

Decision No. 4095

ORIGINAL

Decision No. _____

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

CITY OF ALHAMBRA, a municipal corporation,
 Complainant,
 vs.
 THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY, a corporation,
 Defendant.

Case No. 884.

Alfred Barstow, City Attorney, for Complainant.
 James T. Shaw, and Mott and Dillon, for Defendant.

WHEELER and GORDON, Commissioners.

O P I N I O N.

The City of Alhambra, a municipal corporation of Los Angeles County, makes complaint that The Pacific Telephone and Telegraph Company, hereinafter referred to as the Pacific Company, defendant herein, discriminates against the City of Alhambra in the matter of the rates for telephone service between Alhambra and Los Angeles.

The burden of the complaint is that the defendant imposes a charge of 10 cents for each telephone message between its local exchanges in Alhambra and Los Angeles, in both directions, whereas no charge is made for telephone messages from defendant's exchange in Los Angeles to its exchanges in Glendale and Burbank, while, on the other hand, defendant's telephone subscribers in Glendale and Burbank are permitted 60 calls, without additional compensation, for individual line service, both business and residence, and 50 calls without additional compensation, for two-party line, both business and residence, and 10-party suburban service.

Calls from defendant's exchanges in Glendale and Burbank to Los Angeles in excess of the number of calls just referred to are charged at the rate of two cents each.

The City of Alhambra asks that the alleged discrimination against the City of Alhambra and in favor of the Cities of Glendale and Burbank be removed by directing the Pacific Company to accord to each subscriber of its Alhambra local exchange 60 calls per month to Los Angeles, without additional compensation, and to each subscriber in its Los Angeles exchange unlimited switching to the Alhambra exchange.

The defendant made a preliminary motion to dismiss the complaint on the ground that under the Public Utilities Act, a municipality cannot file a complaint against an alleged discrimination in public utility rates having the character of the discrimination herein complained of. Reference to Sections 19 and 60 of the Public Utilities Act convinces us that there is no merit in this point. The Pacific Company's motion will accordingly be dismissed.

Section 19 of the Public Utilities Act provides as follows:

"No public utility shall, as to rates, charges, service, facilities or in any other respect, make or grant any preference or advantage to any corporation or person or subject any corporation or person to any prejudice or disadvantage. No public utility shall establish or maintain any unreasonable difference as to rates, charges, service, facilities or in any other respect, either as between localities or as between classes of service. The commission shall have the power to determine any question of fact arising under this section."

It will be observed that this section provides in part that no public utility shall establish or maintain any unreasonable difference as to rates, charges, service, facilities or in any other respect, either as between localities or as between classes of service. The sole question in this proceeding is whether the Pacific Company has established and maintains any unreasonable difference as to rates for interexchange service as between the

Alhambra-Los Angeles service on the one hand and the Glendale and Burbank-Los Angeles service on the other hand.

In support of its claim that unreasonable discrimination exists, complainant represents that Alhambra adjoins Los Angeles on the east and that Glendale adjoins Los Angeles on the north; that the population of defendant's Alhambra exchange area is 15,000 and that the population of defendant's Glendale exchange area is 17,000; that the population of the City of Alhambra and of the City of Glendale is approximately the same, being in each instance approximately 10,000; that the number of telephone stations in defendant's Alhambra exchange area on January 1, 1917, was 1744 and the number of defendant's telephone stations in defendant's Glendale exchange area on the same day ^{was} 2146; and that the distance between defendant's Alhambra exchange and its Los Angeles central exchange is 7.1 miles and the distance between defendant's Glendale exchange and its Los Angeles central exchange is 6.25 miles. Complainant urges that these facts show a similarity of conditions as between the Alhambra-Los Angeles service on the one hand and the Glendale and Burbank-Los Angeles service on the other, and urges that the difference in rates for telephone service between these communities, hereinbefore referred to, constitutes an "unreasonable discrimination" between localities under the provisions of Section 19 of the Public Utilities Act and hence should be removed.

The Pacific Company urges that the telephonic conditions as between the Alhambra-Los Angeles situation and the Glendale and Burbank-Los Angeles situation are historically different.

While defendant has had competition both in Alhambra and in Glendale, the Alhambra competitor, during the period of competition, continuously charged 10 cents for each telephone message between Alhambra and Los Angeles. The Glendale competitor, on the other hand, ever since the establishment of its

exchange in Glendale in October, 1904, has maintained unlimited service between Glendale and Los Angeles. The Pacific Company, in so far as Alhambra is concerned, followed its competitor in charging 10 cents for service between Alhambra and Los Angeles. In Glendale, the Pacific Company formerly gave a suburban service feeding out of Los Angeles. When the Pacific Company established an exchange in Glendale, it first established unlimited service between Glendale and Los Angeles but later established the present limited free switching between these two exchanges. The defendant's subscribers in Burbank originally received suburban service out of the Glendale exchange. When the Burbank exchange was established the Burbank subscribers continued to receive, through the Glendale exchange, unlimited service between Burbank and Los Angeles.

Historically, the difference in the rates for service between Alhambra and Los Angeles on the one hand and Glendale and Burbank and Los Angeles on the other, was due to difference in competitive conditions in these communities.

The Pacific Company urges that the Alhambra and the Glendale conditions are not comparable for the reason that its local exchange rates in these two exchanges are different. Defendant contends that the similarity of telephonic conditions on which complainant relies accordingly does not exist.

The Pacific Company's local exchange rates for business service and residence service in Alhambra are as follows:

ALHAMBRA

Business Service

	<u>Wall Set</u>	<u>Desk Set</u>
Individual Line	\$2.50	\$2.50
Two-party Line	2.00	2.25
Four-party Line	2.00	2.00

Residence Service

Individual Line	2.00	2.00
Two-party Line	1.50	1.75
Four-party Line	1.25	1.50

Alhambra subscribers of the Pacific Company have unlimited service to the El Monte and Arcadia exchanges of the Pacific Company.

The Pacific Company's local exchange rates for business service and residence service in its Glendale exchange are as follows:

<u>GLENDALE</u>		
<u>Business Service</u>	<u>Wall Set</u>	<u>Desk Set</u>
Individual Line (60 free calls to Los Angeles)	\$3.00	\$3.25
Two-party Line (50 free calls to Los Angeles)	2.50	2.75
Suburban Service, 10-party Line, (50 free calls to Los Angeles)	2.50	2.75
<u>Residence Service</u>		
Individual Line (60 free calls to Los Angeles)	2.00	2.25
Two-party Line (50 free calls to Los Angeles)	1.50	1.75
Suburban Service, 10-party Line, (50 free calls to Los Angeles)	2.50	2.75

The Pacific Company's Glendale subscribers have unlimited service to Burbank. They pay two cents for each call to Los Angeles in excess of the number of free calls allowed each month. Los Angeles subscribers of the Pacific Company may telephone to the Pacific Company's Glendale/^{and Burbank} subscribers without any additional compensation, regardless of the number of calls.

It will be observed from the foregoing rate schedules that the rates in Glendale for individual line business service are 50 cents higher than in Alhambra for a wall set and 75 cents higher for a desk set and that the rates for two-party business service, for both wall set and desk set are 50 cents higher in Glendale than in Alhambra. Furthermore, the rate for individual line residence service is 25 cents higher for desk set in Glendale than in Alhambra. Also, Alhambra subscribers may avail themselves of four-party ~~residence~~ residence service at a rate 25 cents per

month less than two-party residence service in Glendale, while it is not possible for Glendale subscribers to secure any four-party residence service. It thus appears that in important respects the local exchange rates in Alhambra are lower than the local exchange rates in Glendale. Defendant urges that under these conditions the Glendale situation is not fairly comparable with the Alhambra situation.

Defendant further urges that Glendale and Burbank are its only two exchanges which enjoy to any extent the privilege of free calls to and from Los Angeles.

The Pacific Company's local exchanges adjoining or near to its Los Angeles exchange, with the mileage in each instance from the company's central Los Angeles exchange and the number of telephone stations in the local exchange, are as follows:

Exchange	Mileage from Los Angeles	Number of Telephone Stations.
Alhambra	7.1	1744
Glendale	6.25	2146
Burbank	9.5	140
Arcadia	13.5	189
El Monte	11	190
Inglewood	8.5	395
Long Beach	19	3275
Pasadena	10.5	13600
San Pedro	21	1153
Redondo Beach	16.5	525
Santa Monica	13.25	2129
Torrance	14	50 to 60
Van Nuys	14	150
Wilmington	19	115

The exchange rates in the Eagle Rock exchange, which is

not mentioned in the foregoing table, are computed on a mileage basis from Los Angeles and there is no toll charge for messages between the Los Angeles and the Eagle Rock exchanges.

Toll charges are in effect between each of the exchanges in the foregoing list and Los Angeles, except the Glendale and Burbank exchanges.

The Pacific Company urges that if Alhambra's request is now granted, there will be no logical answer to requests from all the other local exchanges contiguous to Los Angeles to receive similar privileges, resulting in an unjustifiable diminution in the Pacific Company's revenues.

In its Exhibit No. 2 herein, the Pacific Company claims that in the year 1915 its maintenance and operating expenses and depreciation annuity for the Alhambra exchange were \$8,708.78 in excess of the operating revenues from the exchange. The Pacific Company claims an allowance of \$16,058.59 for depreciation annuity for the Alhambra exchange, on which claim it is not necessary to pass herein. This matter, as well as other matters going to the question of just and reasonable local exchange rates to be charged by the Pacific Company in its Alhambra exchange, will be carefully considered and will be determined by the Railroad Commission in Application No. 1870, The Pacific Telephone and Telegraph Company, in which proceeding the Railroad Commission will establish just and reasonable local exchange rates to be charged by the Pacific Company in each of its local exchanges in the State of California.

In its Exhibit No. 1 herein, the Pacific Company shows that if the rates for business between its Alhambra and Los Angeles exchanges asked by complainant had been applicable for the year ending July 20, 1915, to the Pacific Company's business between its

Alhambra and Los Angeles exchanges, the Pacific Company would have suffered a loss in revenue as follows:

Interexchange messages, Alhambra to Los Angeles,	\$6,386.80
" " Los Angeles to Alhambra,	<u>9,858.66</u>
Total loss,	\$16,245.46

It is not necessary herein to analyze these claims or the further claim made in Exhibit No. 4 of the Pacific Company to the effect that in order to take care of the additional business which would result from the rates urged by complainant herein, it would be necessary for the Pacific Company to expend in first cost of additional facilities the sum of \$109,538.23. That substantial losses would accrue to the Pacific Company if free switching were installed between Alhambra and Los Angeles to the extent asked by complainant and that a considerable additional expense would be incurred by the Pacific Company in order to take care of the additional business which would move between Alhambra and Los Angeles, is clear.

On the issue of discrimination herein presented, we find that telephonic conditions, as between the Alhambra and Glendale exchanges, are not comparable for the reason that the local exchange rates, which must be considered in connection with the rates for service between the exchange affected and the Los Angeles exchange of the defendant, vary materially as between Alhambra and Glendale. As already shown, the local exchange rates for business service in Alhambra are 50 cents, and in one case 75 cents less than the defendant's rates for the same service in Glendale. Furthermore, Alhambra subscribers of the Pacific Company desiring residence service may secure four-party residence service at a rate of 25 cents per month less than the cheapest residence service of which the Glendale subscribers of the Pacific Company may avail themselves. When the Glendale

subscriber pays a higher monthly local exchange rate than the Alhambra subscriber, he to that extent pays, at least in part, for the greater privilege which he enjoys in connection with interexchange service between Glendale and Los Angeles.

In view of the difference in local exchange rates, the Alhambra and the Glendale exchanges cannot properly be compared on the issue of discrimination. The complainant having selected the Glendale exchange for the purpose of ~~xxxx~~ its comparison, this exchange not being fairly comparable with the Alhambra exchange for the reasons stated, and the Pacific Company's other local exchanges in the vicinity of its Los Angeles exchange all paying toll for messages to Los Angeles just as Alhambra does, we find that complainant has not established a case of unreasonable difference as to rates and service, ~~and that the complaint herein must be dismissed.~~ and that the complaint herein must be dismissed.

We submit the following form of order:

O R D E R.

Public hearings having been held in the above entitled complaint and this proceeding having been submitted and being now ready for decision,

IT IS HEREBY ORDERED that the above entitled proceeding be and the same is hereby dismissed.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 10th day of February, 1917.

Max Shuler
Edwin O. Edgerton
Franz A. Reule
Commissioners.