

ORIGINALDecision No. 52284

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 author-)
 ity to establish rates for extended)
 service in its Antioch exchange and)
 in the Main District Area of its)
 Pittsburg exchange in lieu of)
 present exchange service rates and)
 to cancel and withdraw message toll)
 telephone service rates now in)
 effect between Antioch and the Main)
 District Area of Pittsburg.)

Application No. 37133

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

O P I N I O NApplicant's Request

By the above-entitled application filed July 14, 1955,
 The Pacific Telephone and Telegraph Company, applicant herein, pro-
 poses extended service in the Antioch exchange and in the Main
 District Area of the Pittsburg exchange, and coincident therewith
 requests authority to:

1. File and make effective rates for nonoptional extended service in the Antioch exchange and in the Main District Area of the Pittsburg exchange.
2. Cancel and withdraw present rates for local exchange service now in effect in the Antioch exchange and in the Main District Area of the Pittsburg exchange.
3. Expand the local service area of the Antioch exchange to include the Main District Area of the Pittsburg exchange and expand the local service area of the Main District Area of the Pittsburg exchange to include the Antioch exchange.

4. Cancel and withdraw message toll telephone rates between Antioch exchange and the Main District Area of the Pittsburg exchange.

Public Hearing

After due notice a public hearing on this application was held in Pittsburg before Examiner M. W. Edwards on November 17, 1955, the matter being submitted for decision on that date. Applicant, through two witnesses, presented five exhibits in support of the application. The Commission staff, represented by counsel and its telephone engineer, took an active part in the proceeding; presented four exhibits through two witnesses and sponsored three additional exhibits prepared by applicant's witnesses relating to optional plans of extended service. Testimony favoring applicant's proposed non-optional extended service was presented by six members of the public who were subscribers in the proposed extended service area. In addition the representative of the California Farm Bureau Federation urged that the Commission authorize the proposed extended area plan of applicant.

Desire for Extended Service

In addition to the desire for extended service expressed by the six witnesses, applicant presented copies of four letters from the Antioch and Pittsburg Chambers of Commerce favoring toll-free extended service between Antioch and Pittsburg. No one appeared at the hearing in opposition to the proposed extended service plan; however, the staff, after observing that slightly more than one half of the subscribers have so little toll usage that their over-all charges would be increased, suggested a canvass by mail of all subscribers to obtain a representative expression of the desire of all users in the area.

Present and Applicant's Proposed Rates

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

Classification:	Rate per Month					
	Antioch			Pittsburg Main District Area		
	Present	Proposed	Increase	Present	Proposed	Increase
Residence						
1-Party	\$ 4.30	\$ 4.45	\$0.15	\$ 4.30	\$ 4.45	\$0.15
2-Party	3.50	3.60	.10	3.50	3.60	.10
4-Party	2.95	3.05	.10	2.95	3.05	.10
Suburban	3.45	3.50	.05	3.45	3.50	.05
Farmer Line	1.00	1.15	.15	1.15	1.15	-
Business						
1-Party	7.25	8.75	1.50	8.25	8.75	.50
2-Party	5.75	6.75	1.00	6.50	6.75	.25
Suburban	5.00	5.25	.25	5.00	5.25	.25
Farmer Line	1.75	2.00	.25	2.00	2.00	-
PBX Trunk	10.75	13.00	2.25	12.25	13.00	.75

Applicant's basis for proposing the increased rates is that they approximately offset the loss from elimination of the 10-cent toll charge between Antioch and Pittsburg (Main District Area) after allowing for the increase in cost on added plant and the expense savings in each exchange. The result of the applicant's proposal as of September 30, 1955 would be to increase the telephones in the local calling area for Antioch subscribers from 4,922 to 11,960 and for the Pittsburg Main District Area subscribers from 8,572 to 13,494.

Cost and Revenue Effects

Applicant's Exhibit No. 5 shows that the introduction of nonoptional extended service will result in an estimated annual reduction of \$30,100 in accounting, commercial and traffic expenses. The loss in toll revenue is estimated at \$51,500 annually. The new plant required will result in an estimated increase in annual charges of \$7,100. Thus, a net increase of \$28,500 in exchange revenue is necessary to offset the net toll loss. Applicant computes that the proposed increases in exchange rates will yield \$28,400 on an annual basis.

A witness for applicant, on cross-examination by the Commission staff, stated that under present separation methods the introduction of extended service tends to increase the intrastate revenue requirements and correspondingly tends to reduce the interstate revenue requirement. Applicant's witness cited the stimulation in local calling and the reclassification of toll lines plant to exchange plant as reasons for this shift in revenue requirements under extended service using present separation methods. He further testified that the amounts involved in this proceeding were minor, being of the order of several hundred dollars on an annual basis.

The staff requested applicant to study the effects of introducing extended service on optional bases. Exhibit No. 6 indicates that increases would have to be as much as \$1.50 per month for residential service and \$5 for business service if the extended service develops as little as approximately 10 per cent. If it develops as much as 90 per cent the residential rate increases would be in the range of 25 to 50 cents per month and the business increase in the range of 75 cents to \$2 per month. Equivalent increases under applicant's nonoptional proposal are 10 to 15 cents per month on residential service and 25 cents to \$1.50 per month on business.

Conclusions and Findings

The area is growing rapidly and the need for extended service has been shown. The advantages of increased service incident to an extended local calling area, in the Commission's opinion, outweigh the nominal increase to a majority of customers on a nonoptional basis. The indicated rates for optional extended service would have to be so high as to be attractive only to the large users who constitute a small percentage of the subscribers hence optional service does not appear to be the most reasonable solution to the problem.

No opposition was expressed to the applicant's proposal. The proposed increases are minor in amount and appear to be reasonable.

From the facts of record herein the Commission finds: that the public interest requires the establishment of nonoptional extended service under the circumstances shown in this proceeding in the Antioch exchange and the Main District Area of the Pittsburg exchange coincident with or following the conversion of the Antioch exchange to dial operation in December of this year; that the increases in rates and charges authorized herein are justified; that present rates, in so far as they differ from those herein prescribed for the future, are unjust and unreasonable; and that an order should be issued authorizing applicant's proposal.

O R D E R

The above-entitled application having been filed, a public hearing having been held, the matter having been submitted and it appearing that the granting of the application will be in the public interest; therefore,

IT IS ORDERED as follows:

1. Applicant, coincident with or following the introduction of dial service in the Antioch exchange, is authorized to expand the local service area of the Antioch exchange to include the Main District Area of the Pittsburg exchange and expand the local service area of the Main District Area of the Pittsburg exchange to include the Antioch exchange.
2. 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 D 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 as provided by Section 1 hereof.
3. At the time of making effective the rates authorized by Section 2 hereof applicant may cancel present

rates for local and toll service as contemplated in the application.

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

Dated at San Francisco, California, this 20th day of December, 1955.

[Signature]
 President

[Signature]

[Signature]

[Signature]

[Signature]
 Commissioners

APPENDIX A

LIST OF APPEARANCES

For Applicant: A. T. George, Pillsbury, Madison & Sutro, by
Dexter C. Tight.

Interested Parties: California Farm Bureau Federation, by
J. J. Deuel and Bert Buzzini.

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

LIST OF WITNESSES

Evidence was presented on behalf of the applicant by: Clifford F.
Goode and H. L. Kertz.

Evidence was presented on behalf of interested parties by:
Mrs. Mary LaBlanc, Mrs. Margaret Lindley, Ben Goldberger,
W. W. Heathon, Fred A. Wiren and William W. Boyd.

Evidence was presented on behalf of the Commission staff by:
James R. Barrett and Jean B. Balcomb.