

Decision No. 50250**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Investigation)
 on the Commission's own motion into)
 the rates, rules, regulations,)
 charges, classifications, contracts,)
 practices, operations and service,) Case No. 5466
 or any of them, of The Pacific)
 Telephone and Telegraph Company,)
 General Telephone Company of)
 California, and California Water &)
 Telephone Company.)

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

O P I N I O N

The above-entitled investigation was instituted by the
 Commission on May 19, 1953, for the following purposes:

1. To inquire into and to ascertain the justification for and feasibility of providing extended service in certain exchanges of the respondents located in Riverside and San Bernardino Counties, herein-after designated Riverside-San Bernardino Area.
2. To inquire into and to ascertain the adequacy of the present calling areas and service arrangements in the Riverside-San Bernardino Area.
3. To inquire into and to ascertain for each respondent the traffic, revenue, expense and plant effects of introducing extended service in the Riverside-San Bernardino Area.
4. To inquire into and to ascertain the rate effects on subscribers to telephone service of providing extended service in the Riverside-San Bernardino Area.
5. To inquire into any other matter or thing relating to the introduction of extended service in the Riverside-San Bernardino Area.
6. To issue any order or orders that may be lawful and appropriate in the exercise of the Commission's jurisdiction in the premises.

This investigation arose out of the request of The Pacific Telephone and Telegraph Company in its Application No. 33935 to introduce extended service in certain of the exchanges in the San Bernardino-Riverside Area. Said investigation was necessary to determine the effect on contiguous exchanges of other utilities.

Public Hearing

After due notice, two days of public hearing were held on this matter at San Bernardino. The first hearing was held on the basis of a consolidated record with Application No. 33935 on June 2, 1953, before Commissioner Peter E. Mitchell and Examiner M. W. Edwards. The second day of hearing was held on December 2, 1954, before Examiner Edwards. At the first hearing the proposal of The Pacific Telephone and Telegraph Company was presented in Exhibits Nos. 31 and 32 under Application No. 33935. Also at that hearing the Commission staff requested the three respondents to prepare extended service studies. Such studies were filed with the Commission on March 3, 1954, and were marked Exhibits Nos. 33, 34, and 35. The California Farm Bureau Federation introduced Exhibits Nos. 36, 37, and 38. All exhibits, Nos. 31-38 inclusive, and the testimony relative thereto under Application No. 33935, are referred to and made part of the record in this investigation.

At the hearing on December 2, 1954, the Commission staff introduced an extended service study (identified as Exhibit No. 1) it had prepared in which were analyzed the two plans submitted in the companies' reports as well as two alternate plans. Following explanation by a staff witness, cross-examination thereon and statements by interested parties and protestants, the matter was submitted for decision.

Exchanges Included in Plans Studied

The exchanges included in the four plans studied by the staff may be briefly summarized as follows:

1. Plan 1 includes Colton, Highland, Rialto and San Bernardino
2. Plan 2 includes the above four exchanges with the addition of Fontana
3. Plan 3 includes the same exchanges as Plan 2 plus Etiwanda, Ontario and Redlands
4. Plan 4 includes the Plan 3 exchanges plus Corona and Riverside

Plan 3 is essentially the same as Plan A described in the companies' studies and Plan 4 essentially the same as Plan B.

Staff Recommendations

After studying the scope and monetary effects of the several plans, the staff witness recommended that extended telephone service be established to the extent envisioned by Plan 1. Under this plan the local calling areas of certain exchanges would be extended to eliminate toll charges over the following routes:

- a. Colton to Rialto and San Bernardino
- b. Highland to San Bernardino
- c. Rialto to Colton and San Bernardino
- d. San Bernardino to Colton, Highland and Rialto

The staff witness cited a number of reasons for recommending Plan 1 in preference to the other plans, the principal reasons being: (1) the community of interest factors^{1/} for Colton, Highland and Rialto for calls destined to the local calling area were considerably higher than for other exchanges, (2) the adjacency of the more densely built-up areas in relation to the San Bernardino base rate area, (3) the relative development and demand for San Bernardino foreign exchange service, and (4) the fact that Plan 1 resulted in the minimum amount of new construction and the least increase in exchange rates to offset toll revenue loss.

^{1/} Community of interest factor represents the number of originating toll messages divided by the number of main stations.

The staff's proposed extended service rates for Plan 1 may be compared to present rates for local service for certain important classifications as follows:

<u>Exchanges</u>	<u>Business</u>		<u>Residence</u>			
	<u>1-Party</u>		<u>1-Party</u>		<u>4-Party</u>	
	<u>Pres.</u>	<u>Pro.</u>	<u>Pres.</u>	<u>Pro.</u>	<u>Pres.</u>	<u>Pro.</u>
Colton	\$7.25	\$9.00	\$4.30	\$4.55	\$2.95	\$3.10
Highland	6.50	9.00	4.05	4.55	2.95	3.10
Rialto	6.50	9.00	4.05	4.55	2.95	3.10
San Bernardino	7.00	9.60	4.75	4.75	3.25	3.25

The staff did not recommend the adoption at this time of Plans 2, 3 or 4 and did not compute or propose rates for such plans. The staff witness had made some computations respecting Plan 2 which showed that, as compared with Plan 1, it would increase the cost to San Bernardino exchange subscribers, and might necessitate greater increases in the Colton, Highland and Rialto rates, as well as a substantial increase in Fontana.

Desire for Extended Service

Resolutions were introduced by the Fontana Chamber of Commerce and Fontana Real Estate Board endorsing any plan of extended telephone service adaptable to the area as a whole and requesting the inclusion of the Fontana exchange in whatever plan is adopted. A number of other representatives from Fontana made statements urging the inclusion of Fontana in the extended service area. They were particularly concerned that Fontana had not been included in the staff's recommendation of Plan 1. The staff witness pointed out that the community of interest factor for Fontana to San Bernardino was 5.780 calls per primary station per month compared to 9.595 for Colton, 10.209 for Highland and 9.403 for Rialto. He also showed that the well-developed area of the Fontana exchange was somewhat removed from the well-developed area of the San Bernardino exchange and that the bulk of the toll calls

between Fontana and nearby exchanges, including San Bernardino, was concentrated in relatively few customers with no indicated demand for foreign exchange service from San Bernardino.

The City Attorney of Colton spoke in favor of any of the four plans, as they all included Colton, but he particularly endorsed Plan 4. He recognized that as the extended service is broadened the exchange rates of necessity would have to be higher and stated that nobody expects such additional service at no additional charge. A representative of the San Bernardino Realty Board, representing the people in the Sterling area of the Colton exchange, also spoke in favor of extended service.

A representative of the Grand Terrace area, near the boundary of the Colton-Riverside exchange, favored Plan 4 but in case Plan 4 were not adopted he requested that the boundary between the Colton and Riverside exchanges be revised to transfer his area to the Colton exchange.

The representative for the California Farm Bureau Federation expressed gratitude for the staff's work and indicated it had been seven years since he pointed out the need for extended service in this area. He stated that Plan 1 was a start but suggested that the Commission give serious consideration to Plan 2 at this time. Statements in favor of Plan 2 were also made by a representative from the Bloomington area and by representatives of railroad employees.

A representative of the San Bernardino Chamber of Commerce advocated the adoption of extended service but did not specify any particular plan. He expressed no objection to higher rates in the San Bernardino exchange resulting from the adoption of extended service. A representative from Highland spoke favorably of extended service and complimented the Commission staff on its study and analysis of the situation. *JP*

While all present favored extended service and there was no objection expressed by the public to any of the four plans, the economics and problems of providing the service by the respondents need to be carefully weighed by the Commission.

Position of Respondents

The Pacific Telephone and Telegraph Company expressed no opposition to Plan 1 or the other plans as proposed by the staff. Its position was set forth in Exhibit No. 33, which is that it is willing to introduce extended service (to the extent envisioned in Plan 4) contingent upon the concurrence of the other utilities involved. Respondent desires authorization for whichever plan is adopted at an early date so that the engineering and construction may proceed in a manner most compatible with the ultimate service plan. With respect to the introduction of Plan 1 or 2, a minimum time of 21 months would be required, this being predicated on the conversion of the Colton exchange to dial service in the latter part of 1956.

The General Telephone Company of California was not opposed to the introduction of extended service if the Commission found it to be in the public interest and the rates established covered the full cost of service. If the service were to be on a subscriber dialing basis it could not be instituted until April 1957 when the new North Office in San Bernardino is scheduled to be established.

The California Water & Telephone Company at this time concurs in the recommendation of the Commission staff. Its only exchange in this area is the Redlands exchange. It is willing to make such changes as are in the public interest at the direction of the Commission and will cooperate in any studies desired by the Commission.

Findings and Conclusions

After considering the evidence of record and the statements by the various parties, it is found that: (1) the introduction of extended service to the extent provided by Plan 1 is reasonable and in the public interest, (2) the benefits to be derived by the San Bernardino customers outweigh the added charges under Plan 1, but such finding is questionable as to Plans 2, 3 and 4 at this time, (3) while there was considerable desire expressed for including Fontana in the extended area the statistical and economic factors do not sufficiently support this change at this time, and (4) the boundary problem between the Colton and Riverside exchanges should be studied and reported on by the Pacific Company.

In view of such findings, it is concluded that the public interest requires the establishment of extended service in the Colton, Highland, Rialto and San Bernardino exchanges on or before April 1, 1957, with rates as proposed by the staff in Exhibit No. 1 and related rates consistent therewith, and that an order should be issued authorizing the respondents to proceed with the construction necessary to effect Plan 1. This conclusion does not preclude further consideration of expanding the extended service area as future development may warrant.

O R D E R

Public hearings having been held in the above-entitled case, the matter having been submitted and the Commission being fully advised,

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 prescribed herein, after extended service is available, are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED as follows:

1. The Pacific Telephone and Telegraph Company and the General Telephone Company of California shall proceed to introduce extended service to all subscribers in

the Colton, Highland, Rialto and San Bernardino exchanges in the manner contemplated by Plan 1 in Exhibit No. 1 in this investigation on or before April 1, 1957.

2. The Pacific Telephone and Telegraph Company shall file semiannual progress reports of its construction work to provide extended service in the San Bernardino area beginning with a report as of May 1, 1955, such reports to be filed within sixty days of the close of each report period.
3. The General Telephone Company of California shall file semiannual progress reports of its construction work to provide extended service in the San Bernardino area beginning with a report as of May 1, 1955, such reports to be filed within sixty days of the close of each report period.
4. At least forty days prior to the date of establishment of extended service in the San Bernardino area, The Pacific Telephone and Telegraph Company and the General Telephone Company of California shall each individually file rates for nonoptional extended service in the Colton, Highland, Rialto and San Bernardino exchanges as set forth in Exhibit No. 1 and related rates consistent therewith and upon establishment of extended service withdraw local service rates and cancel and withdraw rates for message toll telephone service over the following routes:
 - a. Colton to Rialto and San Bernardino
 - b. Highland to San Bernardino
 - c. Rialto to Colton and San Bernardino
 - d. San Bernardino to Colton, Highland and Rialto.

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

Dated at San Bernardino California, this 4th day of January, 1955.

Peter E. McMillan
President

Justus F. Casper

Ralph L. ...

Commissioners

APPENDIX A

LIST OF APPEARANCES

Respondents: The Pacific Telephone and Telegraph Company, by Pillsbury, Madison & Sutro, A. T. George, Francis N. Marshall and John M. Hall; General Telephone Company of California, by Marshall Taylor and Harry L. Dunn of O'Melveny & Myers; California Water & Telephone Company, by Claude N. Rosenberg of Bacigalupi, Elkus & Sallinger.

Interested parties: California Farm Bureau Federation, by J. J. Deuel; City of Colton, by Martin C. Casey and Mayor Paul J. Young; City of San Bernardino, by William A. Flory; County of San Bernardino, by Paul J. Young; California Portland Cement Company, by Wallace K. Downey; Bloomington Chamber of Commerce, Rotary Club and P.T.A. Councils, by Sidney L. Wingert; City of Rialto, by Mayor Ray R. McCombs; City of Fontana, by Mayor Gazvoda; Fontana Chamber of Commerce, by Glenn F. De Grave, Edna Rybesynski and Jack Hodson; Fontana Realty Board, by S. S. Stewart; Town of Bloomington, by Webster C. Reed; Colton Chamber of Commerce, by George R. Steelman; People of Grant Terrace, by Dr. W. B. Townsend; Highland Chamber of Commerce, Muscoy News & Highland Messenger, by Harry D. Schultz; San Bernardino Chamber of Commerce, by William H. Meyer; Colton Union High School District, by Donald H. McIntosh; Colton Elementary School District, by Paul J. Rogers; Kaiser Steel Corporation, by H. B. Crawford.

Protestants: Santa Fe Employees Operating Department, by Philip E. Ward and Jack P. Henry.

For Commission staff: Boris H. Lakusta and Charles W. Mors.