<u>RATE</u>	<u>Rate Per Month</u>
(1) Display Advertisements:	
One-quarter Column	\$ 2.25
One-half Column	4.50
Two One-half Columns	9.00
Above rates include an anchor listing, if desired, to appear under the advertiser's listing established under the classified heading with which the display is associated.	
(2) Column Advertising:	
(a) Each Informational Listing	
1/2 Inch	1.00
One Inch	1.55
1-1/2 Inch	2.00
(b) Each Trade Mark Heading	2.25
Above rate contemplates one column inch of space.	
Trade mark headings may exceed this depth to a maximum of five regular type listings, each such line or fraction thereof taking the rate for an additional line of information.	
(c) Each Trade Mark or Trade Name Cross Reference Heading	.65
(d) Each Trade Mark or Trade Name Cross Reference Listing	.65
(e) Each Trade Name Listing	.65
Above rates contemplate the name of a product or service in bold type as a caption, and the advertiser's name in all capitals, regular type.	
(f) Listings:	
Each Bold Type Listing	.50
Each Regular Type Listing	.30
Each Alternate Call Number or Cross Reference Listing	.30
Additional Lines of Information:	
Not to exceed a total of five lines in addition to the listing or trade mark heading with which associated:	
Each Line or fraction thereof	.30

Schedule No. G-1-L

LEASED LINE AND PRIVATE LINE SERVICERATES

Withdraw present (1)(a) and (1)(b) and replace by the following:

	<u>Rate per Month</u>
(1) <u>Mileage Rate</u>	
1st One-Quarter Mile	\$ 3.00
Additional One-Quarter Mile	1.00
(2) <u>Station Rate</u>	
Each station	1.75
(3) <u>Installation Charge</u>	
Each station and each termination	7.00