

ORIGINALDecision No. 53036

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 Artois)
 exchange and toll rate center and)
 to expand the present Willows)
 exchange area to include therein)
 the present Artois exchange.)

Application No. 37631

Arthur T. George, Dexter C. Tight,
 Pillsbury, Madison & Sutro, for applicant;
J. J. Deuel and Eldon Dye, for California
 Farm Bureau Federation, interested party;
William W. Dunlop, for the Commission staff.

O P I N I O N

By this application filed on December 29, 1955, The Pacific Telephone and Telegraph Company seeks authorization to (1) discontinue its Artois exchange and coincident therewith expand its Willows exchange and base rate area boundaries as shown on Exhibit A of the application, (2) cancel and withdraw exchange service rates applicable in the Artois exchange, (3) discontinue the Artois toll rate center, and (4) cancel and withdraw rates for Willows foreign exchange service in Artois.

Public Hearing

After due notice, a public hearing on this application was held in Willows before Examiner M. W. Edwards on March 13, 1956, the matter being submitted for decision on that date. Applicant through two witnesses presented three exhibits and testimony in support of the application. The Commission staff through one witness presented three exhibits and testimony outlining an alternate method of charging for telephone service in the Artois area by considering the same

as a special rate area of the Willows exchange. Two witnesses representing subscribers in the Artois area presented testimony favoring the applicant's proposal. One of the witnesses was sponsored by the representative for the California Farm Bureau Federation, who took an active part in the proceeding and cross-examined all witnesses. The Farm Bureau representative urged the Commission to authorize the application.

Service Development

Artois and Willows exchanges located in Glenn County, were acquired by the applicant telephone company in January 1930, consisting of 19 magneto stations in Artois and 865 common battery manual stations in Willows. In October 1946 the present dial equipment was installed in Artois, but Willows remained on a manual basis. As of January 31, 1956 the number of stations served had grown to 58 in Artois and 2,774 in Willows.

One of the reasons for this application is that the subscribers in the Artois exchange desire toll-free service between the two communities, the present initial period station toll rate being 10 cents. Some 4 years ago the subscribers circulated petitions expressing a desire for consolidation of the two exchanges, except for a few customers who desired service from the Orland exchange. The representative for the California Farm Bureau Federation stated that through his request the applicant had realigned the boundary between Artois and Orland to include in the Orland exchange those subscribers desiring Orland service.

The present Willows exchange covers an irregular area roughly 24 miles east to west by 20 miles north to south. The Artois exchange, as shown on Exhibit No. 1, has been reduced in size to the point where it now covers an area some 19 miles east to west and 6 miles north to south, lying just to the north of Willows.

The central business areas of the two exchanges are some 7 miles apart. These business centers are classified as base rate areas and there are some 5½ miles of sparse development between boundaries of the base rate areas.

The present dial equipment in the Artois exchange is working to capacity in serving the present 58 subscribers and applicant is unable to fill eight requests for higher grades of service. While applicant is able to provide new service as requested in the Willows exchange, it plans to convert Willows to dial service in 1957.

Proposed Service

Applicant asserts that in order to provide for future requirements for Artois exchange service, it would be necessary to replace the Artois dial central office equipment with a unit of larger capacity. However, applicant's studies indicate that it would be more economical to provide for future telephone service requirements in the Artois exchange by consolidating the Artois and Willows exchanges than by replacing the present Artois dial equipment with equipment of larger capacity.

In light of the above factors, applicant proposes to discontinue the Artois exchange, expand the Willows exchange area to include therein the present Artois exchange and thereafter to extend cables from Willows central office to Artois to meet present and future requirements for telephone service in Artois. Until Willows is converted to dial, Artois would receive manual service. Applicant also proposes to furnish Willows base rate area services in the present Artois base rate area and withdraw the offering of Willows foreign exchange service to some 30 subscribers located in the Artois exchange.

Present and Proposed Rates

Under applicant's proposal, telephone service would be provided to present and future subscribers in Artois at rate levels in effect in the Willows exchange and the present toll charge between Artois and Willows would be canceled. A comparison of the present and applicant's proposed rates applicable within the present Artois base rate area and suburban area and the alternate special rates suggested by the staff follows:

| Item | Rate per Month | | |
|------|----------------|-----------|-------|
| | Present | Applicant | Staff |

Service within Present Artois Base Rate Area

| | | | |
|------------------------|--------|--------|---------|
| Residence | | | |
| 1-party | \$3.80 | \$4.05 | \$ 5.05 |
| 2-party | 3.25 | 3.50 | 4.20 |
| 4-party | 2.70 | 2.95 | 3.45 |
| Business | | | |
| 1-party | 6.00 | 6.50 | 7.50 |
| 2-party | 4.75 | 5.25 | 5.95 |
| PBX trunks, each | 9.00 | 9.75 | 10.75 |

Service within Present Artois Suburban Area*

| | | | |
|-----------------------------|------|------|------|
| Suburban residence | 3.20 | 3.45 | 3.45 |
| Suburban business | 4.50 | 4.75 | 4.75 |
| Farmer line residence | .75 | .85 | .85 |
| Farmer line business | 1.25 | 1.50 | 1.50 |

* Higher grades of service are offered in the suburban area at base rates plus suburban mileage charges.

Upon consolidation of the Artois and Willows exchanges applicant proposes to discontinue the Artois toll rate center and all toll messages originating or terminating in Artois would then be rated from or to Willows. This would result in cancellation of the 10-cent toll rate between Artois and Willows, and in increasing toll charges over some routes and reducing toll charges over other routes

up to 350 miles. Examples of proposed changes in initial period station day toll rates from Artois follow:

| | <u>Present</u> | <u>Proposed</u> |
|------------|----------------|-----------------|
| Artois to: | | |
| Butte City | \$0.25 | \$0.20 |
| Colusa | .40 | .30 |
| Corning | .30 | .35 |
| Orland | .15 | .20 |
| Oroville | .45 | .40 |
| Red Bluff | .45 | .50 |
| Williams | .40 | .35 |

It is estimated that under the exchange rates proposed by applicant the present Artois customers would experience an increase in exchange charges of \$300 per year compared with \$700 under the rates suggested by the staff. However, the discontinuance of existing Willows foreign exchange services under either plan would decrease customer charges \$1,200 per year causing a net decrease in exchange charges of some \$900 under applicant's plan and \$500 under the staff's plan.

Customers in Artois would also experience a reduction in toll charges of \$1,600 per year under both the applicant's and the staff's plans.

Shortly following the hearing the Commission received several letters and a petition signed by 38 persons in the Artois area objecting to the proposal made by the staff. It should be pointed out that when the applicant canvassed the subscribers and obtained subscriber agreement to its proposed rate changes one of the conditions was that the rate levels and entire plan are subject to Commission determination and authorization.

Cost Effects

Under either plan for consolidation there are estimated annual expense savings of \$1,500. While there are such savings, applicant will be required to expend approximately \$240,000 on plant

to provide expanded service on a consolidated exchange basis for Willows and Artois. This amount would be approximately \$248,300 if applicant were to maintain Artois with a separate central office in the future. There is an indicated future capital saving of \$8,300 between the two methods of serving. The additional annual cost of \$51,100 resulting from the \$240,000 of plant is not immediately offset by the expense saving but must await further economies in operation and growth in exchange revenue.

The staff's basis for proposing a special rate area was to give some recognition to the greater length of subscriber loops and resulting increased cost of serving the Artois base rate area subscribers compared with the base rate subscribers located directly in Willows. Subscribers located several miles from the base rate area ordinarily would incur sizeable mileage charges for grades of service higher than suburban. The staff's proposal limits the mileage charge to two quarters of a mile in the present Artois base rate area; however, pending the actual introduction of dial service in Willows, the full cost effects envisioned by the staff will not materialize.

Findings and Conclusions

The evidence indicates that the subscribers in Artois desire the consolidation of the exchanges in order to eliminate the toll charge to Willows and are willing to receive the manual service for an approximate 18-month period pending dial service at Willows. Consolidation of the Artois and Willows exchanges appears to be the most economical serving arrangement for the future and therefore we find and conclude that consolidation is in the public interest.

There was no objection to the increase in exchange rates proposed by applicant coincident with the elimination of the toll charge and foreign exchange service. However, there was question as

to the justification for the staff's suggested special rate area in view of the fact that the customer's approval of the application was based on the lower level of increases for individual line, two- and four-party services.

Under either plan the over-all savings in toll will more than offset the increases in exchange rates, however, the staff's plan, on the whole, would provide more equitable charges as between Willows subscribers and Artois subscribers located at an equivalent distance from the Willows base rate area. While the company has not given recognition to the additional costs to provide service in the Artois area, the following order will authorize the rates requested by the company which were quoted to the Artois subscribers in the canvass made by company representatives prior to the date that the application was filed with the Commission. In the fixing of rates in the future, however, the Commission will give consideration to any deficiencies in earnings in the Artois area in order not to unreasonably burden other areas in California.

The Commission finds that the increases in rates and charges authorized herein are justified; that present rates in the Artois area, in so far as they differ from those herein prescribed, upon the consolidation of the Artois and Willows exchanges will thereafter for the future be unjust and unreasonable; and that an order should be issued authorizing consolidation of the exchanges.

O R D E R

The Pacific Telephone and Telegraph Company having applied to this Commission for an order authorizing it to consolidate the Artois and Willows 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 January 1, 1957, in conformity with General Order No. 96, a map of the Willows exchange revised to include the Artois exchange and base rate areas within the Willows exchange, as set forth in Exhibit A attached to the application, and after not less than five days' notice to the Commission and to the public to make Willows exchange and toll rates effective for service rendered throughout the expanded exchange area on and after the consolidation.

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

3. Coincident with the consolidation of the Artois and Willows exchanges applicant is authorized to cancel its rates for Orland service in Artois and Willows service in Artois and to furnish Orland suburban line residence local flat service in Willows at a rate of \$3.80 per month (such rate being subject to additional suburban line mileage charges as provided by Schedule 34-T).

4. The authority granted herein will expire unless exercised on or before January 1, 1959.

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

Dated at San Francisco, California, this 8th day of May, 1956.

[Signature]
President
[Signature]
[Signature]
[Signature]
Commissioners