

Decision No. 50503**ORIGINAL**

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 establish rates for extended)	
service in the Santa Cruz exchange)	Application No. 35684
and certain exchanges contiguous)	
thereto, and to cancel and withdraw)	
certain exchange and message toll)	
telephone rates now in effect in the)	
Santa Cruz area.)	

(Appearances and list of witnesses
are set forth in Appendix B)

O P I N I O N

In this proceeding The Pacific Telephone and Telegraph Company, hereinafter referred to as applicant, requests authority to: (1) file and make effective rates for extended service in the five exchanges, Aptos, Boulder Creek, Ben Lomond, Felton and Santa Cruz; (2) withdraw and cancel present rates for local exchange service now in effect in the Santa Cruz and Aptos exchanges; (3) cancel and withdraw present rates for extended service in the Ben Lomond, Boulder Creek and Felton exchanges where they differ from the proposed extended service rates; (4) expand the local service area of the five exchanges involved, as outlined in the application and (5) cancel and withdraw message toll telephone rates now applicable between Santa Cruz and Aptos, Santa Cruz and Ben Lomond, Santa Cruz and Boulder Creek and Santa Cruz and Felton. Applicant requests authority to make the new rates effective on September 19, 1954 coincident with the provision of extended service in the Santa Cruz area.

A public hearing on this application was held in Santa Cruz before Examiner M. W. Edwards on August 23, 1954 at which time the matter was submitted for decision.

Applicant previously has been authorized to proceed to introduce extended service in the Santa Cruz area, consisting of the Aptos, Ben Lomond, Boulder Creek, Felton and Santa Cruz exchanges,^{1/} at the approximate time of conversion of the Santa Cruz exchange to dial service.

Applicant states that an additional wire center will be activated near Capitola in the eastern portion of the Santa Cruz exchange upon conversion to dial operation on September 19, 1954. Thus, on that date the Santa Cruz exchange becomes a multioffice exchange and applicant contends that rates in the Santa Cruz extended area should be consistent with those in effect in other multioffice exchanges of comparable station availability.

Present and Proposed Rates

Exhibit No. 1, introduced by the applicant, shows the rates now in effect in Santa Cruz, Aptos, Ben Lomond, Boulder Creek and Felton exchanges and the rates proposed by applicant for extended service. The level of the proposed extended service rates corresponds to the present level of rates for multioffice exchanges of comparable station availability. The principal rates, both present and proposed, are as follows:

<u>Classification</u>	<u>Rate per Month</u>		
	<u>Present</u>		<u>Proposed</u>
	<u>Local Service</u>	<u>Aptos, Ben Lomond, Boulder Creek and Felton</u>	<u>Extended Service</u>
	<u>Santa Cruz</u>		<u>Santa Cruz Extended Area</u>
<u>Residence</u>			
Individual	\$ 4.30	\$4.05	\$ 4.55
2-Party	3.50	3.50	3.50
4-Party	2.95	2.95	2.95
Suburban 10-Party	3.45	3.45	3.45
Farmer Line	-	.85*	1.25*
<u>Business</u>			
Individual	8.25	6.50	9.25
2-Party	6.50	5.25	7.00
Suburban 10-Party	5.00	4.75	5.25
PBX Trunks	12.25	9.75	13.75
Farmer Line	-	1.50*	2.25*

* Applicable in the Aptos and Boulder Creek exchanges only.

^{1/} Decision No. 49048, Application No. 33935, September 1, 1953.

The above tabulation indicates a maximum increase of 50 cents for individual residence station subscribers and no increase for two-, four- and ten-party residence subscribers. The maximum monthly increase is \$2.75 for business individual line service, \$1.75 for two-party business service, 50 cents for ten-party business service and \$4.00 for PBX trunks.

Cost and Revenue Effects

Exhibit No. 1 shows also that introduction of extended service in the Santa Cruz area will result in an annual reduction in cost of \$17,900 and that the net effect of the reduction in toll revenues and increase in exchange revenues at the proposed rates results in an annual revenue decrease of \$15,500.

Witness for the Commission staff analyzed applicant's showing as to the plant, revenue and expense effects of the extended service plan. He pointed out that applicant used straight-line depreciation expense with an undepreciated plant investment and that if a sinking fund method of depreciation had been used, consistent with applicant's earlier computations,^{2/} a saving in annual expense of \$1,300 would result. Furthermore, applicant used a 7.0 per cent interest rate and this Commission has recently authorized a 6.25 per cent rate of return for this applicant. If a lower interest rate of 6.25 per cent is used the annual cost would be reduced by an additional \$500. He also pointed out that applicant's study shows a net gain of \$2,400 at the proposed rates compared with present rates and serving arrangements. His conclusion was that the rates for extended service need not be as high as proposed by applicant.

Position of Parties

Representatives of the County of Santa Cruz, City of Santa Cruz and the Santa Cruz Chamber of Commerce made statements in favor of the proposed extended service plan. A representative for several

^{2/} Exhibit No. 47, Application No. 33935.

organizations in the Aptos area also indicated approval of the proposed extended service plan and, while not objecting to the rates as proposed, desired that reasonable rate levels be fixed by the Commission. Somewhat similar views were expressed by a representative for certain organizations in the San Lorenzo Valley area. This representative also requested extended service between Aptos and the Boulder Creek, Ben Lomond and Felton exchanges.

Applicant's Objection to Staff's Analysis

Counsel for applicant objected to the Commission staff conclusion that the rate levels need not be as high as proposed and pointed out that the cost computations are on an incremental basis and do not reflect the total revenues, expenses and economics concerned in the total over-all Santa Cruz extended area exchange operations. He questioned the need for a small reduction in the proposed rate levels and urged rate levels based on comparable station availability in multioffice exchanges such as Modesto and Vallejo.

The representative for the organizations in the San Lorenzo Valley area indicated that though the difference in rate level was small it was by no means insignificant. Furthermore, this representative pointed out the responsibility of this Commission in establishing reasonable rates.

Conclusion

After considering the evidence of record and the statements by the several parties it is concluded that: (1) applicant's proposed plan generally meets with the favor of the subscribers in the proposed extended area; (2) the cost study in Exhibit No. 1, while on an incremental basis, is of sufficient importance that weight should be given to the revised costs pointed out by the Commission staff; (3) while applicant urges the fixing of rates on the value of service as measured by station availability, in our opinion there are sufficient reasons for fixing rates giving weight to other factors

including indicated costs; (4) in fixing rates for extended service in the past, as evidenced by the Monterey extended area, we have not followed completely the station availability theory; and (5) the request for extended service between the San Lorenzo Valley exchanges and Aptos is beyond the scope of the extended service arrangement as heretofore authorized.

Finding

From the facts recited herein it is hereby found that public interest requires the establishment of rates for extended service in the Santa Cruz area coincident with the dial conversion on September 19, 1954 and that an order be issued to become effective in less than twenty days, namely on September 13, 1954. It is further found that the rate levels set forth in Appendix A attached hereto are fair and reasonable.

O R D E R

Applicant having applied to the Public Utilities Commission of the State of California for an order granting authority to establish rates for extended service in the Santa Cruz exchange and certain exchanges contiguous thereto, the Commission having considered this matter and having held a public hearing thereon, and it appearing that the granting of the application as herein provided will be in the public interest,

IT IS HEREBY FOUND AS A FACT that the increases in rates and charges authorized herein are justified and that present rates, in so far as they differ from those herein prescribed, for the future are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED as follows:

1. Applicant is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with the Commission's General Order No. 96, revised tariff schedules

with changes in rates, charges and conditions as set forth in Appendix A attached hereto, and, after not less than five days' notice to this Commission and to the public, to make said revised tariff schedules effective coincident with the establishment of extended service in the Santa Cruz area.

2. At the time of making effective the rates authorized by Section 1 hereof applicant may cancel the present rates for local exchange service now in effect in the Santa Cruz and Aptos exchanges and may cancel the present rates for extended service in the Ben Lomond, Boulder Creek and Felton exchanges where they differ from the extended service rates herein authorized.

3. Applicant is authorized to extend the local service areas of the five exchanges involved, as outlined in the application, and to cancel and withdraw message toll telephone rates now applicable between Santa Cruz and Aptos, Santa Cruz and Ben Lomond, Santa Cruz and Boulder Creek and Santa Cruz and Felton coincident with the establishment of extended service in the Santa Cruz area.

The effective date of this order shall be September 13, 1954.

Dated at San Francisco, California, this 31st day of August, 1954.

[Signature]
President

[Signature]

[Signature]

Commissioners

Commissioner Justus F. Craemer, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

RATES

The presently effective rates and charges are changed as set forth in this appendix.

Rates for principal classifications of Extended Exchange Service applicable in the Aptos, Ben Lomond, Boulder Creek, Felton and Santa Cruz exchanges:

<u>Service</u>	<u>Rate per Month</u>
<u>Residence</u>	
Individual line flat rate	\$ 4.45
2-party line flat rate	3.50
4-party line flat rate	2.95
Suburban 10-party line flat rate	3.45
Farmer line	1.25*
<u>Business</u>	
Individual line flat rate	9.15
2-party line flat rate	7.00
Suburban 10-party line flat rate	5.25
Commercial PBX trunks	
Flat rate, each	13.75
Hotel PBX trunks	
Flat rate, each	13.75
Semipublic coin box	
Individual line	1.00 plus .24 per day
Farmer line	2.25*

* Applicable in the Boulder Creek exchange only.

APPENDIX B

LIST OF APPEARANCES

For applicant: Pillsbury, Madison & Sutro, A. T. George, F. N. Marshall and D. C. Tight.

Interested Parties: California Farm Bureau Federation, by Edson Abel; Santa Cruz Chamber of Commerce, by Gordon M. Boyes; City of Santa Cruz, by George N. Penniman; County of Santa Cruz, by C. B. Harts; San Lorenzo Valley Chamber of Commerce, San Lorenzo Valley Property Owners, and San Lorenzo Valley Business and Professional Women, by Alice Earl Wilder; and Aptos Chamber of Commerce, Aptos Terrace Improvement Association, Rio Del Mar Improvement Association, Inc., and Seacliff Park, Inc., by Alvin W. Wendt.

For the Commission Staff: Boris H. Lakusta.

LIST OF WITNESSES

Evidence was presented on behalf of the applicant by Ward C. Schweizer.

Evidence was presented on behalf of the Commission staff by J. B. Balcomb.