

Decision No. 52443**ORIGINAL**

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 authority) Application No. 37320
 to establish extended service in its)
 Half Moon Bay and Moss Beach)
 exchanges.)

Arthur T. George, Dexter C. Tight, Pillsbury, Madison
 & Sutro, for applicant.
 Montara-Moss Beach Improvement Association, by
Pamela L. McAllister and Frank Grant; California
 Farm Bureau Federation, by J. J. Deuel and Eldon
Dye; James W. Healy and J. A. Nunes in propria
 personae, interested parties.
J. B. Balcomb, for the Commission staff.

O P I N I O NApplicant's Request

By the above-entitled application filed September 22,
 1955, The Pacific Telephone and Telegraph Company, applicant herein,
 proposes extended service in the Half Moon Bay and Moss Beach
 exchanges and coincident therewith requests authority to:

1. File and make effective rates for extended service
2. Cancel and withdraw present rates for exchange
 service now in effect in the Half Moon Bay and
 Moss Beach exchanges
3. Expand the local service area of the Half Moon
 Bay exchange to include Moss Beach exchange and
 expand the local service area of the Moss Beach
 exchange to include the Half Moon Bay exchange
4. Cancel and withdraw message toll telephone rates
 between Half Moon Bay and Moss Beach

Public Hearing

After due notice a public hearing on this application
 was held in Half Moon Bay before Examiner M. W. Edwards on
 November 30, 1955, the matter being submitted for decision on that
 date. Applicant, through one witness, presented three exhibits and

testimony in support of its application. The Commission staff, represented by a senior utilities engineer, took an active part in the proceeding and presented three exhibits through one witness. A representative for the California Farm Bureau Federation cross-examined the applicant's witness, but at the close of the hearing stated his organization supported the application. The president of the Montara-Moss Beach Improvement Association in a closing statement was in favor of the application and indicated that there was no great objection to the proposed rate increase in the Moss Beach area.

A subscriber from the Moss Beach exchange, who formerly, in 1953, had complained about service and presented a petition signed by some 100 persons requesting an improvement in service, stated that the applicant has done a fine job since that time in improving the service. When previously he thought that the applicant had neglected the area, he now testified that it has made a determined effort to comply with the requests on the petition. He was in favor of the proposed extended service. Also a subscriber from the Half Moon Bay exchange made an appearance and indicated that he did not oppose the applicant's proposal.

Present and Proposed Rates

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

Classification	Rate per Month					
	Half Moon Bay			Moss Beach		
	Present	Proposed	Increase	Present	Proposed	Increase
Residence						
1-Party	\$4.05	\$4.05	\$ -	\$3.80	\$4.05	\$0.25
2-Party	3.50	3.50	-	3.25	3.50	.25
4-Party	2.95	2.95	-	2.70	2.95	.25
Suburban	3.45	3.45	-	3.20	3.45	.25
Business						
1-Party	6.50	6.50	-	6.00	6.50	.50
2-Party	5.25	5.25	-	4.75	5.25	.50
Suburban	4.75	4.75	-	4.50	4.75	.25
PBX Trunk	9.75	9.75	-	9.00	9.75	.75

Applicant's reason for proposing increases in exchange rates is to make up for the estimated loss from the elimination of the 10-cent toll charge between Half Moon Bay and Moss Beach 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 June 30, 1955 would be to increase the telephones in the local calling area for Half Moon Bay subscribers from 702 to 1,008 and for the Moss Beach subscribers from 306 to 1,008; however, by April 1956, when the applicant expects to be in position to render the extended service, more subscribers are expected to be in the local calling area.

Cost and Revenue Effects

Applicant's Exhibit No.3 shows that the introduction of nonoptional extended service will result in an estimated annual reduction of \$2,500 in accounting, commercial and traffic expenses. The loss in toll revenue is estimated at \$3,200 annually. The new plant required will result in an estimated increase in annual charges of \$700. Thus, a net increase of \$1,400 in exchange revenue is necessary to offset the net toll loss. It is estimated that exchange revenues will be increased \$200 by the conversion of coin-box toll revenue to coin-box exchange revenue under extended service, and the exchange rates proposed by applicant are estimated to yield \$800 increased revenue, making a total of \$1,000 annually.

The Commission staff investigated the estimated savings and increased cost of added plant as shown in Exhibit A of the application and arrived at a different conclusion than did the applicant. The result of the staff's investigation was placed in the record by Exhibit No. 6. It showed expense saving of \$4,200 annually, loss in toll revenue of \$2,700, increased annual charges on new plant of \$550, or a net gain to the applicant of \$950 per

year. The staff's recommendation was that the extended service be inaugurated without any increase in the present local service rates.

Applicant took exception to the staff's study, stating that it was made on estimates for 1956 which were based on 1953 statistics, and suggested that more weight should be given to its estimate (Exhibit No. 3) because it was based on statistics as of June 30, 1954. Applicant states that this later estimate currently is its best estimate. Furthermore, the applicant's witness testified that the proposed uniform rates throughout the extended area are more suitable and equitable than leaving the Moss Beach rates at a lower level. He stated that Moss Beach subscribers gain more from the extended service proposal than do the Half Moon Bay subscribers and that costs to render service in the two exchanges are about the same.

Conclusions and Findings

The Commission has carefully considered the testimony and statements favoring the application as well as the diverse positions taken by the applicant and the staff with regard to the level of the rates in the two exchanges. There was no opposition to the extended service plan. In deciding the rate level question the Commission observes that even under the applicant's estimate the proposed increases do not completely offset the indicated loss. While the total loss estimated by applicant is small and could be held in abeyance for a trial study period, the proposed increases are minor in amount and do not appear unreasonable based on the increased service to be obtained. Little or no opposition to the proposed increase was manifested.

From the facts of record herein the Commission finds: that the public interest requires the establishment of nonoptional extended service in the Half Moon Bay and the Moss Beach exchanges coincident with or following the replacement of the Moss Beach central office with increased facilities in April, 1956; 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 replacement of the Moss Beach central office with increased facilities, is authorized to expand the local service area of the Half Moon Bay exchange to include the Moss Beach exchange and expand the local service area of the Moss Beach exchange to include the Half Moon Bay 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 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 as provided by Section 1 hereof.

3. At the time of making effective the rates authorized by Section 2 hereof applicant shall cancel present rates for local and toll service as contemplated in the application.
4. The authority herein granted will lapse unless exercised on or before September 30, 1956.

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

Dated at San Francisco, California, this 4th day of January, 1956.

John E. Mitchell
President
Justin J. Caswell
Raymond W. Kerner
Walter R. J. J. J.
B. Hardy
Commissioners