

Decision No. 15760

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
THE PACIFIC TELEPHONE AND TELEGRAPH  
COMPANY for permission to install  
telephone plant and to publish, file  
and put into effect rates for Exchange,  
Interexchange and Telegraph Service at  
Carmel, Monterey County, California.

Application No. 10962.

James G. Marshall for Applicant.  
Edson Abel for Protestants, California Farm  
Bureau Federation and Monterey County  
Farm Bureau and Farmer Telephone Lines  
1-F, 2-F, 5-F and 10-F.  
R. B. Foster for Monterey Chamber of Commerce.

DECOTO, COMMISSIONER:

O P I N I O N

This is a proceeding in which The Pacific Telephone and Telegraph Company requests that the Railroad Commission make its order granting applicant a certificate that public convenience and necessity require said utility to begin the construction of a plant or system for the purpose of establishing a telephone exchange in the town of Carmel, California, and to publish, file and place in effect, rates as set forth in its application.

A hearing was held in this matter in the town of Carmel, June 19, 1925, at which time and place the matter was submitted.

Carmel is a town of approximately 3,000 population and is located about four (4) miles southwest of the city of Monterey. At the present time applicant is furnishing telephone service in the town of Carmel and vicinity from its Monterey exchange located in the city of Monterey. There are in the entire present Monterey exchange area some 2,690 subscribers of which approximately 400 are located in Carmel and surrounding territory.

Applicant states that due to the growth of Carmel, all available cable facilities between Monterey and Carmel have been exhausted and to continue to serve Carmel as at present will require the installation of additional cable facilities between Monterey and Carmel and that such construction will not result in economies that might be possible by the construction of a separate exchange at Carmel. Applicant further states that the present method of rendering telephone service to Carmel has retarded telephone development and that a separate exchange at Carmel will make available individual and party line service at lower rates than those now applying to similar service furnished from Monterey, and that the proposed method of operation will allow a normal telephone development in Carmel. Applicant proposes local business and residence rates for Carmel which are 50¢ and 25¢ per month lower respectively than the rates for corresponding service now applying in Monterey. However, due to the fact that Carmel is approximately two and one-half (2½) miles beyond the primary rate area of the Monterey exchange, the resultant average charge under the proposed Carmel rates will result in a lower charge for local individual and party line Carmel service of from \$2.50 to \$5.00 per month under corresponding rates for the same grade of service furnished from Monterey.

Applicant also proposes a charge of five cents for each message between Monterey and Carmel and a foreign exchange type of service which will allow any subscriber in Carmel to obtain direct Monterey service.

A comparison of the present Monterey rates applicable within the primary rate area of Monterey and in Carmel together with applicant's proposed local Carmel rates are shown in the table below:

	<u>Present Rates</u>		<u>Applicant's Proposed Rates In Carmel</u>
	<u>Within Monterey P.R.A.</u>	<u>Average Rate In Carmel</u>	
<u>Business Service</u>			
Individual Line	\$4.00 per Mo.	\$9.00 per Mo.	\$3.50 per Mo.
Two Party Line	3.50 " "	7.00 " "	3.00 " "

<u>Present Rates</u>		<u>Applicant's Proposed Rates In Carmel</u>
<u>Within Monterey P.R.A.</u>	<u>Average Rate In Carmel</u>	

Residence Service

Individual Line	\$2.75 per Mo.	\$7.75 per Mo.	\$2.50 Per Mo.
Two-Party Line	2.25 " "	5.75 " "	2.00 " "
Four-Party Line	2.00 " "	4.50 " "	1.75 " "

The above rates apply to wall sets.

The sentiment of the people in Carmel is very much in favor of the establishment of the local exchange as proposed by applicant. There were, however, objections from certain farmer line subscribers. These subscribers are located in Carmel Valley east of Carmel and along the Pacific Coast south of Carmel and they receive service over lines which they own and maintain themselves and which are connected to applicant's system at the Monterey city boundary. These subscribers state that practically all of their telephone use is with subscribers in Monterey and that they seldom have need for Carmel local service. The objection of the farmer line subscribers is to the charge of five (\$.05) cents each for messages between Monterey and Carmel.

The problems in connection with the objections arising in this proceeding are not new in principle and have been met in numerous cases in the past and are bound to arise in any community that is growing and expanding. The question of the establishment of an exchange at Carmel would not be at this time at issue if Carmel had not already become a definite growing community with prospects for further rapid development. When a community reaches the stage of development such as exists at Carmel at the present and also is located a distance from any other community, it can be served most economically by an establishment of a central office in that community.

The relative charge for service between different subscribers together with the proper spread of rates between these

subscribers are important questions here to be considered and it is these that are fundamentally involved in the objections of the farmer line subscribers. The total revenue paid by the subscribers of any exchange is made up of the sum of the local exchange revenue and toll revenue. For a given total revenue requirement a decrease in toll charges can only result in an increase in exchange charges. The reverse is also true and for a given total revenue requirement an increase in toll charges can only result in a decrease in exchange charges. In determining the relation between exchange and toll rates the telephone development of a community and the use of telephone service by different subscribers are the important factors to consider.

Too high an exchange rate retards the natural telephone development of any community. This cannot be better illustrated than by the existing telephone conditions in Carmel. Here is a town having a population of 3,000 people and only 400 telephone subscribers of which over 47% are subscribers to suburban or ten party line service. In any community the use of telephone service by different subscribers varies from a few calls to many. Charges for service must take this varying use into consideration; otherwise, the small users find the rates so high that they cannot subscribe for service. This fact is largely responsible for the present telephone development in Carmel.

The combination of exchange rates applied to a local service in a community with toll rates to other communities provides a means for the establishment of a relatively low rate for local service and for the additional payment for service to these other communities which will be in proportion to the use made of that service. The establishment of the rates as herein proposed

will make available to Carmel individual and party line service at rates comparable with those for like service in similar localities throughout the State.

The farmer line subscribers claim, due to the fact of their larger use of Monterey service, that they should continue to be connected to the Monterey exchange and be exempt from any toll charge. Those subscribers in Carmel making a large number of calls to Monterey or those subscribers in Monterey making a large number of calls to Carmel that may be charged in proportion to their use of service is the very purpose of the system of exchange and toll rates now existing not only in California but throughout the country.

Rules and regulations authorized by this Commission governing the operation of telephone utilities throughout this State require that a farmer line shall be connected to the exchange within which the subscribers of that line are located and shall not extend into another exchange. The rule relative to this point as set forth in Decision No. 13478 dated April 24, 1924, reads:

"Rule and Regulation No. 21, Section B -  
Farmer Line Service\*\*\*\*\*A farmer line  
station shall not be located within the  
primary rate area. A farmer line shall  
not extend across an exchange boundary."

Allowing these farmer lines to remain connected to the Monterey exchange will not only be contrary to the rules governing the operation of telephone utilities as established by this Commission, but also contrary to one of the fundamental principles relative to the establishment of an exchange in which any subscriber of that exchange, for the local rate which he pays, is entitled to access to all other subscribers of that exchange. Continuing these farmer lines into Monterey will require other subscribers in Carmel in calling these farmer line subscribers to pay the Monterey toll

charge.

This Commission has recognized the fact that a subscriber located in one exchange area may have a demand for direct service from some other exchange area. In order that this service might be rendered, the Commission has required telephone utilities to establish a foreign exchange service which provides means whereby a subscriber located in one exchange area may receive direct telephone service from any other area. This service applied to the present situation will allow any Carmel subscriber to receive direct service from the Monterey exchange. A schedule for this foreign exchange service will be established in the order following and will be available to all subscribers of the Carmel area including the farmer line subscribers.

From a careful consideration of the various methods by which service could be rendered to these farmer line subscribers, to their requests and objections, to the needs and rights of the other subscribers, it appears that allowing these farmer lines to remain connected to the Monterey exchange after the Carmel exchange is established would be unfair and unjust to the other Carmel subscribers and contrary to long established telephone practices. However, those subscribers in Carmel who may desire direct Monterey service may obtain this service under a foreign exchange rate designed particularly for this demand.

Should the farmer line subscribers desire service from the Carmel exchange, the entire cost of the changes required to disconnect these lines from the Monterey exchange and re-connect them to the Carmel exchange should be made by the Pacific Company. In making these changes, the Pacific Company should agree to purchase from or hand over to the owners such materials as may be salvaged in making the reconnections. This the Company testified it would be willing to do. These subscribers should, however, be given ample

opportunity to make such changes as will be necessary and the order following will allow these subscribers to continue the present service from the Monterey exchange for approximately one year up to June 30th, 1926. Before the Pacific Company purchases any material from the former line subscribers, the transactions should be first approved by this Commission.

The rates as proposed herein by applicant are those rates now in effect in other cities of similar size as Carmel, and under existing conditions they appear to be reasonable. There appears to be no good reason why request of applicant should not be granted.

#### O R D E R

The Pacific Telephone and Telegraph Company having made request that the Railroad Commission of the State of California make its Order granting applicant a certificate that present public convenience and necessity require said utility to begin the construction of a plant or system for the purpose of establishing a telephone exchange in the town of Carmel, California, and to publish, file and place in effect the rates as set forth in this application,

A public hearing having been held and the matter having been submitted and now being ready for decision, the Railroad Commission of the State of California hereby declares that public convenience and necessity require The Pacific Telephone and Telegraph Company to establish an exchange in the town of Carmel and to publish, file and place in effect rates as hereinafter provided and basing its order on the foregoing findings of fact and upon other findings of fact as are set forth in the Opinion preceding this order;

IT IS HEREBY ORDERED that The Pacific Telephone and Telegraph Company be granted a certificate of public convenience and necessity to establish a telephone exchange in the town of Carmel and surrounding territory as hereinafter provided and to furnish

telephone and telegraph service therein.

IT IS HEREBY FURTHER ORDERED that The Pacific Telephone and Telegraph Company shall

(1) Commence construction work in connection with the establishment of the Carmel Exchange on or before August 1, 1925.

(2) File information with the Railroad Commission showing that the order in Section (1) above has been complied with, not later than five (5) days after the beginning of said construction work.

(3) Render and furnish exchange and toll telephone and telegraph service in the Carmel Exchange on and after January 1, 1926, under the rate set forth in Exhibit "A" attached hereto.

(4) Establish a primary rate area and an exchange area for Carmel exchange as set forth in Exhibit "B" attached hereto.

(5) File with the Railroad Commission on or before August 15, 1925, the rates set forth under Exhibit "A" attached hereto.

(6) File with the Railroad Commission on or before August 15, 1925, maps showing the Primary Rate Area and Exchange Area for the Carmel Exchange as set forth in Exhibit "B" attached hereto.

(7) Furnish farmer line service to the farmer lines existing as of June 19, 1925 and connected to the Monterey Central Office and extending into the Carmel Exchange Area hereinafter established for a period up to and including June 30, 1926 unless such service is discontinued prior thereto.

Dated at San Francisco, California, this 9<sup>th</sup> day of July, 1925.

W. B. Brundage  
C. C. Weaver  
George D. Squires  
Edward J. Kelly



EXHIBIT "A"

RATES

EXCHANGE SERVICE SCHEDULES

GENERAL SERVICE

CARMEL

SERVICE:

Applicable to business individual line and two-party line flat rate service, and residence individual line and party line flat rate service furnished within the Primary Rate Area of the Carmel Exchange.

RATE:

(1) Business Flat Rate Service

	<u>Rate per Month</u>	
	<u>Wall Set</u>	<u>Desk Set</u>
Each Individual Line Station	\$ 3.50	\$ 3.75
Each Two-party Line Station	3.00	3.25
Each Extension Station	1.00	1.00

(2) Residence Flat Rate Service

Each Individual Line Station	\$ 2.50	\$ 2.75
Each Two-party Line Station	2.00	2.25
Each Four-party Line Station	1.75	2.00
Each Extension Station, without bell	.50	.75
Each Extension Station, with bell	.65	1.00

OTHER SERVICE

CARMEL

Other rates and charges as set forth in Sheets C.R.C. Nos. 9804-T, 9805-T, 9806-T, 9807-T, 9810-T, 9811-T, 9812-T, 9813-T, 9814-T, 9815-T, 9818-T, 9819-T, 9820-T, 9821-T, 9823-T, 9824-T, 9825-T, 9827-T, 9829-T, 13649-T, 9833-T, 9834-T, 13081-T, 9835-T of the Rate Schedules of The Pacific Telephone and Telegraph Company, as filed with the Railroad Commission.



CONDITIONS:

1. The above mileage rate is based on the air line distance measured between the subscriber's Primary Station or Private Branch Exchange switchboard and the nearest point on that portion of the southerly boundary of the Monterey Exchange Area between its point of intersection with the Presidio Military Reservation, Monterey, and the northwesterly corner of the James Meadows Tract.

2. Foreign exchange service will be furnished subject to the same conditions as to the use of the service by others than the subscriber and his representatives which are applicable in connection with other classes of subscribers' telephone service. Joint user service will not be permitted.

3. The phrase "Local rate" as herein used refers to the rate applying in the exchange within which that particular primary station or private branch exchange switchboard is located.

4. Subscribers to foreign exchange service are required to take service of the exchange from which local service normally would be rendered on the premises on which foreign exchange service is furnished.

5. The scope of local service for, and the toll rates to and from individual line stations or private branch exchange systems connected for foreign exchange service will be in accordance with the tariff provisions of the foreign exchange for the particular class of service furnished.

6. Extension stations and P.B.X. stations referred to above will be installed on the premises on which the primary station or P.B.X. switchboard is located.

7. Extension stations and private branch exchange stations will be installed off the premises on which the primary station or private branch exchange switchboard is located, in accordance with the following:

(a) Each extension station or private branch exchange station will be provided for the use of the subscriber only and will be located on the subscriber's premises.

(b) Mileage rates as shown in schedule No. 4-10 are applicable to outside extension stations and outside private branch exchange stations, in addition to the rates for extension stations or private branch exchange stations on the premises on which the primary station or private branch exchange switchboard is located.

(c) Subscribers, who have not subscribed for foreign exchange service and for whom an extension station or private branch exchange station is installed in a foreign exchange area, will be required to take service of the exchange from which local service normally would be rendered on the premises on which such extension station or private branch exchange station is located.

RATES FOR TOLL TELEPHONE SERVICE

Rates for toll telephone service between Carmel and any other toll point are the rates determined in accordance with the terms and conditions of Order No. 2495, dated December 13, 1918, and Order No. 2797, dated February 17, 1919, amendatory thereto, of the Postmaster General of the United States, with the exception noted below; provided, however, that as to any toll points on a connecting line over which rates established by the Postmaster General do not apply, the rate shall be the sum of the rate between Carmel and the connecting point on such line to which such rates established by the Postmaster General do apply, and the rate in effect between this connecting point and the toll point.

The exception referred to above is as follows:

- (1) Between Carmel and Monterey Station-to-Station service only will be furnished.
- (2) Between Carmel and Monterey the initial Station-to-Station rate will be five cents (\$.05).

Initial and overtime periods and overtime rates will be, in all cases, as set forth in the orders of the Postmaster General, referred to above.

RATES FOR TELEGRAPH SERVICE

The rates for telegraph service between Carmel and other telegraph points shall be those rates determined in accordance with the standard methods set forth in the telegraph rate schedules of The Pacific Telephone and Telegraph Company on file with the Railroad Commission.

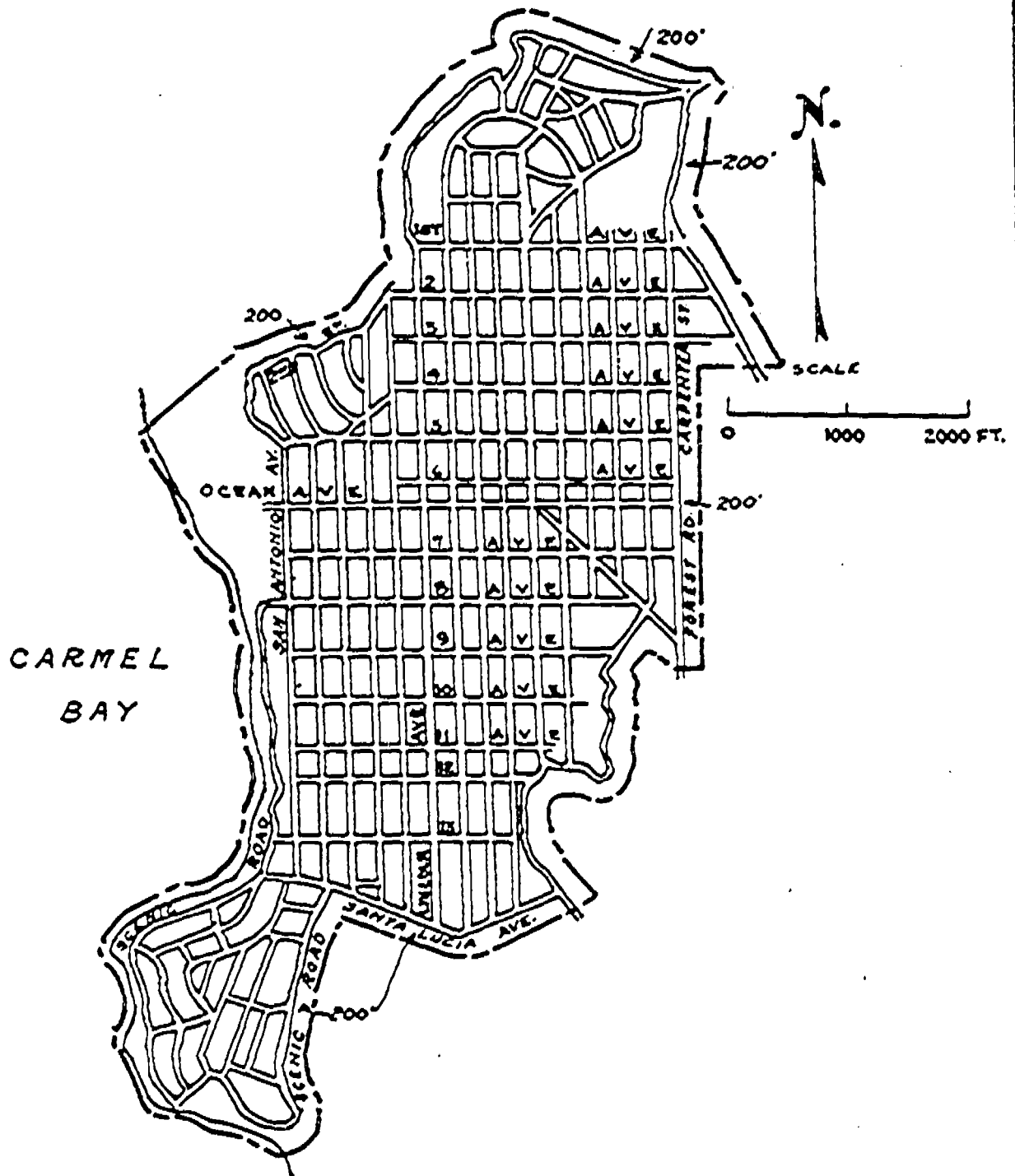


EXHIBIT "B"  
MAP OF PRIMARY RATE AREA  
and  
EXCHANGE AREA  
of  
CARMEL EXCHANGE

CALIFORNIA RAILROAD COMMISSION

PRIMARY RATE AREA  
OF  
CARMEL EXCHANGE  
OF

THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY



CALIFORNIA RAILROAD COMMISSION

EXCHANGE AREA  
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