

ORIGINALDecision No. 51595

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 GENERAL TELEPHONE COMPANY OF CALIFORNIA
 for determination whether the public
 interest requires the establishment of
 extended service between Applicant's
 Santa Barbara and Carpinteria exchanges
 and, in the event it is determined that
 the public interest requires the estab-
 lishment of such service, for authority
 to establish rates for said extended
 service, to cancel and withdraw present
 exchange service rates in said exchanges
 and to cancel and withdraw message toll
 telephone service rates now in effect
 between said exchanges.

Application No. 36814

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

O P I N I O N

By the above-entitled application filed March 18, 1955, and as amended on May 23, 1955, the General Telephone Company of California, applicant herein, requests the Commission to determine whether or not the public interest requires the establishment of extended telephone service between Santa Barbara and Carpinteria exchanges. If the Commission finds such extended service to be in the public interest, applicant requests authority to: (1) proceed with the changes in and additions to its telephone plant to effectuate such service at rates set forth in Exhibit C attached to the first amendment to application or such other rates as the Commission finds just and proper, which would approximately offset the net cost of establishing extended service; and (2) cancel and withdraw present rates for local exchange service and message toll telephone rates between Santa Barbara and Carpinteria.

Public Hearing

A public hearing on this application was held in Santa Barbara on May 25, 1955, before Commissioner Ray E. Untereiner and Examiner M. W. Edwards, the matter being submitted for decision on that date. Applicant's proposed rates and net cost of providing the extended service was set forth in Exhibit C and was testified to by two witnesses. Witnesses for the Commission staff presented six exhibits covering traffic flows, community of interest, cost breakdowns and trial rates different from those presented by applicant in Exhibit C. A number of witnesses for various organizations and on their own behalf presented testimony generally favoring the provision of extended service. Counsel for the City of Santa Barbara and counsel for the Commission staff extensively cross-examined the various witnesses. In addition, a representative of the California Farm Bureau Federation and of the Carpinteria Farm Center actively participated in the cross-examination and presented testimony by five witnesses in support of extended service.

Desire for Extended Service

From time to time over the past 25 years or so the matter of extended service between Santa Barbara and Carpinteria exchanges has been under consideration. The Commission in its Decision No. 45889, dated June 29, 1951, required applicant herein to submit a study covering traffic analysis and the revenue, expense and plant effects of introducing such extended service. By letter dated March 31, 1952, applicant filed with this Commission copies of its studies, recommending that the introduction of extended service between Santa Barbara and Carpinteria be held in abeyance until conditions affecting the area change to such a degree as to warrant further consideration of this subject.

Recently sufficient interest and further development of the area warranted applicant in filing the current application. Though taking a more or less neutral position regarding the extended service, applicant's witness admitted that extended service is desirable from an operating standpoint so long as the net cost of providing the service is offset by increases in exchange rates. None of the witnesses who testified, nor the appearances of record objected to the establishment of extended service; however, some objection, principally on behalf of the City of Santa Barbara, was raised as to the proposal for increases in exchange rates in Santa Barbara.

A representative of the Santa Barbara Retail Merchants Association indicated unanimous desire of the merchants for elimination of toll charges between Carpinteria and Santa Barbara and pointed out that Santa Barbara subscribers could call Goleta, a nearly equal distance to the north, without a toll charge at the present level of Santa Barbara exchange rates. In considering the Goleta situation, it should be noted that, when the toll charge between Santa Barbara and Goleta was withdrawn in 1921 (Decision No. 8709, Case No. 1491), the local Santa Barbara business rates were increased by 25 cents per month and the Goleta rates were increased by amounts up to \$1.25 per month.

A copy of a letter from the Santa Barbara Chamber of Commerce, dated January 18, 1955, to the applicant, indicated a definite community of interest between Carpinteria and Santa Barbara and that the abolition of toll charges would benefit the two areas. A similar type of letter from the Santa Barbara Retail Merchants Association, dated January 19, 1955, indicated that this is a progressive move which would serve both communities and stated that an independent survey by the Public Utilities Commission would be justified and fair, and that subsequent action could follow.

The analysis made by our staff and the evidence presented by witnesses from Santa Barbara, Carpinteria, the applicant and our staff, indicate that extended service is desired and that it would be acceptable to both Santa Barbara and Carpinteria if the increases in exchange rates were held within reasonable bounds.

Cost and Revenue Effects

Applicant's study shows that the introduction of extended service will result in an annual reduction in operating expenses of \$21,099, which would be largely offset by the annual charges of \$19,758 on added plant required. However, the net indicated saving of \$1,341 annually would not go far toward offsetting the toll revenue loss of \$48,357. The difference of \$47,016 would have to be recovered through increases in exchange rates. The above figure is predicated on a 7.0 per cent rate of return and the staff brought out the fact that if a 6.3 per cent rate of return were assumed this difference could be reduced by \$1,200. The staff also showed that the toll revenue savings and increased costs are not all attributable to Carpinteria subscribers, but that \$21,540 of the toll savings would be realized by Santa Barbara subscribers and that the annual charges on new plant in Santa Barbara would increase by \$13,188 while the operating expenses would decrease by \$8,819; thus indicating a total revenue requirement from increased station rates in Santa Barbara of \$25,909 annually.¹

¹ On the basis of a 6.3 per cent rate of return this net cost figure for Santa Barbara is \$25,109.

Present and Proposed Rates

The present local service rates and the several proposed extended service rates for the principal classifications are as follows:

Classification	Present Rates		Applicant's Proposed Rates		Staff Trial Rates			
	S.Bar.	Carp.	S.Bar.	Carp.	Exh. No. 4	Exh. No. 6	S.Bar.	Carp.
<u>Residence</u>								
1-Party	\$ 5.50	\$ 5.00	\$ 5.50	\$ 5.50	\$ 5.50	\$ 5.50	\$ 5.50	\$ 6.25
2-Party	4.50	4.00	4.50	4.50	4.50	4.50	4.50	5.00
4-Party	3.75	3.25	3.75	3.75	3.75	3.75	3.75	4.00
Suburban	4.25	3.75	4.25	4.25	4.25	4.25	4.25	4.50
<u>Business</u>								
1-Party	7.50	6.75	8.20	8.20	8.25	8.25	8.00	13.50
2-Party	6.00	5.50	7.05	7.05	6.65	6.65	6.40	11.00
Semipublic	7.60	6.45	7.60	7.60	8.40	8.40	8.05	12.90
Suburban	5.25	4.75	5.50	5.50	5.75	5.75	5.50	8.00
PBX Trunk	11.25	10.00	12.25	12.25	12.25	12.25	12.00	20.25

From the above tabulation it will be noted that no increase is proposed in residence rates for Santa Barbara subscribers under any of the proposals. The staff's trial rates under Exhibit No. 6 place less increase on Santa Barbara business users than under the applicant's proposal being designed to approximately offset the indicated \$25,909 responsibility of Santa Barbara. The Exhibit No. 6 rates would result in increases to Carpinteria considerably greater than those proposed by applicant; but would approximately offset the indicated \$21,107 responsibility of Carpinteria.²

Under a plan which would place all of the increase on Carpinteria and none on Santa Barbara, the staff computed by Exhibit No. 3 that the Carpinteria business and residence rates would have to be nearly double the level of existing Santa Barbara rates to offset the total net cost effects.

² At a 6.3 per cent rate of return this figure is \$20,707.

A witness for the Commission staff recommended that upon establishment of extended service, foreign exchange rates between Santa Barbara and Carpinteria be withdrawn.

Additional Plant Requirements

The ability to call without toll charge between Santa Barbara and Carpinteria is estimated to result in a 200 per cent increase in traffic volume flowing over this route. The handling of this increased traffic will require not only additional trunking facilities but also dial switching facilities in both exchanges. The applicant estimated that to introduce extended service on a fully automatic basis would require a construction period of approximately 24 months. However, it indicated that extended service could be introduced on a manual basis within 6 months and could continue for a period thereafter while installation of the automatic equipment is in progress.

Findings and Conclusions

On careful consideration of the evidence of record it is found that: (1) the public in Santa Barbara and in Carpinteria desire the introduction of extended telephone service, (2) the community of interest is sufficient to warrant the Commission in concluding that the public interest requires the establishment of extended service, (3) the rates authorized herein will not throw an unreasonable burden on either the Santa Barbara or the Carpinteria subscribers based on relative cost responsibilities at a 6.3 per cent rate of return coincident with the elimination of the toll charge.

In view of such findings it is concluded that an order should be issued authorizing the establishment of extended service at the earliest practicable date. While the service on a manual basis may not be as fast as on a mechanical basis, the benefits from extended service warrant its introduction on or before January 1, 1956.

O R D E R

Applicant having applied to the Public Utilities Commission of the State of California for determination whether the public interest requires the establishment of extended service between Santa Barbara and Carpinteria, the Commission having held a public hearing in this matter, and it appearing that such extended service is in the public interest,

IT IS HEREBY FOUND AS A FACT that the public interest requires the establishment of extended service between the Santa Barbara and the Carpinteria exchanges; 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. General Telephone Company of California shall proceed to introduce extended service to all subscribers in the Santa Barbara and Carpinteria exchanges on or before January 1, 1956.
2. At least thirty days prior to the date of establishment of such extended service, General Telephone Company of California shall file rates for nonoptional extended service in Santa Barbara and Carpinteria exchanges as set forth in Appendix A and related rates consistent therewith and, upon establishment of extended service shall withdraw local service rates and cancel and withdraw rates for

foreign exchange service and for message toll telephone service between Carpinteria and Santa Barbara.

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

Dated at San Francisco, California, this 28th day of June, 1955.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners

APPENDIX A
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RATES

Rates for Extended Exchange Service applicable in the Carpinteria and in the Santa Barbara exchanges:

Schedule No. A-1
Individual and Party Line Service

	<u>Rate Per Month</u>				
	<u>Business Service</u>		<u>Residence Service</u>		
	<u>1-Party</u>	<u>2-Party</u>	<u>1-Party</u>	<u>2-Party</u>	<u>4-Party</u>
Extended service flat rate, Each primary handset station:					
Carpinteria	\$13.25	\$10.75	\$6.25	\$5.00	\$4.00
Santa Barbara	8.00	6.30	5.50	4.50	3.75

Schedule No. A-3
Semipublic Service

	<u>Rate Per Month</u>	<u>Minimum Charge Per Day</u>
Each extended service individual line coinbox station:		
Carpinteria	\$2.40	\$0.35
Santa Barbara	1.15	.23

Schedule No. A-5
Suburban Service

	<u>Rate Per Month</u>	
	<u>Business Service</u>	<u>Residence Service</u>
Extended service flat rate, Each primary handset station:		
Carpinteria	\$8.00	\$4.50
Santa Barbara	5.50	4.25

Schedule No. A-6
Commercial Private Branch Exchange

	<u>Rate Per Month</u>
Each flat rate extended service trunk:	
Carpinteria	\$19.75
Santa Barbara	12.00

Schedule No. A-7
Hotel Private Branch Exchange Service

	<u>Rate Per Month</u>
Each flat rate extended service trunk:	
Carpinteria	\$19.75
Santa Barbara	12.00

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RATES

Schedule No. A-8
Automatic Private Branch Exchange Service

	<u>Rate Per Month Per Trunk</u>	
	<u>Business</u>	<u>Residence</u>
Extended service flat rate service:		
Carpinteria	\$19.75	\$9.25
Santa Barbara	12.00	8.25

Schedule No. A-9
Intercommunicating System Service

	<u>Rate Per Month</u> <u>Extended Service</u> <u>Residence Service</u> <u>Each Trunk</u>
Santa Barbara	\$8.25

Schedule No. A-12
Farmer Line Service

	<u>Rate Per Month</u>		<u>Minimum Charge Per</u> <u>Line Per Month</u>
	<u>Business</u>	<u>Residence</u>	
Extended service, each station:			
Carpinteria	\$4.00	\$2.00	\$13.25
Santa Barbara	2.50	1.15	8.00

Schedule No. A-21. Public Telephone Service
Schedule No. A-28. Local Service Areas. Extended Service

Appropriate revisions are authorized to reflect the introduction of extended service between Carpinteria and Santa Barbara.

APPENDIX B

LIST OF APPEARANCES

For Applicant: Marshall K. Taylor.

Interested Parties: California Farm Bureau Federation and Carpinteria Farm Center, by J. J. Deuel; League of Women Voters, by Miss Ethel M. Moss; Carpinteria Women's Club, by Margaret M. Mills; Carpinteria Chamber of Commerce, by E. Bonebakker and W. Leaker; Valley Hardware, by J. Onweg; California Independent Telephone Association, by N. C. Hasbrook; City of Santa Barbara, by Harry W. Brelsford; C. W. Husted, in propria persona.

Commission staff: Boris H. Lakusta and William W. Dunlop.

LIST OF WITNESSES

Evidence was presented on behalf of applicant by: Ernest W. Watson and Fred C. Raddert.

Evidence was presented on behalf of the interested parties by: Mrs. Margaret M. Mills, Miss Ethel M. Moss, Mrs. C. W. Houston, Don Aldecoa, Joseph Onweg, Ali Mauracher, Frank Thayer, M. D. Knapp, G. B. McReynolds, and Erno Bonebakker.

Evidence was presented on behalf of the Commission staff by: Melvin Mezek, and Ernest W. Watson as an adverse witness.