

Decision No. 50588

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of)
 THE PACIFIC TELEPHONE AND TELEGRAPH)
 COMPANY, a corporation, for authority)
 to establish rates for extended serv-)
 ice in certain North San Diego County)
 exchanges, to cancel and withdraw)
 present exchange service rates in)
 those exchanges, to enlarge the local)
 service area of La Jolla exchange and)
 to cancel and withdraw message toll)
 telephone service rates now in effect)
 between certain exchanges in San)
 Diego County.)

Application No. 35931

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

O P I N I O N

By the above-entitled application filed November 4, 1954,
 The Pacific Telephone and Telegraph Company, applicant herein,
 coincident with the provision of extended service in certain North
 San Diego County exchanges on January 2, 1955, requests authority to:

1. File and make effective rates for extended service in the exchanges of Del Mar, Encinitas, Oceanside and Rancho Santa Fe.
2. Cancel and withdraw present rates for local exchange service now in effect in these exchanges.
3. Expand the local service area of these exchanges and the La Jolla exchange as set forth in Exhibit A of the application, and
4. Cancel and withdraw message toll telephone rates over the routes designated as follows:

<u>Route Between</u>	<u>Station Day Initial Period Rate</u>
Del Mar and Encinitas	\$0.10
Del Mar and La Jolla	.10
Del Mar and Rancho Santa Fe	.10
Encinitas and Oceanside	.15
Encinitas and Rancho Santa Fe	.10

Public Hearing

A public hearing on this application was held in San Diego before Commissioner Ray E. Untereiner and Examiner M. W. Edwards, on December 3, 1954, the matter being submitted for decision on that date. Applicant presented an exhibit setting forth its proposed rates and the economics involved in the change from local to extended service. The Commission staff, represented by counsel and a telephone engineer, took an active part in the proceeding, presented an exhibit and cross-examined applicant's witness for the purpose of developing a full and complete record in the public interest.

Previous Authorization

The Commission, by Decision No. 46270, Application No. 32640, dated October 8, 1951, authorized and directed applicant to introduce extended service in the North San Diego County area as proposed in Exhibits Nos. 7 and 8 in that proceeding. The question of rates was left for subsequent Commission determination at the approximate time that extended service should be introduced. Applicant's witness testified that the company has proceeded with engineering, construction and installation work in accordance with the Commission's order, and that it expects to be able to introduce the extended service on January 2, 1955.

Station Availability

Applicant's summary of station availability under the present local service arrangement and the proposed extended service arrangement based on figures as of January 1, 1954, may be summarized as follows:

<u>Exchange</u>	<u>Stations in Local Service Area</u>	
	<u>Present</u>	<u>Extended Service</u>
Del Mar	1,654	13,033
Encinitas	1,991	10,747
Oceanside	6,496	8,478
Rancho Santa Fe	606	4,251
La Jolla	159,761	161,415

Applicant's rate proposal particularly gives recognition to the substantial increase in station availability in the Del Mar and Encinitas exchanges under extended service where the local calling area is expanded to embrace certain contiguous exchanges.

Present and Proposed Rates

Exhibit No. 1, introduced by the applicant, shows the present local service rates and the proposed extended service rates. The principal monthly rates, both present and proposed, are as follows:

	: Del Mar :		: Encinitas :		: Oceanside :		: Rancho Santa Fe :	
: Classification:	Pres.	Pro.	Pres.	Pro.	Pres.	Pro.	Pres.	Proposed:
Residence								
1-Party	\$4.05	\$4.30	\$4.05	\$4.30	\$4.30	\$4.30	\$4.05	\$4.05
2-Party	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
4-Party	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95
Suburban	3.45	3.45	3.45	3.45	3.45	3.45	3.45	3.45
Business								
1-Party	6.50	7.25	6.50	7.25	7.25	7.25	6.50	6.50
2-Party	5.25	5.75	5.25	5.75	5.75	5.75	5.25	5.25
Suburban	4.75	5.00	4.75	5.00	5.00	5.00	4.75	4.75

From the above tabulation it will be noted that there is no increase proposed in exchange rates in Oceanside and Rancho Santa Fe. Also applicant proposes no increase in La Jolla exchange rates which already provide for extended service into the San Diego and Pacific Beach exchanges. Applicant's witness indicated that over 90 per cent of the main stations and PBX trunks served in the area would have no increase in exchange charges and that the toll revenue decreases would be more than five times as great as the exchange charge increases.

Cost and Revenue Effects

Applicant's study shows that the introduction of extended service in North San Diego County will result in an annual reduction of cost of \$45,100 resulting from savings in plant investment as well as savings in commercial, accounting and traffic expenses. The

elimination of certain toll rates will result in an estimated annual reduction in toll revenues of \$55,700, leaving \$10,600 to be recovered from increased exchange rates. However, applicant's proposed extended service rates are estimated to yield increased exchange revenues of \$9,400.

Discussion of Applicant's Proposal

The representative of the California Farm Bureau Federation indicated that he had discussed applicant's proposal with members of his organization in the North San Diego County area and, while there was some interest in bringing Fallbrook into the extended service area, the members were presently satisfied with the applicant's plan.

The staff did not oppose the granting of the application; however, it was concerned over the proposal of applicant's witness to consider the North San Diego County area as part of the "San Diego Extended Area" in preparing annual separation statements. In this connection the staff introduced, as Exhibit No. 2, three letters dealing with the preparation of the annual separation statements. The staff took the position that applicant's proposed change in method of preparing the annual separation statement would gradually defeat the objective thereof which is to develop plant, revenue and expense data according to designated areas rather than upon a state-wide basis. The staff recommended that the decision in this matter include a direction to the applicant not to include the Oceanside, Encinitas, Rancho Santa Fe and Del Mar exchanges in the "San Diego Extended Area" in developing the annual separation statement.

The applicant was opposed to the staff's recommendation and indicated that inclusion of the above-named exchanges is a logical expansion of the San Diego area and accordingly such exchanges should be included in the category "San Diego Extended Area" in the annual statement, that there is no accepted separation procedure for

separating exchange revenue between exchanges of the same company, that applicant is willing to furnish data on the staff's request, but that this subject is not within the scope of this application and the decision should not contain a directive in this regard.

The application contained no request to modify the annual separation statement as suggested by applicant's witness. Under these circumstances, it is the Commission's opinion that no change should be made in applicant's annual separation statement as a result of the order herein.

Conclusion

After considering the evidence of record and the various statements, it is concluded that applicant's proposed rates for extended service are reasonable and generally do not meet with objection and should be authorized.

Finding

From the facts of record herein it is hereby found that the public interest requires the establishment of rates for extended service in the North San Diego County area coincident with the establishment of extended service on or about January 2, 1955 and that an order be issued to become effective in less than twenty days, namely, on December 27, 1954.

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 North San Diego County exchanges, the Commission having considered this matter and having held a public hearing thereon, and it appearing that the granting of the application 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 Exhibit C attached to the application 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 North San Diego County.
2. At the time of making effective the rates authorized by Section 1 hereof applicant may cancel present rates for local service as contemplated in the application.
3. Applicant is authorized to extend local service areas of its exchanges in North San Diego County as set forth in Exhibit A of the application and cancel and withdraw rates for message toll telephone service over the routes set forth in Paragraph V of the application coincident with the introduction of extended service.

The effective date of this order shall be December 27, 1954.

Dated at San Francisco, California, this 27/27 day of December, 1954.

Peter E. Mitchell
President

Justice S. Caswell

Kenneth K. Patton

Gene Higgins

Paul W. Litchfield
Commissioners

APPENDIX A

LIST OF APPEARANCES

For Applicant: Arthur T. George and Francis N. Marshall.

Interested Party: California Farm Bureau Federation, by J. J. Deuel.

For the Commission Staff: Boris H. Lakusta and W. W. Dunlop.

WITNESS

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