

ORIGINAL

Decision No. 52799

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 discontinue the Rackerby)
 exchange and to expand the present)
 Bangor exchange area to include)
 therein the present Rackerby)
 exchange.)

Application No. 37372

Arthur T. George, Pillsbury, Madison & Sutro,
Dexter C. Tight, for applicant;
J. J. Deuel and Bert Buzzini, for California
 Farm Bureau Federation; H. B. Drobish, for
 people of Bangor area; Bernard Goeken, in
 propria persona, interested parties;
William W. Dunlop, for the Commission staff.

O P I N I O N

Applicant's Request

By the above-entitled application filed October 6, 1955,
 The Pacific Telephone and Telegraph Company, applicant herein,
 requests authority to:

1. Discontinue the Rackerby exchange, Yuba County, and coincident therewith expand the Bangor exchange and base rate area boundaries, Butte County, to include therein the respective Rackerby exchange and base rate areas;
2. Cancel and withdraw exchange rates applicable in Bangor and Rackerby exchanges and establish the higher exchange rates for Bangor exchange as set forth in Exhibit D of the application; and
3. Discontinue the Rackerby toll rate center.

Public Hearing

After due notice a public hearing on this application was held in Marysville before Examiner M. W. Edwards on November 18, 1955, the matter being submitted for decision on that date. Applicant, through its witness, submitted five exhibits in support of the

application. The Commission staff, through its telephone engineer, and the representatives of the California Farm Bureau Federation took an active part in the proceeding and cross-examined the witness. Testimony regarding the telephone service conditions in the area was presented by six subscribers.

Subscribers' Request

The present subscribers, which are primarily farmer-line subscribers, generally expressed the need for improved telephone service in the area but also expressed the desire to be included in the Oroville exchange. The position of the subscribers was that the nearest shopping and business center to the area is the city of Oroville and if the Rackerby and Bangor exchanges were included in the Oroville exchange, a toll charge of at least 20 cents per call would be saved.

Matter Reopened for Additional Study

On further analysis it was determined that insufficient information was in the record for the Commission properly to rule on the request to include the Bangor and Rackerby subscribers in the Oroville exchange. Accordingly, on December 12, 1955, the Commission issued an order setting aside submission and reopening the matter for additional study. Applicant was required to prepare an economic study by February 1, 1956 of the effect of expanding the Oroville exchange to include the Bangor and Rackerby exchanges. The appearances were served with copies of the study and allowed until February 10, 1956 to reply to the study. Only the staff of the Commission replied, suggesting that the study should consider that nearly 125 subscribers would take Oroville suburban service and that the estimated capital and expenses were too high for a truly suburban serving arrangement. In the applicant's closing statement, filed February 20, 1956, additional figures to conform in general with the staff's suggestion were furnished.

Present Telephone Service

Rackerby is a small agricultural community located in Yuba County about 27 miles northeast of Marysville. Present telephone service in Rackerby exchange consists of one company station and six service stations which are connected to a manual magneto switchboard operated by an agent. Continuous hours of service are provided.

Bangor exchange is located southwest of and contiguous to Rackerby exchange.¹ Present telephone service in Bangor exchange consists of one company station and 18 service stations which are connected to a manual magneto switchboard operated by an agent. Service is provided only during certain hours of the day.

Proposed Telephone Service

Applicant proposes to (1) replace the present magneto central office equipment in the Bangor exchange with dial equipment, (2) consolidate the Rackerby exchange with the Bangor exchange and thereafter provide service from Bangor to all subscribers in the present Rackerby exchange, and (3) expand the base rate area of the Bangor exchange to include the present base rate area of the Rackerby exchange.² Under this plan present Rackerby subscribers as well as Bangor subscribers would receive telephone service on a 24-hour continuous basis.

Exchange Rates - Present and Proposed

Exchange rates currently in effect in Bangor are those applicable to exchanges in which limited hours of service are provided. Upon provision of dial continuous service applicant proposes

1. The geographical relationship between the Bangor and Rackerby exchanges is shown on the map marked Exhibit A in the application.

2. The exchange and base rate area boundary changes incident to applicant's proposal are shown on Exhibit A attached to the application; however, at the hearing applicant amended the application to enlarge the base rate areas as shown on Exhibits Nos. 3 and 4.

to apply rates in the Bangor exchange corresponding to those applicable to single office Group A exchanges authorized in the Commission's Decision No. 46270, dated October 8, 1951, and as continued in Decision No. 50258, dated July 6, 1954. Present Rackerby exchange rates are at the same level as applicant proposes for Bangor. A comparison of present and proposed exchange service rates for the principal classifications follows:

Classification	Rates per Month		
	Bangor Exchange	Rackerby Exchange	Consolidated Exchange

Residence

1-Party	\$3.55	\$3.80	\$3.80
2-Party	3.00	3.25	3.25
4-Party	2.45	2.70	2.70
Suburban	2.95	3.20	3.20
Farmer Line	.65	.75	.75

Business

1-Party	5.50	6.00	6.00
2-Party	4.50	4.75	4.75
Suburban	4.25	4.50	4.50
Farmer Line	1.00	1.25	1.25

It is estimated that application of the proposed exchange rates to present Bangor services would result in an increase in exchange revenues of \$125 per year.

Toll Rates - Present and Proposed

Upon consolidation of the Bangor and Rackerby exchanges applicant proposes to discontinue the Rackerby toll rate center. Under this plan all toll messages originating or terminating in Bangor or Rackerby would be rated from or to Bangor. This proposed change in toll rate center would have the effect of eliminating the present toll rate between Rackerby and Bangor³ and would result in

³ The initial period station toll rate presently effective between the Bangor and Rackerby exchanges is 10 cents.

increases in toll charges over some routes and decreases over other routes. The over-all effect of these proposed toll rate changes is estimated to reduce applicants toll revenues by \$110 a year.

Economic Studies

We now have before us for consideration three plans for serving the area in question. Plan 1 is the applicant's original plan, Plan 2 is the first plan prepared by the applicant on the basis of service from the Oroville exchange and Plan 3 is the revised Oroville suburban service plan. The results of the three plans are summarized on Table No. 1. Under Plan 1 applicant computed the revenues from the rates proposed in this application. Under Plan 3 it computed revenue upon the basis of the existing suburban 10-party rate. For Plan 2 it estimated an average increase of \$15.13 per month per main station over revenue from exchange rates proposed in this application.

In considering these plans we can rule out Plan 2 since it is improbable that there would be as much single-party and two-party development as estimated because of mileage charges beyond the Oroville base rate area. The choice lies between Plans 1 and 3. Plan 1 shows less first year revenue deficiency by \$4,200 and appears to be the logical choice from an economic standpoint. With regard to service there is no question but that Plan 1 on the whole will give a better grade of service. While Plan 1 will cost the average subscriber approximately \$1.70 more per month for toll calls than Plan 3, it is the Commission's opinion that this amount is not an unreasonable amount to pay for the better grade of service that will be available. Applicant has agreed to survey the calling requirements of the subscribers after the service has been established for a reasonable length of time to determine whether a different rate plan would be more appropriate.

Table No. 1
ECONOMIC STUDY OF POSSIBLE SERVING ARRANGEMENTS
FOR BANGOR AND RACKERBY EXCHANGES

	<u>Plan 1</u>	<u>Plan 2</u>	<u>Plan 3</u>
a. Estimated potential subscribers as of January 1, 1957:			
<u>Business</u>			
Individual line flat rate	7	7	-
Public coin box individual line	6	6	-
Suburban 10-party line flat rate	<u>-</u>	<u>-</u>	<u>7</u>
Total Business	13	12	7
<u>Residence</u>			
Individual line flat rate	42	42	-
2-party line flat rate	7	7	-
4-party line flat rate	2	2	-
Suburban 10-party line flat rate	<u>61</u>	<u>61</u>	<u>112</u>
Total Residence	112	112	112
Total Business and Residence	125	125	119
b. Estimated total capital investment within Bangor and Rackerby exchanges as of January 1, 1957	\$112,400	\$184,000	\$146,000
c. (1) Estimated capital investment within the Marysville and Oroville exchanges devoted to serving the area under study	19,400	50,200	11,900
(2) Estimated capital investment in interchange facilities required in addition to (1) above	<u>21,400</u>	<u>25,000</u>	<u>16,500</u>
d. Estimated total capital investment required	\$153,200	\$259,200	\$174,400
e. Estimated revenues from the area for the year 1957:			
Exchange	\$ 5,100	\$ 27,800	\$ 5,100
Toll	<u>8,500</u>	<u>6,100</u>	<u>6,100</u>
Total	\$ 13,600	\$ 33,900	\$ 11,200
f. Estimated expenses of serving the area for the year 1957	\$ 42,500	\$ 62,800	\$ 44,300
g. First year revenue deficiency	\$ 28,900	\$ 28,900	\$ 33,100

With regard to the question of whether the applicant should continue the present Rackerby exchange and replace the magneto equipment with dial central office equipment or consolidate the two exchanges as proposed, applicant stated that its studies showed that the proposed consolidation would save \$12,500 in capital investment and \$2,800 in annual charges.

Findings and Conclusions

Present subscribers in the Rackerby and Bangor exchanges desire improved service but because of the present toll charge to their marketing center of Oroville expressed desire to be included in the Oroville exchange. The several studies made by the applicant indicate that its original proposed plan to consolidate the Bangor and Rackerby exchanges and install dial equipment should be the most economical means of giving improved service to the area. While the level of rates was a matter of concern to the subscribers, applicant represents that all but two of the present subscribers have signed service agreement cards in which they agree to the proposed change in rates. Under any of the plans studied the proposed rates are below the indicated cost of rendering the service during the developmental period. Applicant has offered to review the serving exchange and rate matter after a reasonable developmental period and this will be required by the order herein.

Some confusion arose at the hearing over the question of rates for farmer-line service. If the farmers will bring their lines up to the construction standards required by dial service, they can still obtain farmer-line rates at an increase of 10 to 25 cents per month, and will not be required to take suburban or higher grades of service.

After considering the evidence of record it is the Commission's finding and conclusion at this time that the applicant's

original plan will best meet the improved service desired by the subscribers and should provide facilities for the future growth expected from the impact of the impending construction of the Oroville dam on the Feather River. The Commission finds 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 discontinuance of the Rackerby exchange and expansion of the Bangor exchange will thereafter for the future be unjust and unreasonable; and that an order should be issued in general granting the authority requested.

Those subscribers who make many toll calls and desire toll-free service into Oroville should investigate the economics of Oroville foreign exchange service.

O R D E R

The Pacific Telephone and Telegraph Company having applied to this Commission for an order authorizing it to consolidate the Bangor and Rackerby exchanges resulting in increases in rates and charges for telephone service, public hearing having been held, the matter having been submitted and being ready for decision; therefore,

IT IS HEREBY ORDERED as follows:

1. Applicant is authorized to file in quadruplicate with this Commission after the effective date of this order and on or before December 31, 1956, in conformity with General Order No. 96, revised tariff schedules with changes in exchange and toll rate charges and conditions as set forth in Exhibits D and E attached to the application and as discussed above, and maps of exchange and base rate areas revised as set forth on Exhibit A attached to the application and as revised by Exhibits Nos. 3 and 4, and, after not less than five days' notice to the Commission and to the public, to make said rates effective for service furnished on or after the dial conversion of Bangor

and the consolidation of Bangor and Rackerby exchanges as discussed above.

2. Coincident with the consolidation of the Bangor and Rackerby exchanges, applicant is authorized to cancel its rate schedules and map effective for telephone service in the Rackerby exchange area and to discontinue its present Rackerby toll rate point.

3. Within 18 months following establishment of the service authorized herein, applicant shall report to the Commission regarding the feasibility and appropriate date for a survey regarding the serving exchange and rate matter in the present Bangor and Rackerby exchange areas.

4. The authority granted herein will lapse unless exercised on or before December 31, 1956.

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

Dated at San Francisco, California, this 19th day of March, 1956.

John E. Mitchell
 President

Justus J. Caswell

Roger W. Winters

Maxwell D. Dooly

B. Hardy
 Commissioners