

Decision No. 9516

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

**ORIGINAL**

In the matter of the Service and Rates rendered by Southern California Telephone Company in the Palms District of the City of Los Angeles and in Culver City, Los Angeles County, California.

Case No. 1538.

Arthur Wright, James T. Shaw and Pillsbury, Madison and Sutro of counsel for Southern California Telephone Company and The Pacific Telephone and Telegraph Company;  
 Jess E. Stephens and H. Z. Osborne, Jr., for City of Los Angeles;  
 Marshall Stimson and Harry Culver, for Board of Trustees of Culver City and Culver City Chamber of Commerce;  
 Ingle Carpenter, for Ingle Studios, the Willatt Studio, J. Barker Reed and other producers;  
 A. E. Cross, of Mott and Cross, for Goldwyn Producing Corporation;  
 Warren Doane, for Hal Roach Studios;  
 W. E. Holmes, for Palms Chamber of Commerce.

Brundige and Rowell, Commissioners:

O P I N I O N

Southern California Telephone Company, owning and operating telephone exchanges in the City of Los Angeles and adjacent territory having made informal application to the Railroad Commission for authority to establish an exchange in Culver City to meet a growing demand for telephone service in Culver City and the Palms District of the City of Los Angeles and to establish rates therefor, a question has arisen as to whether the proposed exchange should be established as a branch or multi-office of the Los Angeles exchange system, providing direct unlimited service with the Los Angeles exchange system at Los Angeles rates, or whether as a separate exchange providing unlimited local service at local rates contemplating the institution of toll service at toll rates

between it and the Los Angeles exchange system. It appearing to the Commission that the issues here presented are such that they can not be disposed of satisfactorily through informal negotiations, this proceeding was instituted on motion of the Commission for formal determination and a public hearing was held in the City of Los Angeles on March 18, 1921.

It was proposed in the informal application of Southern California Telephone Company, contained in its letter of June 18, 1919, to establish its proposed exchange as a separate local exchange for local service at local rates and to make effective the long distance toll rates of The Pacific Telephone and Telegraph Company and the United States Long Distance Telephone and Telegraph Company for all service between it and all points beyond, including the territory served by the Los Angeles system. The rates therein proposed for the principal classes of exchange service were as follows:

	Rate per Month	
	Wall Set	Desk Set
<u>Business Unlimited Service:</u>		
Individual Line	\$ 2.75	\$ 3.00
Two Party Line	2.25	2.50
Extension (With or Without Bell)	1.00	1.00
Suburban Service (Ten Party Line)	3.50	3.75
<u>Residence Unlimited Service:</u>		
Individual Line	2.25	2.50
Two Party Line	2.00	2.25
Four Party Line	1.75	2.00
Extension (Without Bell)	0.50	0.75
Extension (With Bell)	0.65	1.00
Suburban Service (Ten Party Line)	3.00	3.25
<u>Private Branch Exchange Business Commercial - Unlimited Service:</u>		
Switchboard, etc., per position,	5.00	per month
First bothway trunk line,	4.75	" "
Each additional bothway trunk line,	3.56	" "
Each incoming trunk line,	4.00	" "
Each station, other than outside, wall or desk set,	1.00	" "

The rates herein listed were intended to apply within what the company proposed to designate as a primary rate area, beyond which its uniform mileage rates were to apply in addition to the rates herein listed, except

for suburban service and private branch exchange switchboards. The primary rate area herein referred to is shown in Exhibit No. 2 of Southern California Telephone Company, entered in this proceeding. The proposed toll rate for calls to and from Los Angeles is 10¢ for the first five minutes and 5¢ for each additional three minutes or fraction thereof for station to station messages. A rate for person to person messages was not provided for Los Angeles calls.

The present rates for Los Angeles exchange service of the classes listed above, exclusive of mileage charges from the present Los Angeles primary rate area and which subscribers or patrons located within Culver City and the Palms District would be required to pay if Los Angeles rates were made effective in Culver City and Palms, are as follows:

	<u>Rate per Month</u>	
	<u>Wall Set</u>	<u>Desk Set</u>
(Manual Equipment)		
<u>Business Unlimited Service:</u>		
Individual Line	\$ 6.25	\$ 6.75
Two Party Line	4.75	5.25
Extension Sets	1.00	1.00
Suburban Service (Ten Party Line)	3.00	3.00
<u>Residence Unlimited Service:</u>		
Individual Line	\$ 2.50	\$ 2.75
Two Party Line	2.25	2.50
Four Party Line	1.75	2.00
Extension Sets	1.00	1.00
Suburban Service (Ten Party Line)	2.50	2.50
<u>Private Branch Exchange, Business Commercial - Unlimited Service:</u>		
Switchboard, per position	\$ 3.00 per month	
Power Circuit	1.75	"
First bothway trunk line	8.00	"
Additional bothway trunk lines, ea.,	7.00	"
Each receiving trunk line	5.00	"
Each sending trunk line	6.00	"
Each Station (within building)	1.00	"

In addition to the Los Angeles exchange rates herein listed mileage charges, varying in amount according to the classes of service selected and according to the location of the subscribers' premises, would apply, the amount being computed on measurements from the present

primary rate area at present uniform mileage rates as follows:

Individual lines, including private branch exchange trunk lines, 50¢ per month for each quarter mile or fraction thereof.

Two party lines, 35¢ per month per quarter mile or fraction thereof.

Four party lines, 25¢ per month per quarter mile or fraction thereof.

The present primary rate area of the Los Angeles exchange is shown in Exhibit No. 15, of Southern California Telephone Company entered in the proceeding in Application No. 6285.

If the Los Angeles rates herein referred to were made effective for Culver City and Palms subscribers, calls to and from Los Angeles would not be subject to the payment of the toll rate which is contemplated in the proposal of the telephone company for the establishment of a local exchange and exchange rates in the Culver City-Palms area. It will be seen from the foregoing that the Los Angeles rates, with the addition of mileage rates, are very much higher than the rates proposed by the telephone company for local exchange service at the proposed local exchange. As of March 4, 1921, there were eighty-six subscribers of various classes within the Culver City-Palms area receiving service from the Los Angeles exchange. Of this number twelve only are now paying Los Angeles rates plus mileage. The remaining seventy-two are paying Los Angeles rates without mileage. The aggregate amount of the monthly rates for this service is the approximate sum of \$613.00, an average of approximately \$7.14 per month per subscriber. If the proposed local exchange and local rates were established it is estimated that the average monthly local rate for the same subscribers would be \$4.44, or \$2.70 lower than the present average Los Angeles rate. There were also as of the same date, March 4, 1921, fifteen subscribers in this area receiving service from the Santa Monica exchange of the Santa Monica Bay Home Telephone Company, whom it was proposed to take over to the proposed Culver City-Palms exchange. The aggregate amount of these monthly rates is the sum of \$51.50, an average of \$3.43 per month per subscriber. The estimated average monthly rate for the

same subscribers for the proposed Culver City local service is \$2.38 per month which is \$1.05 per month lower than the present average rate for Santa Monica service. It has not been determined what the average rate, inclusive of mileage charges, for these subscribers for Los Angeles service would be, but it is apparent that it would be in excess of the present rate.

While it thus is shown that the proposed rates for service confined to the local Culver City-Palms exchange area are considerably lower than the rates now in effect for either Los Angeles or Santa Monica service, the chief contention of those protesting against the adoption of the proposed plan is that by far the greater use of the service is and will be to and from Los Angeles and that, with the payment of toll charges on calls to and from Los Angeles in addition to the local rates, the cost of the service would be greatly in excess of what it would be for unlimited service at Los Angeles rates plus mileage. It is also urged by protestants that there is so little necessity for service between present subscribers in Culver City and Palms or those who desire telephones, on the one hand, and so great necessity for service between these districts and the City of Los Angeles, on the other hand, that a service confined to these districts would be comparatively of little or no value while it is of the utmost importance that service to and from Los Angeles be made available. This objection to the adoption of the company's plan came chiefly from those interested either directly or indirectly in the moving picture industry for which Culver City and the Palms is a center but the same general view is also expressed by other protestants.

In support of the proposed plan for local rates for local service with toll rates for service to and from outside points Southern California Telephone Company urges that Culver City and Palms are separated from the City of Los Angeles by an area of considerable extent which is but sparsely built up and that although a part of Palms has been annexed

by the City of Los Angeles, the district as a whole constitutes a separate and distinct community whose local development and interests require local telephone service apart from the City of Los Angeles; that to provide and maintain facilities to furnish the service with proper economy as to investment and as to rates commensurate with the service a separate local exchange should be established. It also points to the fact that for this purpose it some time ago purchased a location, erected a central office building and proceeded to install central office and other plant at an expenditure of approximately \$50,000.00; that the abandonment of these plans and the substitution of Los Angeles service will result, not only in the loss of this investment, but in the re-arrangement of its plant and re-routing of its lines with an estimated additional expenditure of approximately \$80,000.00. While the company appears to have acted in good faith, even to the extent of its present investment in property, it should be noted that it has proceeded with these plans involving changes in service and in rates which, under the provisions of the Public Utilities Act of this State, it cannot make legally effective except by an order of this Commission authorizing the changes to be made and this order the company did not seek in advance of the investment which it has made. Thus if the Commission finds that the public interest requires the alteration of those plans it must be guided by that fact even though the company may have proceeded in good faith to remedy a difficult situation.

Telephone service in Culver City and Palms, to the extent that it is now provided by Southern California Telephone Company, is the outcome of conditions which have developed with the growth of these communities and as it has been influenced and directed during their growth by the interests of competing telephone utilities, predecessors of the present company, which were variously serving this and adjacent territory prior to its organization. By reason of consolidations which have eliminated these competing interests the present company finds itself exclusively occupying the territory in which it now operates with the result that it is responsible for service which, during the existence of those

competing interests, was divided between The Pacific Telephone and Telegraph Company and its predecessor, Sunset Telephone and Telegraph Company, serving the Culver City-Palms area, operating out of Los Angeles and Santa Monica and the Home Telephone and Telegraph Company of Los Angeles. The service thus furnished at the present time varies considerably in character and extent, present facilities are inadequate to meet present requirements and the rates charged are characterized by a very considerable lack of uniformity. Thus the entire situation is one in which a complete adjustment is imperative. Numerous residents and business interests located in Culver City and Palms are without telephones and are unable now to secure them while, in other instances, service which is available is inadequate. The company is unable or unwilling to proceed with the work which it has started to provide relief and in the meantime its property and investment remains idle.

It is fundamental of course, not alone in the interests of economy, but in order even to make possible the furnishing of telephone service at rates which otherwise would be so prohibitive as to defeat the purposes for which the service itself is intended, that in self-contained and self-supporting communities, local service at local rates designed to meet local requirements is a necessity of prime importance. It is obvious that the more service is extended between different communities the higher the rate must be to sustain it and if that rate be a flat rate to all users, those patrons having less necessity than others to use the service to the outside or distant communities must pay more in proportion to its use than the patrons whose necessity for its use is greater. There must of necessity be a limit to the extent to which such service at flat rates shall be extended. Beyond such limit each user should pay for his service in proportion as he may require it. The evidence in this case is largely to the effect, however, that Culver City and Palms are not wholly self-sustaining communities, or to the extent that other communities

near or adjacent to the City of Los Angeles are self-sustaining, or to the extent that telephone service confined to the limitations of a local exchange will adequately serve their interests. It has been shown that as to the chief public interest of these communities, a local service will be of little if any value. On the other hand, it is shown that although there is to some extent at least, a necessity for local service, the chief objection to its establishment on an independent local basis is the payment of toll charges for calls to and from Los Angeles and other outside points.

It is urged by some of those who are asking that Los Angeles service at Los Angeles rates be extended to these communities that the Los Angeles primary rate area within which Los Angeles rates without the addition of established mileage charges apply, be so extended as to include Culver City and Palms. There are others who ask that it be so extended as to eliminate only such portion of the present mileage charges as the Commission may determine to be proper. So far as the primary rate area of the Los Angeles exchange is concerned this is a matter directly involving the rates of this company in the City of Los Angeles and one which cannot be considered apart from its effect on those rates. There is now pending before the Commission an application of Southern California Telephone Company for authority to increase rates, one of the features of which is the establishment of a reasonable primary rate area for the Los Angeles exchange. It is proposed by the company in that proceeding to extend the present Los Angeles primary rate area in the direction of Culver City and Palms, the adoption of which will reduce the amount of mileage charges now applicable to Culver City and Palms subscribers who are receiving Los Angeles service at Los Angeles rates. Except to the extent that the extension thus proposed by the company should be considered in the present proceeding, the determination of this matter in so far as its relation to Culver City and Palms is concerned must await a decision in the Los Angeles rate proceeding.

In this case, as in a few others which have been before this Commission recently, the telephone company has offered to extend in



particular instances what it refers to as extra territorial service for subscribers whose particular service requirements extend beyond the limitations of local exchange service. Under this plan, if the telephone company is satisfied that the subscriber actually requires this extra territorial service and if he will not permit its unauthorized use to evade the payment of toll charges, and, if in addition to paying the prevailing extra territorial rate at the exchange with which it is to connect, he will also subscribe to the local service, he may secure it. In this instance the total cost of such service to Los Angeles, Culver City and Palms would be the Los Angeles rate for the class of service selected, plus a mileage charge covering the mileage between the Los Angeles primary rate area and the subscribers' premises, plus the Culver City-Palms local rate. It is conceivable that a rule of this character may suffice to overcome some of the objection that may be advanced to local service, but it is itself possessed of more or less dangerous or objectionable features and we are not convinced that it offers a final solution to the difficulties that it is designed to meet.

We cannot agree in the view that there is the same justification for the present establishment of a separate local exchange for Culver City and Palms that there undoubtedly is in other cases. Neither are we convinced that such modification of the company's plans under which it has heretofore proceeded to provide for its proposed Culver City-Palms exchange, as may be necessary to conform to our views in this instance will necessarily involve it in the serious loss to which it has referred. Whether a separate exchange were established as it now urges for these communities, or whether they were considered as an integral part of the Los Angeles exchange undoubtedly it is probable, as the evidence shows, that the plant already provided will be utilized. It may well be that provision for unlimited service to and from Los Angeles will create, and as the company's business increases in Culver City and Palms, there will be created a necessity for facilities in excess of those provided for in the original

plan, but eventually it no doubt would have become necessary to provide an additional central office and associated plant, even if it had not been so provided in the original plans.

It is true if this company were to be required to provide direct subscribers' lines from its Los Angeles exchange in order to satisfy the demand of Culver City and Palms subscribers that the investment involved would be very considerable and the cost of maintenance and operation would be high. Furthermore it does not seem to the Commission that the direct service which would thus be made available would be materially superior to that which would be available if subscribers' lines were terminated in the proposed local office in Culver City with sufficient inter-exchange trunk lines to carry the Los Angeles traffic. In view of this and in view of the preparations already made by the company, to abandon which would seriously delay the further installation of service, we are disposed to feel that for the present the company should exercise its discretion in the matter of routing its lines between the Culver City-Palms area and its Los Angeles exchange in so far as compliance with the order in this case will admit.

For a number of years and particularly within recent years growth in the City of Los Angeles and its environs has been so phenomenal as to greatly exceed the plans heretofore made by telephone companies to provide service. This growth still continues and in those sections west and southwest of the city, including that in which Culver City and Palms are located, it appears to be most pronounced and rapid at the present time. With the increased demands for telephone service and with the changed conditions following this growth it is not improbable that present methods for providing facilities and present methods of operation will become more or less changed. In that event and to that extent the present service requirements of

Culver City and Palms will be altered.

It is our opinion that in the present situation Southern California Telephone Company should proceed at once to place its Culver City-Palms exchange in service and provide service under two separate rate schedules, one on the basis of the rates appearing in the following order for unlimited service to and from the Los Angeles exchange, the other on the basis of rates for unlimited service within the Culver City-Palms local exchange with toll charges, in addition, for all messages to and from all points beyond the local exchange. The rates appearing in the order herein for unlimited service to and from Los Angeles are determined by adding to the present Los Angeles base rates the company's present standard mileage rates computed on direct measurement between the Culver City-Palms central office and the nearest point in the proposed primary rate area of the Los Angeles exchange as the company proposes to establish it. With these two separate rate schedules in effect the principal purpose of which is to make either the Los Angeles service or the local service available at the option of the subscriber, the question as to which service is in the public interest will automatically take care of itself. The following order is recommended:

#### O R D E R

Proceedings in the above entitled matter having been instituted on the Commission's own motion, the case having been heard, the Commission being fully advised and the matter having been submitted,

The Commission HEREBY FINDS, as follows:

1. That public convenience and necessity require the establishment and maintenance of adequate telephone service in Culver City and Palms, Los Angeles County, California.
2. That there is a sufficient present community interest between Culver City and the City of Los Angeles, and between Palms and the City of Los Angeles, to justify and require the establishment and maintenance of inter-exchange telephone service between Culver City and Palms and the City of Los Angeles.

Basing its conclusions on the foregoing findings and on the other findings referred to in the Opinion preceding this Order,

IT IS HEREBY ORDERED AND DIRECTED, as follows:

Southern California Telephone Company shall at once proceed with the construction and installation of such plant and equipment, if any, in addition to that at present available for the purpose and shall, within a period not to exceed ninety (90) days from the date of this Order, complete such construction and installation and place in service a local central office telephone exchange in the Culver City and Palms area, unless for good cause shown, the Commission may grant such extension of time as to it may appear to be reasonable and proper, and may issue its supplemental order herein providing therefor, and shall thereafter establish and maintain local exchange service and inter-exchange service under the conditions and subject to the rates hereinafter set forth, as follows:

- A. Unless for good cause shown, the Commission may grant an extension of time for the Completion of the construction and installation of plant and equipment and the establishment of service as hereinabove provided, Southern California Telephone Company shall publish, file with the Railroad Commission and make effective on or before ninety (90) days from the date of the order herein, two separate schedules of rates as hereinafter provided. In the event that the Commission may extend the time for the establishment of service as herein provided, then the date, on or before which the rates herein provided for shall be published, filed and made effective, shall be correspondingly extended.
- B. Subscribers and applicants for service shall be given the choice and option of either one of two schedules of rates and shall be entitled to the service for which the particular rate schedule selected shall provide. The schedules of rates herein provided for and the service to which the subscribers shall be entitled thereunder, shall be as follows:

1 - LOCAL CULVER CITY-PALMS UNLIMITED EXCHANGE SERVICE:

<u>Class of Service:</u>	<u>Rate Per Month</u>	
	<u>Wall Set</u>	<u>Desk Set</u>
<u>Business Unlimited</u>		
Individual Line	\$ 2.75	\$3.00
Two-Party Line	2.25	2.50
Extension (With bell)	1.00	1.00
Extension (Without bell)	1.00	1.00
Suburban Service	3.50	3.75
<u>Residence Unlimited</u>		
Individual Line	\$ 2.25	\$ 2.50
Two-Party Line	2.00	2.25
Four-Party Line	1.75	2.00
Extension (With bell)	0.65	1.00
Extension (Without bell)	0.50	0.75
Suburban Service	3.00	3.25

The above rates cover the principal classes of service only. Supplemental schedules covering rates for miscellaneous equipment and rates for other classes of service not included in the above schedule shall be filed with the Commission within the time hereinabove provided for the filing of rates subject to the further approval of the Commission. The primary rate area of the Culver City-Palms exchange, within which the base rates hereinabove provided for shall be made applicable and the exchange area to be served by the Culver City-Palms exchange, shall be as set forth in Exhibit No. 2 of Southern California Telephone Company entered in this case. Mileage rates for subscribers located beyond the primary rate area of the Culver City-Palms local exchange and within the exchange area of said exchange applicable to one, two and four-party service shall be charged as follows:

One-Party Line, for each quarter mile or fraction thereof, 50¢ per mo.
Two-Party Line, " " " " " " " " 35¢ " "
Four-Party Line, " " " " " " " " 25¢ " "

Subscribers electing to take service under Schedule No. 1 shall be entitled to unlimited service with all other subscribers of the Culver City-Palms local exchange, inclusive of those taking service under Schedule No. 2 hereinafter appearing. For all messages to and from stations other than those served directly from the local exchange subscribers electing to take service under Schedule No. 1 shall pay the authorized toll rates applicable thereto.

2 - UNLIMITED LOS ANGELES EXCHANGE SERVICE:

Subject to such alteration therein or modification thereof as may be provided for in the Decision of this Commission in Application No. 6285 of Southern California Telephone Company, the following rates shall be made effective for unlimited service between subscribers of the Culver City-Palms exchange and subscribers of the Los Angeles exchange.

	Rate Per Month	
	Wall Set	Desk Set
<u>Business Unlimited Service:</u>		
Individual Line	\$10.75	\$11.25
Two-Party Line	7.90	8.40
Extension Sets	1.00	1.00
Suburban Service (Ten-Party Line)	3.00	3.00
<u>Residence Unlimited Service:</u>		
Individual Line	\$ 7.00	\$ 7.25
Two-Party Line	5.40	5.65
Four-Party Line	4.00	4.25
Extension Sets	1.00	1.00
Suburban Service (Ten-Party Line)	2.50	2.50

The above rates cover the principal classes of service only. Supplemental schedules covering rates for miscellaneous equipment and rates for other classes of service not included in the above schedule shall be filed with the Commission within the time hereinabove provided for the filing of rates, subject to the further approval of the Commission. The primary rate area within which the rates herein provided shall apply and the mileage rates which in addition thereto shall apply for subscribers located outside of such primary rate area shall be as provided in Schedule No. 1 hereinabove set forth.

Subscribers electing to take service under Schedule No. 2 shall be entitled to unlimited service with all other subscribers of the Culver City-Palms exchange, inclusive of those taking service under Schedule No. 1, and with subscribers of the Los Angeles exchange. For all messages to and from all stations other than those served directly from the local exchange or the Los Angeles exchange subscribers electing to take service under Schedule No. 2 shall pay the authorized toll rates applicable thereto.

3 - LONG DISTANCE, TELEPHONE TOLL AND TELEGRAPH RATES:

Except that subscribers receiving service under Schedule No. 2 shall be entitled to unlimited Los Angeles service without the payment of toll charges, in addition to the base rates provided in Schedule No. 2, the rates for long distance telephone toll and telegraph service for Culver City-Palms subscribers shall be computed as Culver City-Palms rates, in accordance with the authorized standard toll and telegraph schedules of Southern California Telephone Company, The Pacific Telephone and Telegraph Company and United States Long Distance Telephone and Telegraph Company.

4 - RULES AND REGULATIONS:

The authorized Rules and Regulations of Southern California Telephone Company shall apply in the Culver City-Palms exchange.

The Order herein made is limited to this particular case and is not to be taken as a precedent to be followed in other cases.

The Opinion and Order herein 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 14<sup>th</sup> day of September, 1921.

H. P. Brundage  
H. D. Loveland  
George W. Martin  
Charles H. Louch  
W. J. ...  
Commissioners.