

**ORIGINAL**Decision No. 51617

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, or any of them, )  
 of THE PACIFIC TELEPHONE AND TELEGRAPH )  
 COMPANY, CITIZENS UTILITIES COMPANY OF )  
 CALIFORNIA, DELTA TELEPHONE AND TELE- )  
 GRAPH COMPANY, and ROSEVILLE TELEPHONE )  
 COMPANY. )

Case No. 5473

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

INTERIM OPINION

The above-entitled investigation was instituted by the Commission on June 16, 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 Sacramento, Yolo, Placer, Eldorado and Solano Counties, hereinafter designated Sacramento Area.
2. To inquire into and to ascertain the adequacy of the present calling areas and service arrangements in the Sacramento Area.
3. To inquire into and to ascertain for each respondent the traffic, revenue, expense, and plant effects of introducing extended service in the Sacramento Area.
4. To inquire into and to ascertain the rate effects on subscribers to telephone service of providing extended service in the Sacramento Area.
5. To inquire into any other matter or thing relating to the introduction of extended service in the Sacramento 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, hereinafter sometimes called Pacific, in its Application No. 33935 to introduce extended service in certain of the exchanges in the Sacramento Area. Said investigation was necessary to determine the effects on Pacific's exchanges and on contiguous exchanges of other utilities.

#### Public Hearing

After due notice, two days of public hearing have been held thus far on this matter at Sacramento. The first hearing was held on the basis of a consolidated record with Application No. 33935 on July 1, 1953, while the second day of hearing was held on May 12, 1955 before Commissioner Peter E. Mitchell and Examiner M. W. Edwards. At the first hearing the proposal of Pacific was presented through two witnesses in Exhibits Nos. 39, 40 and 41 in Application No. 33935. Statements and testimony were received from a number of interested parties. Also at that hearing the Commission staff requested the four respondents to prepare extended service studies. Pacific moved that Case No. 5473 be restricted to its proposal. All exhibits, Nos. 39-41 inclusive, and the testimony relative to the question of Sacramento extended service under Application No. 33935, are referred to and made part of the record in this investigation.

At the hearing on May 12, 1955, the Commission staff introduced an interim report, identified as Exhibit No. 2, on its study of extended service in the Sacramento Area in which were analyzed the plan submitted by Pacific as well as an alternate plan. Following explanation by a staff witness of its interim report, cross-examination thereon, testimony and statements by interested parties,

the matter was submitted for decision with regard to the Sacramento, Rio Linda, Fair Oaks and Folsom exchanges.

Further Studies

Studies with respect to plans involving the other exchanges in the Sacramento Area, namely: Elk Grove, Courtland, Dixon, Davis, Woodland, Nicolaus, Pleasant Grove and Roseville are still in progress. The several utilities involved indicated that their studies would be completed and filed with the Commission during the period October 1, 1955 to January 1, 1956. Following analysis of such further studies by our staff, the Commission will set an additional day of hearing. The record is now complete regarding the two plans involving the four exchanges above mentioned and it appears appropriate to issue an interim opinion and order in this matter at this time.

Exchanges Included in Plans Studied

The exchanges included in the two plans studied by the staff and included in its interim report may be briefly summarized as follows:

1. Plan I includes the Fair Oaks, Rio Linda and Sacramento exchanges.
2. Plan II includes the above three exchanges with the addition of Folsom.

Plan II is essentially the same as the plan originally proposed by Pacific in its Application No. 33935. Plan I is the one recommended by the staff in its interim report. After listening to public witnesses favoring the inclusion of Folsom in the extended area and their indicated willingness to pay the higher station rates involved, the staff witness testified that in the light of such testimony he would recommend Plan II.

Trial Rates

The trial monthly rates suggested by the staff that would produce the proportionate share of the revenue requirements by exchanges, after allowing for the annual charges on the increased plant required, the saving in expense and loss of toll revenue, are set forth in the tabulation below. The present rates are also shown for comparison purposes:

Class and Grade of Service	Present Rates		Plan II, Trial "B" Rates			
	Sacra- mento	Rio Linda: Folsom	Sacra- mento	Fair Oaks	Rio Linda	Folsom
<u>Business</u>						
1-Party Flat	\$10.50	\$6.50	\$10.80	\$13.00	\$11.50	\$20.00
1-Party Message*	5.25	-	5.50	5.50	5.50	6.00
2-Party Flat	8.00	5.25	-	-	-	-
Suburban	5.50	4.75	5.65	7.25	6.00	10.00
PBX Trunk	15.75	9.75	16.00	19.50	17.25	30.00
Farmer Line	2.75	1.50	2.85	3.00	3.00	4.00
<u>Residence</u>						
1-Party	4.80	4.05	4.95	6.25	5.65	6.95
2-Party	3.75	3.50	3.80	5.00	4.40	5.65
4-Party	3.20	2.95	3.20	4.20	3.70	4.80
Suburban	3.70	3.45	3.70	4.55	4.15	5.15
Farmer Line	1.40	.85	1.40	1.40	1.40	1.50

\* Rates shown include 80 - 90 messages, additional messages 4 cents each.

The above set of trial rates were the second set of trial rates developed by the staff. The first set, Trial "A", would equalize the rates throughout the four exchanges but has the objection of placing more increase on the present Sacramento exchange subscribers than warranted by the indicated toll savings and related expense and plant costs. The third set of trial rates, Trial "C", would place the Fair Oaks, Rio Linda and Folsom rates on an equal level but has the objection that the Fair Oaks and Rio Linda subscribers would have to be increased more than their proportionate share to offset the lower rates for Folsom subscribers.

Desire for Extended Service

The representative of the California Farm Bureau Federation expressed the view that extended service should be made available in the Pacific Company exchanges but not necessarily in the exchanges served by other companies. A representative of the Rio Linda Lions Club presented testimony to express the feelings of the community in favor of the extended service; he acted as the spokesman for some nine other persons in attendance at the hearing and stated that the staff's proposal is reasonable. A representative of the Rotary Club and Chamber of Commerce of Fair Oaks desired early consideration of this matter and indicated that even a doubling of exchange rates with the elimination of short haul tolls would be cheaper than the rates now being charged. The Chairman of the Phone Committee of the Fair Oaks Chamber of Commerce presented a petition signed by some 1700 persons favoring extended service for Fair Oaks, Folsom and Rio Linda.

Counsel for the City of Sacramento, speaking on behalf of the City Manager and himself, was not opposed to extended service so long as there was no great increase in rates to the present Sacramento subscribers. He considered Plan I most reasonable but requested permission to file a statement within 10 days of the position of the people in Sacramento as expressed by the City Council. His statement indicates that the City takes no position either for or against this proposal.

A representative of the Lions Club and Chamber of Commerce of Orangevale spoke in favor of Plan II because most of the residents of Orangevale are situated in the Folsom exchange. A representative of the Folsom Chamber of Commerce and Lions Club stated that it would be a mistake to adopt Plan I instead of Plan II as Folsom is growing at an accelerated rate, that the Folsom people understand the problem and would be willing to pay the greater station rates to save the toll

charges. The minister of the Community Presbyterian Church of Folsom indicated preference for Plan II.

A representative of the Greater North Sacramento Area Chamber of Commerce stated that the northern area is becoming one large community, that the section needs one telephone service and that it is illogical to exclude the Folsom exchange in the plan. A school superintendent of the same area testified as to the rapid school population growth and the need for a common telephone service.

#### Foreign Exchange Service

Counsel for Pacific urged the Commission to adopt the Trial "A" rates, or level the Trial "B" rates by increasing the 4-party residence rates, because there would be pressure for foreign exchange service under the Trial "B" rates. The staff recommended the withdrawal of foreign exchange service upon the inauguration of extended service. The representative of the California Independent Telephone Association recommended the adoption of Trial "B" rates, but did not comment regarding the foreign exchange situation. During cross-examination of the staff's witness the fact was brought out that there are now only 12 foreign exchange services in the Folsom exchange. In his closing statement, staff counsel recommended inclusion of the Folsom exchange in the extended area, and the discontinuance of foreign exchange service.

#### Findings and Conclusions

After considering the evidence of record, the statements by the various parties and the lack of serious objection to the staff's proposals, it is found that (1) the introduction of extended service to the extent provided by Plan II is reasonable and in the public interest; (2) the benefits to be derived by the Sacramento customers outweigh the added charges on an interim basis at rates modified somewhat from the level of Trial "B"; (3) that foreign exchange

service should be withdrawn between the Sacramento, Fair Oaks, Rio Linda and Folsom exchanges when extended service is inaugurated; and (4) that studies should be continued with respect to the establishment of extended service in the remaining exchanges of the Sacramento area and that this case should be held open pending completion of such studies. Trial Rates "A" and "C" of the staff, as well as the proposed leveling of rates as between exchanges as suggested by counsel for Pacific place unreasonable burdens on certain areas and subscribers and will not be further considered herein.

In view of such findings it is concluded that the public interest currently requires the establishment of extended service in the Fair Oaks, Folsom, Rio Linda and Sacramento exchanges on or before July 1, 1957, with interim rates as authorized herein and that an interim order should be issued authorizing the Pacific Company to proceed with the construction necessary to effect Plan II. Pacific's motion to limit the extended service to its exchanges will be held in abeyance pending completion of the studies on the other exchanges in the area. While the City of Sacramento has not officially gone on record in favor of the proposed extended service, the Commission has exercised its best judgment in this matter and has kept the increases to Sacramento subscribers within the range of benefits that should be enjoyed by such Sacramento subscribers as a whole. Our conclusion herein does not preclude any party from seeking relief through formal action should it believe that the burden of the rates herein authorized overcomes the over-all savings and future advantages to be realized.

#### INTERIM ORDER

Public hearings having been held in the above-entitled case, the matter having been submitted for decision with regard to the

Sacramento, Rio Linda, Fair Oaks and Folsom exchanges and the Commission being fully advised,

IT IS HEREBY FOUND AS A FACT that the public interest requires the establishment of extended service between the Sacramento, Fair Oaks, Folsom and Rio Linda exchanges and 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 shall proceed to introduce extended service to all subscribers in the Fair Oaks, Folsom, Rio Linda, and Sacramento exchanges in the manner contemplated by Plan II, in Exhibit No. 2, in this investigation on or before July 1, 1957.
2. The Pacific Telephone and Telegraph Company shall file semiannual progress reports of its construction work to provide extended service in the Sacramento Area beginning with a report as of December 31, 1955, such reports to be filed within sixty days of the close of each report period.
3. At least thirty days prior to the date of establishment of extended service in the Sacramento Area, The Pacific Telephone and Telegraph Company shall file rates for non-optional extended service in the Fair Oaks, Folsom, Rio Linda and Sacramento exchanges as set forth in Appendix A and related rates consistent therewith and upon establishment of extended service withdraw local service rates and cancel and withdraw rates for foreign exchange and for message toll telephone service over the following routes:
  - a. Fair Oaks to Folsom and Sacramento,
  - b. Folsom to Fair Oaks and Sacramento,
  - c. Rio Linda to Sacramento,
  - d. Sacramento to Fair Oaks, Folsom, and Rio Linda.



- 4. This proceeding is held open for the receipt of further evidence regarding extended service in the remaining exchanges of the Sacramento Area upon completion of studies.

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

Dated at San Francisco, California, this 28<sup>th</sup> day of June, 1955.

[Signature]  
 President  
Justice J. Caswell  
[Signature]  
[Signature]  
[Signature]  
 Commissioners

APPENDIX A  
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RATES

Rates for Extended Exchange Service applicable in the Sacramento, Rio Linda, Fair Oaks, and Folsom exchanges:

Schedule No. 3-T  
Local Service Areas, Northern California

Service is provided at extended service rates without additional charge as follows:

<u>From stations receiving service from the exchange designated as:</u>	<u>To stations receiving service from exchanges and from district areas designated as:</u>	
	<u>Exchange</u>	<u>District Area</u>
Fair Oaks	Fair Oaks	
	Folsom	
	Sacramento	
Folsom	Fair Oaks	
	Folsom	
	Sacramento	
Rio Linda	Rio Linda	
	Sacramento	
Sacramento	Fair Oaks	
	Folsom	
	Rio Linda	
	Sacramento	

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RATES

Schedule No. 4-T  
Individual and Party Line Service, Northern California

Each Primary Station:

	Individual and Party Line Service				
	Rate per Month				
	Business		Residence		
	Individual	2-Party	Individual	2-Party	4-Party
Fair Oaks	\$12.25	-	\$6.10	\$4.85	\$4.15
Extended	6.00-80				
Folsom	15.75	-	6.85	5.60	4.80
Extended	7.50-80				
Rio Linda	11.50	-	5.50	4.30	3.65
Extended	5.75-80				
Sacramento	10.75	-	4.85	3.80	3.25
Extended	5.50-80				

  

	Suburban Service		Semipublic Service	
	Rate per Month		Individual Line	
	Business 10-Party Line	Residence 10-Party Line	Rate Per Month	Minimum Charge Per Day
Fair Oaks	\$7.00	\$4.65	\$2.20	\$0.26
Extended				
Folsom	8.25	5.30	3.10	.31
Extended				
Rio Linda	6.25	4.15	1.50	.25
Extended				
Sacramento	5.65	3.75	1.20	.24
Extended				

Rate for  
Each Message over Allowance

Fair Oaks, Folsom, Rio Linda and Sacramento

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RATES

Schedule No. 9-T  
Farmer Line Service, Northern California

Each Station:

		<u>Rate per Month</u>	
		<u>Residence</u>	<u>Business</u>
		<u>Service</u>	<u>Service</u>
Fair Oaks	Extended	\$1.60	\$3.25
Folsom	Extended	2.00	4.25
Rio Linda	Extended	1.50	3.00
Sacramento	Extended	1.45	2.85

Schedule No. 11-T  
Public Telephone Service

Appropriate revisions are authorized to reflect the introduction of extended service in Fair Oaks, Folsom, Rio Linda and Sacramento.

Schedule No. 13-T  
Private Branch Exchange Trunk Line Service, Northern California

<u>Flat Rate Service:</u>		<u>Rate per Month</u>
Commercial and Hotel Manual and Dial PBX, Business Key Station Dial PBX and Order Receiving Equipment Services:		
<u>Each Trunk:</u>		
Fair Oaks	Extended	\$18.25
Folsom	Extended	23.50
Rio Linda	Extended	17.25
Sacramento	Extended	16.00

Flat Rate Service:  
Residence PBX Service,  
Residence Key Station Dial PBX Service:

<u>Each Trunk:</u>		
Sacramento	Extended	\$ 7.25

APPENDIX A  
Page 4 of 4RATESSchedule No. 20-T  
Joint User Service, Northern California

	Rate per Month		
	<u>Each Joint User Service in Connection with</u>		
	<u>Individual, Party or Answering Line Service</u>	<u>Semi- public Service</u>	<u>PEX or Cord-operated Telephone Answering Service</u>
Fair Oaks Extended Flat	\$2.50	\$ -	\$5.00
Message	1.50	1.50	-
Folsom Extended Flat	3.00	-	6.00
Message	1.50	1.50	-
Rio Linda Extended Flat	2.50	-	5.00
Message	1.50	1.50	-
Sacramento Extended Flat	2.50	-	5.00
Message	1.50	1.50	-

Schedule No. 34-T  
Foreign Exchange Service, Northern California

Rates for foreign exchange service over the following routes are authorized to be canceled coincident with the introduction of extended service.

Foreign Exchange

Fair Oaks  
Folsom  
Rio Linda  
Sacramento

Local Exchange

Folsom, Sacramento  
Fair Oaks, Sacramento  
Sacramento  
Fair Oaks, Folsom Rio Linda

Primary rates for other affected foreign exchange services are authorized to be adjusted to the extent required by the changes authorized in basic individual line, party line and PEX trunk rates for extended service.

Message Toll Telephone Service

Applicant is authorized to cancel and withdraw message toll telephone rates now applicable between Sacramento, Fair Oaks and Folsom and between Sacramento and Rio Linda, coincident with the establishment of extended service.

## APPENDIX B

LIST OF APPEARANCES

For Respondents: Pillsbury, Madison & Sutro by Arthur T. George, Francis N. Marshall and John M. Hall, for The Pacific Telephone and Telegraph Company; David H. Steele, Orrick, Dahlquist, Herrington & Sutcliffe by George H. Johnston and Warren A. Palmer, and Neal C. Hasbrook, for Citizens Utilities Company of California; T. E. Marchand, B. E. Hart, and Neal C. Hasbrook, for Delta Telephone and Telegraph Company; Walter Hanisch, Walter David Hanisch, and Neal C. Hasbrook, for Roseville Telephone Company.

Interested Parties: J. J. Deuel and Edson Abel, for California Farm Bureau Federation; Everett M. Glenn and D. Jackson Faustman for City of Sacramento; Charles W. Deterding and Ancil Hoffman, for Sacramento County Board of Supervisors; Neal C. Hasbrook, for California Independent Telephone Association; W. A. Halliday, for Orangevale Chamber of Commerce; Donald W. Lang, for Fair Oaks Rotary Club and Chamber of Commerce; Bud N. Polley, for Fair Oaks Phone Committee and Chamber of Commerce; W. F. Stierch and O. Stanley Hoover, for Fair Oaks Chamber of Commerce; Henry Kroeger and Mrs. Charlotte M. Goode, for Fair Oaks Irrigation District; Fred S. Orth, for Folsom Chamber of Commerce; Ray P. Squire, for the Community Presbyterian Church of Folsom; David B. Owen, for Greater North Area Chamber of Commerce; L. W. Miller, for the City of Folsom; Mrs. Ida Mae Main, for a Group of 90 Fair Oaks Residents; G. B. Hauserman, for Fair Oaks Grange; Ray Clow, for Fair Oaks Civic Club; Robert J. Schulte, for Rio Linda Lions Club; Miss Ella I. Ellis, for Folsom Business and Professional Women's Club; Dr. James R. Cowan, for Greater North Area Chamber of Commerce and for Arcade School District; Harrold C. Macquarrie, Douglas C. Mitchell; Ralph R. Hinsey, E. P. Biggs, and W. R. Davis, in propria personae.

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

LIST OF WITNESSES

Evidence was presented on behalf of respondent The Pacific Telephone and Telegraph Company by Ward C. Schweizer and H. L. Kertz.

Evidence was presented on behalf of interested parties by Bud W. Polley, James Skaug, Fred S. Orth, John McCrackin, Charles Edgett, Frances Rapetti, P. Dale Johnson, Robert J. Schulte, Donald W. Lang, David B. Owen, Wilbur A. Halliday, James R. Cowan, and Raymond P. Squire.

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