

Decision No. 52495

**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. 37353
to establish two district areas and	)	
an additional toll rate center in the	)	
Chula Vista exchange.	)	

Appearances and List of Witnesses  
are set forth in Appendix A.

O P I N I O N

Applicant's Request

The Pacific Telephone and Telegraph Company by the above-entitled application filed on September 29, 1955 requests authority to:

- (1) Establish two district areas in the Chula Vista exchange, to be designated Chula Vista district and Dulzura district, and a base rate area in the Dulzura district area.
- (2) File and make effective, coincident with the establishment of the Dulzura district area, rates as shown in Exhibit C attached to the application, with a local service area for the Dulzura district area comprised of Chula Vista, La Mesa and El Cajon exchanges.
- (3) Refile present Chula Vista exchange service rates to limit their applicability to the Chula Vista district area.
- (4) Establish a toll rate center in the Dulzura district area.
- (5) Expand the local service area for the El Cajon exchange to include stations receiving service from the Dulzura district area of the Chula Vista exchange.

- (6) Limit the offering of La Mesa foreign exchange service in Chula Vista exchange to that being furnished or applied for prior to the establishment of the district areas.

#### Public Hearing

After due notice a public hearing on this application was held in Chula Vista before Examiner M. W. Edwards on December 13, 1955, the matter being submitted for decision on that date. Applicant, through one witness, presented four exhibits in support of the application. The Commission's staff, represented by its Telephone Engineer, took an active part in the proceeding and presented one exhibit through a staff witness. A representative for the California Farm Bureau Federation cross-examined applicant's witness and requested a study of suburban service, which request was later withdrawn when it was indicated that such study might delay establishment of improved service by six months or more. Testimony regarding applicant's serving arrangements and rates was presented by five members of the public interested in telephone service in the Dulzura district.

#### Present Service

The Chula Vista exchange, located in San Diego County, includes within its boundaries the City of Chula Vista and the suburban area extending about 35 miles to the east of Chula Vista. Within this eastern area is the community of Dulzura and development along or adjacent to Highway 94. At the present time this development consists of approximately 18 business establishments and 200 families. Currently telephone service in the Dulzura area is furnished by means of 10 toll stations and 14 La Mesa residence foreign exchange services. While applicant has on file rates for business and residence urban and suburban grades of service

applicable in the Dulzura area and some 45 applications on file for such service, it has not up to this time furnished such service. The presently effective rates provide for toll free service to certain adjacent exchanges, including San Diego.

Proposed Service

Applicant states that it has received requests for certain grades of telephone service in and about the community of Dulzura and proposes to install dial equipment in a new central office at Dulzura. Applicant's proposal is to limit the local calling area for the Dulzura district to the adjacent Chula Vista, La Mesa, and El Cajon exchanges and to establish a toll rate to San Diego of 30 cents for an initial period station toll message. The equipment now being installed by applicant is Type 355A step-by-step dial which will be connected to San Diego by 10 toll and assistance trunks.

On the basis of applicant's survey of the area it estimates 175 new exchange stations will be connected the first year.

Applicant's Present and Proposed Rates

The present rates and the rates proposed by applicant after the establishment of the Dulzura district for the principal classifications are as follows:

	<u>Rate per Month</u>	
	<u>Present</u>	<u>Proposed</u>
<u>Within the Proposed Dulzura Base Rate Area</u>		
Residence:		
1-Party	\$36.30*	\$ 4.30
2-Party	25.65*	3.25
4-Party	18.70*	2.70
Business:		
1-Party Flat	44.50*	12.50
2-Party Flat	31.40*	9.00
<u>Outside the Proposed Dulzura Base Rate Area</u>		
Suburban Residence	3.20	3.20
Suburban Business	5.50	5.50

\* Includes mileage charges for 64 quarter miles from Chula Vista base rate area.

It should be noted that at the present rates shown above no toll charge is made on calls to San Ysidro, Chula Vista, National City, Coronado, La Mesa and San Diego. The proposed rates of applicant contemplate toll charges on toll calls made to all points except Chula Vista, La Mesa, and El Cajon.

Cost and Revenue Effects

Applicant's witness testified that it is investing \$275,000 in additional plant facilities to render the proposed service. He estimated the annual expense effects for the first year of operation under the new serving arrangement at \$62,900, assuming a rate of return of 6-1/4 per cent. Estimated revenues at proposed rates for the first year are \$22,000, segregated \$7,400 to local service and \$14,600 to toll. Applicant's forecast indicates growth in the area which, when coupled with dial service to nearby exchanges, should considerably reduce the indicated deficit in a reasonable future period.

The staff requested applicant to study the effects of making available extended service to include National City and San Diego in addition to the areas proposed by the applicant. The results of this study indicate a cost differential of \$7.70 a month per average main station, which would have to be added to existing station rates on some equitable spread as between the various grades of service.

La Mesa Foreign Exchange Service

A representative for a group of subscribers residing close to the La Mesa exchange service complained as to the quality of suburban service, questioned why the foreign exchange service rate should be considerably higher on their side of the exchange boundary than on the La Mesa side of the boundary for service on the same eight-party line, and claimed that this resulted in unreasonable discrimination. One answer to this situation is that extension of

this circuit across the boundary increases the length of the circuit and hence the cost of providing the service. Another factor is that rates within an exchange are on an average basis and that when service is extended across a boundary foreign exchange mileage rates are prescribed uniformly throughout the state.

The complaints raised by this group of subscribers present a boundary problem which is commonplace throughout the state. In setting boundary lines, in some cases it is possible to use natural boundaries or revise the boundary to include groups within the exchange from which they prefer to be served. In this instance we find that the serving facilities, for the most part, are provided from the La Mesa central office. It appears that for most of this group the logical answer is to realign the boundary 2-1/2 miles to the east of La Mesa exchange and 2-1/2 miles to the south of El Cajon exchange so as to include them in the La Mesa exchange. The order herein will so provide.

Desire for Toll-Free Service to San Diego

Many people wrote to the Commission requesting toll-free service to San Diego from the proposed Dulzura district. In addition, considerable testimony was adduced at the hearing on this subject. One potential subscriber who had been quoted a rate of approximately \$28 a month for business individual line service at his proposed subdivision and camp site stated that the rate was too high and that he expected to receive such service at the \$12.50 rate applicable in downtown San Diego. In view of the indicated cost of furnishing service in the more remote areas of the exchange, such rate and serving arrangement would not give adequate recognition to the costs involved under the Commission's rate-making method. Testimony shows that the area is in no respect comparable to downtown San Diego.

Many of the customers may not desire to pay the additional \$7.70 per month cost to provide toll-free service to National City and San Diego from the Dulzura district and may find it more economical to pay for such service on a toll usage basis. The applicant indicated that following a reasonable trial period under its proposal it would undertake a study of the usage, economics and desires of the Dulzura subscribers.

Suburban Service Study

The testimony shows that in the adjacent El Cajon exchange the applicant has extended suburban service to the Alpine area some 8 miles beyond the El Cajon base rate area. Criticism was directed at the applicant for not providing a similar suburban service development in the Dulzura area as a prelude to the proposed plans for furnishing urban grades of service. While study of this method of serving Dulzura area was requested and later withdrawn when it was indicated that such study might further delay establishment of any additional service in the area, it appears to the Commission that such method would, as an initial step, keep the costs of serving more nearly in line with the revenue. If this procedure had been followed we would not now be confronted with such a large initial expense in contrast to the expected revenue.

The testimony further shows that the plant to serve Dulzura area as engineered and being installed by applicant would not permit the normal economic extension of Chula Vista suburban service to Dulzura as contemplated under the presently effective rate structure. In the future the applicant should make application for such changes well in advance of its construction of such facilities in order to mitigate subscriber confusion as evidenced in this proceeding.

Before the close of the hearing a representative of the Dulzura area stated she desired service promptly and for this reason indicated a willingness to submit the matter for decision subject to the expressed willingness of applicant to survey the matter after a trial period as heretofore indicated.

Conclusions and Findings

After considering the testimony, statements and inquiries by the representatives, the Commission concludes that improved service in the Dulzura district area is desired and should be provided without further delay. Applicant will be required to survey and furnish a report of the development, usage, economics and desires of the Dulzura district subscribers following one year of service.

The Commission is concerned that the applicant, prior to receiving authorization for revisions in rates, has proceeded extensively to construct facilities in a manner which requires a change in rate structure. It is incumbent upon applicant to provide facilities to render service in accordance with its filed tariff schedules. Under the provisions of the Public Utilities Code, any changes resulting in increases in rates and charges require advance authorization by the Commission. In view of the fact that applicant may have other areas where such construction may be in progress and authorizations for rate changes have not been applied for or received, applicant will be required to survey and report on this subject.

From the facts of record herein the Commission finds: that the public requires improved service in the proposed Dulzura district; that under the circumstances revealed, applicant's proposal should be authorized on a trial basis as hereinafter provided; that the increases in rates and charges authorized herein are justified;

that present rates, in so far as they differ from those herein prescribed upon the establishment of the Dulzura district, will thereafter for the future be unjust and unreasonable; and that an order should be issued granting the authority requested with modifications as indicated.

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 as herein provided will be in the public interest; therefore,

IT IS ORDERED as follows:

1. Applicant is authorized to establish, on or before September 30, 1956, two district areas in the Chula Vista exchange as requested except that the boundary of the Dulzura district area shall be realigned to transfer to the La Mesa exchange that portion of the northwest corner of said proposed district lying within 2-1/2 miles east of the La Mesa exchange and within 2-1/2 miles south of the El Cajon 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 as contemplated in the application except as modified by Paragraph 1 above and, after not less than five days' notice to this Commission and to the public, to make said tariff schedules effective coincident with the establishment of the Dulzura district.
3. Applicant similarly is authorized to refile present Chula Vista exchange service rates to limit their applicability to



the proposed Chula Vista district, establish a toll rate center in the Dulzura district, establish a base rate area in the Dulzura district, change local service areas and limit the offering of La Mesa foreign exchange service as proposed in the application.

4. Applicant, one year after inauguration of Dulzura district area service, shall survey the development, usage, economics and desires of the Dulzura subscribers regarding changes in local calling area, exchange and toll rates and file such report with the Commission within six months after the date of starting of such survey. Appearances shall be furnished copies of such report and will be allowed thirty days to furnish comments thereon to the Commission.

5. Applicant, within ninety days after the effective date of this order, shall survey and report on all construction in progress where rate changes are contemplated which have not received prior authorization of this Commission.

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

Dated at San Francisco, California, this 22<sup>nd</sup> day of January, 1956.

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President

*[Handwritten signature]*

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Commissioners

APPENDIX A

LIST OF APPEARANCES

Arthur T. George, Pillsbury, Madison and Sutro, Dexter C. Tight,  
for applicant.  
California Farm Bureau Federation by J. J. Deuel; Disabled  
Veterans, Chapter 2, San Diego, by Richard L. Parsons;  
interested parties.  
La Mesa Foreign Exchange Group by Josephine T. Bartholdi; Highway 94  
Club and Mountain Empire Farm Bureau by Mrs. Charlotte M.  
Holcomb; protestants.  
William W. Dunlop, for the Commission's staff.

LIST OF WITNESSES

Evidence was presented on behalf of the applicant by Clifford F.  
Goode.

Evidence was presented on behalf of the interested parties and  
protestants by: Richard L. Parsons, Mrs. Josephine T. Bartholdi,  
Mrs. Charlotte Holcomb, Captain John J. Bartholdi, Mrs. Dorothy  
Clark Schmid.

Evidence was presented on behalf of the Commission's staff by  
Melvin E. Mezek.