

ORIGINALDecision No. 53043

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)
 to discontinue the Edgewood exchange)
 and toll rate center and to expand)
 the present Weed exchange area to)
 include therein the developed portion)
 of the present Edgewood exchange.)

Application No. 37610

Arthur T. George, Dexter C. Tight, Pillsbury,
 Madison & Sutro, for applicant;
J. J. Deuel and Eldon Dye, for California
 Farm Bureau Federation; Frank Alexander
 and W. H. Wellons by Frank Alexander;
S. C. Jackson and M. W. Little in propria
 personae, interested parties;
W. W. Dunlop, for the Commission staff.

O P I N I O N

The Pacific Telephone and Telegraph Company, by the above-entitled application filed December 21, 1955, seeks authorization to (1) discontinue its Edgewood exchange in Siskiyou County and coincident therewith expand its Weed exchange and base rate area boundaries as shown on Exhibit A of the application, (2) transfer certain territory from the Edgewood exchange to the adjacent Montague exchange, (3) include in unassigned territory a portion of the Edgewood exchange, (4) cancel and withdraw exchange service rates applicable in Edgewood exchange, (5) discontinue the Edgewood toll rate center, and (6) continue as deviations two Edgewood farmer line residence stations furnished Mr. Kenneth Waters until Montague suburban service can be furnished in lieu of the Edgewood farmer line service.

Public Hearing

A public hearing on this application was held in Weed before Examiner M. W. Edwards on March 14, 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 Edgewood area by considering the same as a special rate area of the Weed exchange. Four witnesses representing customers in the Edgewood area presented testimony favoring the applicant's proposal. The representative of the California Farm Bureau Federation took an active part in the proceeding and cross-examined witnesses.

Service Development

Edgewood service was established in 1902 and by 1945 the exchange served 15 magneto stations. In 1947 the service was converted to dial and as of January 31, 1956 there were 59 stations being served by the dial central office located in Edgewood. The Weed exchange was established in 1905 and by 1940 the exchange served 413 stations. In 1941 dial service was inaugurated in Weed and as of January 31, 1956 there were 870 stations being served by the dial central office located in Weed.

One of the reasons for this application is that the subscribers in the Edgewood exchange expressed a desire for toll free service between Edgewood and Weed, the present initial station toll rate being 10 cents.

The present Weed exchange covers an irregular area roughly 5 miles north to south and 12 miles east to west. The Edgewood exchange, as shown on Exhibit No. 1, covers an irregular area extending some 19 miles in a northeasterly direction by some 6 miles wide, being adjacent to the northwest portion of the Weed exchange. The central business areas of the two exchanges are some 3 miles apart. These business centers are classified as base rate areas and there are some 2 miles of sparse development between boundaries of the base rate areas.

The present dial equipment in the Edgewood exchange is working to capacity in serving the present 59 subscribers and applicant is unable to fill four requests for primary service and four requests for higher grades of service. Applicant's witness testified that there are no held orders in the Weed exchange and that the scheduled regular additions to the Weed central office capacity will be able to provide service for Edgewood subscribers from the Weed central office upon consolidation as proposed.

Proposed Service

Applicant states its forecast of growth in the Edgewood exchange indicates the necessity of replacing the present dial equipment with equipment of larger capacity to meet future telephone service requirements. However, applicant's studies indicate that economies can be realized by consolidating the developed portion of the Edgewood exchange with the adjacent Weed exchange as compared with replacing the present Edgewood central office with equipment of larger capacity.

In consideration of these factors, applicant proposes to discontinue the Edgewood exchange, expand the Weed exchange to include the developed portion of the Edgewood exchange, expand the Weed base rate area to include the present Edgewood base rate area and provide Weed exchange service to meet the present and future telephone service requirements in Edgewood. Applicant also proposes to include in the Weed exchange certain territory in which development has occurred and which is not now located within any exchange, transfer a portion of Edgewood exchange to the Montague exchange, and eliminate from any exchange area a certain portion of the Edgewood exchange in which there is no present or anticipated future requirements for exchange telephone service.

Exchange Rate - Present and Proposed

Under applicant's proposal, telephone service would be provided to present and future subscribers in Edgewood at rate levels in effect in the Weed exchange and the present toll charge between Edgewood and Weed would be canceled. However, two present subscribers to Edgewood farmer line service¹ have signed service application cards for Montague residence suburban service. The changes applicant proposes in exchange boundaries will permit the furnishing of such Montague suburban service for these two subscribers. Applicant is willing and desires to continue the present farmer line service for Mr. Waters on a deviation basis until Montague suburban service can be established.

A comparison of the present and applicant's proposed rates applicable within the present Edgewood base rate area and the suburban areas proposed to be transferred to Weed exchange, as well as of the alternate special area rates suggested by the staff, follows:

Item	Rate per Month		
	Present	Applicant	Staff

Service within Present Edgewood Base Rate Area

<u>Residence</u>			
1-party	\$3.80	\$4.05	\$ 5.05
2-party	3.25	3.50	4.20
4-party	2.70	2.95	3.45
<u>Business</u>			
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 Edgewood Suburban Area Proposed to be Transferred to Weed Exchange*

Suburban residence	3.20	3.45	3.45
Suburban business	4.50	4.75	4.75
Farmer line residence75	.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.

¹ Mr. M. L. Miller and Mr. Kenneth Waters.

It is estimated that the application of the proposed exchange rates to the services furnished Edgewood subscribers at the time the Edgewood exchanges is discontinued would result in an annual increase in exchange revenues of \$300 compared with \$600 under the rate suggested by the staff.

Toll Rates - Present and Proposed

Upon consolidation of the Edgewood and Weed exchanges applicant proposes to discontinue the Edgewood toll rate center and all toll messages originating and terminating in Edgewood would then be rated from Weed. This would result in cancellation of the 10-cent toll rate between Edgewood and Weed, and would increase toll charges over some routes and reduce toll charges over other routes up to 40 miles. The over-all effect of these proposed toll rate changes is estimated to reduce applicant's toll revenues by \$1,300 a year under both the applicant's and staff's plans. The over-all effects on charges to subscribers is a reduction of \$1,000 annually under the applicant's plan and approximately \$700 under the staff's plan.

Cost Effects

Under either plan for consolidation there are estimated traffic expense savings of \$700 per year. While there are such savings, applicant will be required to expend approximately \$25,000 on plant to provide expanded service on a consolidated exchange basis for the Edgewood subscribers. This amount would be approximately \$34,000 if applicant were to replace the Edgewood central office to handle the increase in subscribers. There is an indicated capital saving of \$9,000 between the two serving methods. The additional annual cost of \$5,800 resulting from the \$25,000 of additional plant is not immediately offset by the expense saving but must await 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 costs of serving the Edgewood base rate area subscribers compared to the base rate subscribers located directly in Weed. Subscribers located several miles from the base rate area would incur sizeable mileage charges for grades of service higher than suburban. The staff's proposal, however, limits the mileage charge to two quarters of a mile in the present Edgewood base rate area.

Findings and Conclusions

The evidence indicates that the subscribers in Edgewood desire the consolidation of the exchanges in order to eliminate the toll charge to Weed. There was no objection to the increase in exchange rates, either as proposed by the applicant or as suggested by the staff coincident with elimination of the toll charge. Consolidation of the Edgewood and Weed 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.

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 Weed subscribers and Edgewood subscribers located at an equivalent distance from the Weed base rate area. While the company has not given recognition to the additional costs to provide service in the Edgewood area, the following order will authorize the rates requested by the company which were quoted to the Edgewood 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 Edgewood 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

Edgewood area, in so far as they differ from those herein prescribed, upon the consolidation of the Edgewood and Weed 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 Edgewood and Weed exchanges and revise certain exchange boundaries 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 rates, charges and conditions as set forth in Exhibits C and D of the application for the Weed exchange and maps of exchange and base rate areas revised as set forth on Exhibit A attached to the application and, after not less than five days' notice to the Commission and to the public, to make said rates effective for service furnished on and after the consolidation.
2. Coincident with the consolidation of the Edgewood and Weed exchanges, applicant is authorized to cancel its present rate schedules and map effective for telephone service in the Edgewood area and to discontinue its present Edgewood toll rate point.
3. Applicant is authorized to serve as deviations two Edgewood farmer line residence stations furnished to Mr. Kenneth Waters until Montague suburban service is furnished in lieu of the Edgewood farmer line service.

4. The authority granted herein will expire 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 8th day of May, 1956.

[Signature]
President

[Signature]

[Signature]

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Commissioners