

ORIGINAL

Decision No. 49048

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 THE PACIFIC TELEPHONE AND TELEGRAPH)
 COMPANY, a corporation, for authority)
 to increase certain intrastate rates) Application No. 33935
 and charges applicable to telephone)
 service furnished within the State of)
 California.)

(A list of appearances is appended hereto.)

INTERIM OPINION AND ORDER AUTHORIZING
 EXTENDED SERVICE IN SANTA CRUZ AREA

At the public hearing on July 13, 1953 at Santa Cruz, before Commissioner Peter E. Mitchell and Examiner M. W. Edwards, on the request of The Pacific Telephone and Telegraph Company for an increase in telephone rates, the subject of extended service in the Santa Cruz area as proposed in the application was considered. Applicant requested an interim order making the authorization so that the actual construction having to do with this extended area service may proceed promptly.

Applicant's Proposal

Applicant proposes an extended area composed of the Boulder Creek, Ben Lomond, Felton, Santa Cruz and Aptos exchanges. Extended service is now available to the San Lorenzo Valley exchanges, namely, Boulder Creek, Ben Lomond and Felton. A witness for the applicant testified that this new and expanded extended service could be made effective in the latter part of 1954.

By Exhibit No. 47 applicant anticipates that extended service will require an additional expenditure of \$58,600 for plant on which the annual charges are estimated at \$11,500. However, it

expects to realize savings in commercial, accounting and traffic expense in the total amount of \$27,500 annually; a net saving of \$16,000. Because of the elimination of toll charges between adjacent exchanges in the proposed extended area, the applicant anticipates that toll revenues would be reduced by \$38,400 annually. The difference between savings and reduced toll revenues would result in an over-all reduction of \$22,400 in net revenue before income taxes. Applicant expects revenue increases to recover this anticipated reduction but did not seek specific extended service rates at this time. It suggested that the rates for the new service be established and related to the conditions that would obtain at the time extended service could be introduced.

In order to avoid the use of capital in an improvident manner, applicant seeks authorization to proceed with the introduction of extended service before any money is actually expended upon such facility. Furthermore, authorization is sought promptly, prior to conclusion of the main rate case, to save making additional financial expenditures in building a larger switchboard to accomplish service on a toll basis which would not be necessary after conversion to extended service.

Need for Extended Service

Testimony was received from several subscribers and representatives of organizations in general favoring the institution of extended service in the area proposed. Most subscribers and representatives were from outlying areas where sizable reductions in toll bills might result, however two witnesses, the City Manager of Santa Cruz, and a Councilman, appeared to augment a resolution unanimously adopted by the City Council of Santa Cruz favoring the approval of the extended service arrangement suggested in the application. Some concern was expressed by a witness from the Aptos area

that the extended service arrangement would not apply to calls to the Watsonville exchange.

In order that the need for the service might be evaluated the staff requested community of interest factors.^{1/} Community of interest factors from Santa Cruz to Aptos, Ben Lomond, Boulder Creek and Felton are 0.253, 0.095, 0.138 and 0.265 respectively. Similar factors from these exchanges into Santa Cruz are 6.541, 4.477, 3.817 and 7.878 respectively. The above figures are based on toll calls for the first half of 1952. Compared with the factor of 6.541 between Aptos and Santa Cruz a factor of 2.94 between Aptos and Watsonville was shown.

Test Rates

Counsel for the Commission staff took the position that the dollars and cents effect upon the ratepayer should be known before authorizing extended service. The applicant seeks authorization for extended service without definitive rates being set at this time but did show some test rates. In general the present Santa Cruz rate levels were used as the test rates. A comparison of the present and test rates for representative classes, one-party business and four party residence, follows:

Exchange	No. of Stations		Illustrative Test Rates			
	Available 6-30-52:		1-Party Business:		4-Party Residence:	
	Present	Proposed	Present	Proposed	Present	Proposed
Aptos	731	14,892	\$6.50	\$8.25	\$2.95	\$2.95
Ben Lomond	1,838	15,999	6.50	8.25	2.95	2.95
Boulder Creek	1,838	15,999	6.50	8.25	2.95	2.95
Felton	1,838	15,999	6.50	8.25	2.95	2.95
Santa Cruz	14,161	16,730	8.25	8.25	2.95	2.95

^{1/} The community of interest factor is the monthly toll messages originating in one exchange and going to another exchange divided by the number of main telephones in the originating exchange.

In the other types of business service the two-party test rate is \$1.25 per month higher than present for the four smaller exchanges, 25 cents higher for suburban service and 50 cents higher for farmer line service. In the other types of residence service the test rate is 25 cents higher for one-party service and 30 cents higher for farmer line service. Such test rates would add \$9,100 in annual revenue. This increase will not completely offset the over-all reduction of \$22,400 and indicates the test rates are low by about 5 cents per month per station, based on the present level of net revenues.

Present Rate Application

At the present time, exclusive of extended service, the applicant is proposing basic rate increases in Aptos, Ben Lomond, Boulder Creek and Felton of 75 cents in business service and 20 to 60 cents in residential service, and in Santa Cruz of \$1 to \$1.50 in business service and 35 to 80 cents in residential service. Some of the witnesses offered objection to any increase prior to the introduction of dial service or extended service in the Santa Cruz area. Such objection will be given consideration in the main rate order when issued under this application but need not preclude the issuance of this interim order as no rate increases are authorized at this time.

Conclusion

After reviewing the evidence presented by the applicant and statements by the various witnesses at the July 13, 1953 hearing, and no objection to extended service having been expressed, it is concluded that an interim order should be issued authorizing the introduction of the extended service in the Santa Cruz area in 1954. Based on the study of test rates, it does not appear that the increase in rates to the subscribers in the Santa Cruz exchange

will be burdensome when extended service is introduced and for the outlying exchanges over-all savings may result. There does not appear to be a sufficient community of interest to warrant inclusion of the Watsonville exchange in this extended area at this time.

Hearings on other extended areas have been held in Sacramento and San Bernardino. However, pending completion of studies to be submitted at a later date, no conclusions have been formulated on these areas. Public hearings on the main rate case will be resumed on September 3, 1953 in Los Angeles at 10 a.m. in the Commission Courtroom, Mirror Building, 145 South Spring Street, for the purpose of considering the applicant's proposal to withdraw local service in the Los Angeles extended area.

INTERIM ORDER

The Pacific Telephone and Telegraph Company having requested of this Commission an interim order pending completion of the entire proceeding authorizing it to proceed to introduce extended service, public hearing having been held and it appearing to the Commission that such authorization should be granted;

IT IS HEREBY ORDERED that The Pacific Telephone and Telegraph Company is authorized to proceed to introduce extended service in the Santa Cruz area, such extended area to be composed of the Aptos, Ben Lomond, Boulder Creek, Felton and Santa Cruz exchanges, said extended service to be effected at the approximate time of conversion of the Santa Cruz exchange to dial service.

IT IS FURTHER ORDERED that applicant shall submit quarterly reports to the Commission on the progress of the conversion of the

Santa Cruz exchange to dial service and the introduction of extended service in the area, the first report being due in January 1954.

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

Dated at San Francisco, California, this 1st day of September, 1953.

R. E. Johnson
President
Justin J. Casner
Francis P. Patton
John L. Maxwell

Commissioners

Commissioner Harold P. Huls being necessarily absent, did not participate in the disposition of this proceeding.

LIST OF APPEARANCES

For Applicant: Pillsbury, Madison & Sutro, by A. T. George, F. M. Marshall and John M. Hall.

Protestants: City of San Leandro, by Arthur M. Carden; City of Oakland, by John W. Collier and Loren East; Cities of Stockton, Gustine, Hollister, Oakdale, Ceres, Modesto, Exeter, Roseville, Orange Cove, Jackson, Sunnyvale, Los Banos, Newman, Woodland, Fortuna, Turlock and Taft and the Counties of Sierra, Nevada and Merced, by Bruce McKnight; San Lorenzo Valley Chamber of Commerce, Business and Professional Women, Mt. Hermon Association and Property Owners Association, by Alice Earl Wilder; Cities of Soledad and Gonzales, by Donald H. Smith; City of Selma, by Miles J. Hansen and S. E. Haseltine; City of Compton, by A. Leroy Aylmer; California State Hotel Association, Ltd., by Carl I. Wheat and William C. Robinson; Lincoln Heights Coordinating Council and Churches and Citizens of Lincoln Heights, by William Hogan; Robert J. Cliphant, Floyd C. Leach, Captain G. C. Waldin, and John Jonas, in propria personae.

Protestants and Interested Parties: City and County of San Francisco, by Dion R. Holm and Paul L. Beck; General Services Administration, United States of America, by Maxwell H. Elliott and Clarence W. Hull.

Interested Parties: City of Los Angeles, by Roger Arnebergh, T. M. Chubb and Alan G. Campbell; California Independent Telephone Association, by F. V. Rhodes; Order of Repeatermen and Toll Testboardmen, by H. R. Kaiser; City of Albany, by Edward R. Plotner; California Farm Research and Legislative Committee, by Grace McDonald; City of Long Beach, by Henry E. Jordan; Communication Workers of America C.I.O., by E. J. Pollis, John J. Crull, Joseph M. Deardorff, Louis B. Knecht, James Murray and Clarence M. Good; Cities of Pasadena, Anaheim, Colton, El Monte, Burbank, Chula Vista, Coronado, El Cajon, National City, El Segundo, Monterey Park, South Pasadena and County of San Diego, by Frank L. Kostlan and Clarence A. Winder; City of Burbank, by Archie L. Walters; City of Colton, by Martin C. Casey; California Farm Bureau Federation, by J. J. Deuel, Eldon Dye and Edson Abel; City of Sacramento, by Everett M. Glenn; County of Santa Cruz, by C. B. Harts; Santa Cruz Chamber of Commerce, by Gordon M. Boyes; City of Santa Cruz, by R. N. Klein and George N. Penniman; Monterey Bay Water Company and Soquel Business Men's Association, by John C. Luthin, San Lorenzo Valley Unified School District, by Ted Rolff; Soquel Community Service Club, by H. Y. Stuart; Aptos Terrace Improvement Association, Inc., by Ernest B. Price; Seacliff Park, Inc., by H. E. Sandoval; Thornton Davis for himself.

Complainant in Case No. 5417: Telephone Answering Services of California, by Law Lauria, Bert Levy and Hugh Gordon.

Other Appearances: City of Modesto, by Cliff Amann, Alameda County Building and Construction Trades Council, by J. L. Childers, Bay Radio, Incorporated, by S. A. Cisler, City of San Diego, by J. F. DuPaul and Clarence A. Winder; City of Riverside, by Albert H. Ford and Harry M. Dougherty; City of Suisun and County of Solano, by K. I. Jones; County of San Diego, by James Don Keller; City of Piedmont, by Mr. MacLeod and Mr. Hardin; City of Fortuna, by Collis P. Mahan; Proxy Telephone Service Company, by Burt M. McCormick; City of Glendale, by Mr. Perkins, Mr. Lauten and Mr. McClernan; Highland area Chamber of Commerce, by Harry D. Schultz; Aptos Chamber of Commerce, Seacliff Park, Incorporated; Rio Del Mar Improvement Association and Aptos Terrace Improvement Association, by Alvin W. Wendt; Navy Department, by Arthur E. Laffa; City of Alameda, by Carl Froerer and J. P. Clark; City of Berkeley, by Fred C. Hutchinson and Robert T. Anderson; City of Stockton, by William Biddick; City of Lodi, by H. D. Weller; City of Fresno, by Mr. Ozias; City of Richmond, by John Ormassa; Roche Canyon Improvement Association, by Herschel L. McGraw; Woodland Hills Chamber of Commerce, by William L. Carpenter.

Appearances by and as Individuals: Mrs. Edwin S. Buler, Richard H. Nisson and Myrtle Taylor.

Observer: John R. McCullough of the Oregon Public Utility Commission.

For the Commission Staff: Boris H. Lakusta, Freyman Coleman and Charles W. Mors.