

**ORIGINAL**Decision No. 69127

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Investigation on the Commission's  
own motion into the operations,  
practices, and adequacy of service  
of PETROLIA TELEPHONE COMPANY,  
Petrolia, Humboldt County.

Case No. 7370  
(Filed June 4, 1962)

Kenneth J. Waters, for Petrolia Telephone Company,  
respondent.  
E. A. Hosmer, for E. A. Hosmer and Company and  
Independent Telephone Company; and Harold W. Hough,  
for Mattole Grange; interested parties.  
H. H. Webster and Ermet J. Macario, for the Commission  
staff.

O P I N I O N

After due notice, public hearings on this investigation were held before Examiner Coffey on September 12, 1962, and October 21, 1964, near Petrolia in Humboldt County, California. The matter was submitted for decision on October 21, 1964.

This investigation was instituted for the purpose of determining whether:

- (1) Respondent's service is adequate, efficient, and reasonable;
- (2) Respondent's rules, practices, equipment or facilities are improper, unreasonable, unsafe, inadequate, or insufficient;
- (3) Additions, extension, repairs, improvements to or changes in respondent's plant, or facilities ought reasonably to be made, or new structures erected; and,
- (4) Such order or orders should issue as may be appropriate in the exercise of the Commission's regulatory jurisdiction.

The territory served by respondent comprises an area of about 120 square miles in, about, and adjacent to the communities

of Petrolia and Honeydew in Humboldt County, California. Industry in the exchange area is mainly sheep and cattle ranching, local lumber mills having gone out of business. Considerable resort activity exists during favorable seasons. Storms during the winter periods are responsible for many power and telephone outages.

Within the exchange area are two small urban communities, Petrolia and Honeydew, separated by about 18.5 miles. Each community is served by a small unattended dial office.

In addition to these communities, the actual service area may be described generally as extending about six miles north of Petrolia, along the road between the communities and about five miles south of Honeydew. Interurban dialing is accomplished over a one-pair open wire lead by the use of special one-digit access numbers. Toll service is furnished to all exchange subscribers by The Pacific Telephone and Telegraph Company toll operator at Eureka. Full selective ringing is provided to 2- and 4-party lines, semi-selective ringing being provided to 8-party lines. Approximately 106 respondent-owned stations were in the exchange in the middle of 1962.

At the initial hearing, a staff financial witness presented the results of his examination of the books and records of respondent. The examination disclosed that respondent's records are inaccurate and incomplete. This condition appears to have resulted from the lack of continuity during recent years as a number of different parties in turn assumed the responsibility for accounting. Because of the foregoing conditions, the staff witness was unable to state whether or not the financial reports, which he prepared, Exhibit 1, fairly stated respondent's financial position or the results of its operation. However, the reports were as accurate as available information permitted. The balance sheet, as of December 31, 1961, indicates the common stock equity capital to be \$12,900 and the earned surplus to be a negative \$12,553. Because of a pending civil action in the

Superior Court for Humboldt County, the staff classified \$23,983 under "Other Deferred Credits" as the total of amounts alleged to be due the Independent Telephone Company, E. A. Hosmer and Company and/or E. A. Hosmer. The staff took no position as to whether or not any amounts were due.

Respondent's Exhibit 3, filed November 9, 1964, indicates that respondent operated at a substantial loss in all years since 1958, except 1960, for which an accounting is not available, and 1962, for which a small profit is indicated.

A staff engineering witness presented a report containing information on:

- (1) The quality and adequacy of service rendered by respondent;
- (2) The condition and adequacy of respondent's plant and facilities, and
- (3) The requirement for additions, repairs, improvements, or changes in respondent's plant and facilities, together with some estimated costs.

On March 11, 1958, the Petrolia Telephone Company filed Application No. 39891 for authority to enter into contractual arrangements for modernization of its plant property. Decision No. 56844, dated June 17, 1958, Application No. 39891, authorized the Petrolia Company to carry out the terms and conditions of a Service Agreement with E. A. Hosmer and Company, dated January 18, 1958, and to carry out the terms and conditions of a Sales and Loan Agreement with the Independent Telephone Company, dated January 18, 1958. The Service Agreement covered, among other items, provision for rebuilding, rehabilitation, expansion and converting the magneto telephone system to dial operation. The Sales and Loan Agreement covered the dial switchboard equipment and necessary telephone instrumentalities, wire, cable, and miscellaneous material for modernization of both the inside

and outside telephone plant of the Petrolia Telephone Company. Subsequent to June 17, 1958, conflicts have arisen between the parties as to their respective rights and obligations under the two agreements referred to above, resulting in the pending litigation in Humboldt County, California.<sup>1/</sup>

The staff witness testified that respondent's subscribers have experienced service trouble and outages caused by severe weather conditions and equipment trouble in the dial offices. However, specific instances of improvement were noted by the staff witness between the time of the hearing and his previous visit to respondent's service area.

On the basis of 14 points set forth in Exhibit 2, the staff engineering witness testified that the so-called Varioplex dial switching equipment supplied by the Independent Telephone Company, an affiliate of E. A. Hosmer and Company, was believed not to have been completely engineered to function in a multi-office exchange, such as respondents, and therefore not to be commercially acceptable multi-office exchange equipment.

Respondent initiated action in 1962 to replace the Varioplex equipment. However, the staff witness reported that the Kellogg equipment would require conversion, drawings, circuit descriptions, expert technical assistance, additional common equipment and associated apparatus and money.

Viewing the exchange system as a whole, the staff witness was of the opinion that it would be possible to provide satisfactory subscriber dial service in the exchange under existing conditions by

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<sup>1/</sup> Civil Action Nos. 38758, 38985 and 38692 in the Superior Court for Humboldt County.

continuing to use the Varioplex equipment, if the following program, at an estimated cost of \$1,000 to \$1,500, were completed:

- (1) Redesign the tie-line dial trunk apparatus and method of picking up the trunk after the special access digit is dialed to increase the speed of trunk dial tone;
- (2) Engineer trunk circuitry to provide a ring-back signal to exchange subscribers who dial the Eureka toll operator and coordinate technical matters with the Pacific Company;
- (3) Develop a circuit to transmit an equipment failure alarm in the Honeydew office to Petrolia through means of signals over the physical trunk;
- (4) Develop an adjustment for the marginal relays in the reverting call equipment to provide the maximum of reliable operating range when subscribers' lines are wet;
- (5) Provide adequate D.C. battery voltage control to insure reliable relay operation during periods of commercial power failure;
- (6) Improve housekeeping procedure in the switchrooms and adjacent areas outdoors to control the entry of dust into the equipment;
- (7) Institute a systematic program of maintenance of switchroom apparatus through means of progress records and trouble reports;
- (8) Procure test equipment for checking the speed and percent make-break of subscriber dials;
- (9) Arrange to exchange excess Lynch carrier equipment for a third toll carrier channel; and
- (10) Provide a portable source of emergency power sufficient to maintain battery and ringing supply for each dial office in the exchange.

By direct testimony and cross-examination of the staff witness the appearance (Hosmer) for E. A. Hosmer and Company and the Independent Telephone Company attempted to refute the critical analyses of the Varioplex equipment by the staff witness. For undisclosed reasons, Hosmer refused the examiner's suggestion to include in this record the available drawings relating to the circuitry of Varioplex and associated equipment. Hosmer moved that

respondent "be ordered by this Commission to carry out the provisions of a contract authorized by Decision 56844." It is not the purpose of this proceeding to resolve the conflict between respondent and the Hosmer interests. The motion will be denied. We note that this conflict, which began in 1960 and is yet to be resolved, has had the effect of denying adequate service to the subscribers of respondent for approximately four years. The public interest demands that the parties promptly and equitably resolve their conflict. We shall require periodic progress reports of the steps taken to resolve this conflict.

Based on an extensive on-site investigation of exchange wire distribution plant, the staff witness testified that subscriber service improvement by respondent in order of importance entails:

- (1) Immediate replacement of all deteriorated army field wire, C-wire and parallel wire in critical Honeydew and Petrolia areas;
- (2) Removal of wire of mixed gauges and types;
- (3) Replacement of defective and substandard poles;
- (4) Upgrading suburban lines by increasing pair capacity from the two telephone offices in the exchange;
- (5) Rerouting feeder lines where practical to shorten lines and to bring them closer to roads;
- (6) Removal of all dead wire and unused hardware from the aerial plant;
- (7) Checking subscriber telephone instruments to determine if transmitters, receivers, cord and ringers are in a good state of repair and are functioning properly; that dials operate freely, are clean, properly adjusted and within the dial speed specifications;
- (8) Maintaining a set of line maintenance record cards, and
- (9) Checking poles, subject to being climbed, for dry rot and decay at the ground line.

The staff witness estimated that the replacement of deteriorated wire leads could be accomplished by a minimum expenditure of approximately \$1,500 to \$2,500.

Subscribers testified relative to service outages, difficulties with long distance service, delays in obtaining telephone service, and the effort of respondent to obtain financial help from subscribers.

A subscriber, one of respondent's stockholders, reviewed respondent's history. It appears that for a period of years prior to 1955 about six local men kept the system in partial operation. The service was described as inadequate, the men having to get together and put up the line every time a subscriber desired to place a long distance call. After floods in 1955 destroyed the line, at a public meeting many inhabitants of the area pledged financial and other support to respondent if it would restore the telephone system. Only about five ranchers actually bought stock, some purchases being less than the amount pledged.

Respondent stated that progress had been made in remedying the deficiencies set forth in the report by the staff, that the report had been of great help to respondent as it informed him what to do to correct known deficiencies, and that it was the intention of respondent to do even more than the recommendations set forth in the report. However, respondent has been unable to obtain additional credit because of the continuing litigation with the Hosmer interests.

Pending resolution of said litigation and clarification of the financial status of respondent, this proceeding was adjourned to a date to be set. Upon becoming advised of a change in respondent's ownership, this matter was set for hearing on October 21, 1964, the Commission's staff having continually followed respondent's problems during the period between hearings.



Respondent's new president is also the president and owner of the National Telephone and Telegraph Company which owns the stock of respondent and the Happy Valley Telephone Company near Redding, California.

Respondent's president testified that most of the service problems were attributable to the central office equipment; that the army field wire should be replaced; and that the Bell System 20 years ago began discarding the type of station equipment furnished by the Hosmer interests, over half of which is not now serviceable. Respondent has ordered, subject to approval of financing, new Stromberg-Carlson central office equipment, has replaced three miles of army field wire, is planning to replace 15 additional miles of such wire, has ordered 50 new telephones, and will purchase such additional telephones as may be required. Approximately \$50,000 will be required to finance the installation of new central office subscriber station equipment; altogether, about \$2,000 a year will be used to build lines required to upgrade service to provide one-party service in the downtown area of Petrolia and in the area adjacent to the central office in Honeydew and to replace the 8-party with 4-party service. Respondent presently serves 102 subscribers.

Respondent's president stated that settlement out of court with the Hosmer interests will be attempted, that he hopes soon to apply to the Commission for approval of proposed financing and that respondent is agreeable to making periodic progress reports.

Subscribers expressed their appreciation to the Commission and to the new owner of respondent for efforts in their behalf. A spokesman for the subscribers indicated that they will cooperate and do all they can to assist in obtaining better service and in easing respondent's problems.



The staff recommended that respondent be required to submit to the Commission quarterly reports of its plans and any changes therein to achieve service improvements. We find reasonable the recommendations made by the staff and conclude that respondent should be required to file with this Commission periodic written progress reports.

O R D E R

IT IS ORDERED that:

1. Petrolia Telephone Company shall file a written report on or before each January 1, April 1, July 1, and October 1 after the effective date of this order, until further order of this Commission. Said reports shall set forth respondent's current plans to improve service to its subscribers, the reason for any change in said service improvement plans as set forth in previous reports, the current status of respondent's litigation with the Independent Telephone Company, E. A. Hosmer and Company and/or E. A. Hosmer, the progress of efforts to effect prompt settlement of said litigation, respondent's current financial plans together with any proposed organizational and corporate changes, and the reason for any change in said financial plans as set forth in previous reports.

2. Reports submitted by Petrolia Telephone Company in accordance with this order shall not be open to public inspection until after settlement of respondent's said litigation.

