

ORIGINAL

Decision No. 53312

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Investigation upon the Commission's)
 own motion to ascertain the present)
 and potential demands for and avail-)
 ability for facilities for telephone)
 service, and the need for and pro-)
 priety of emergency modification of)
 current rules or practices to facil-)
 itate the furnishing of telephone)
 service.)

Case No. 5337

Appearances and list of witnesses
 are set forth in Appendix C.

THIRD INTERIM OPINION

Nature of Proceeding

This is an investigation, initiated November 6, 1951, on the Commission's own motion, the objective of which, as stated in the order, is:

1. To provide a focus point at which present and prospective telephone subscribers throughout the State can obtain information as to the potential availability of telephone facilities to meet their expanding needs;
2. To inquire into and provide a program for modification or change of existing rules for priority of establishing service should circumstances so require;
3. To inquire into and provide a uniform code of minimum service standards which may be applicable in allocating available facilities so as to provide for the maximum number of stations;
4. To provide a means whereby the individual and collective needs of the public for critical communication facilities can be consolidated for effective consideration by federal authorities in the administration of the Defense Production Program.

Public Hearing

After due notice to all telephone corporations in the State, public hearings on this order of investigation were held on September 15, 1952 and November 3, 1955, in San Francisco and on December 3, 1952, in Los Angeles before Commissioner Peter E. Mitchell and Examiner M. W. Edwards. In addition to the utilities, representatives of the other elements of the telephone industry and public organizations in California attended these hearings. Prior to these hearings a telephone industry committee was formed and presented, at the first day of hearing, Exhibit No. 1, entitled: "Telephone Service in California, September 15, 1952". At the final day of hearing the Commission staff presented several exhibits containing its recommendations regarding this investigation. In addition to testimony by utility personnel, a representative for the California Farm Bureau Federation presented testimony. The matter was submitted for Commission decision on November 3, 1955, subject to written closing statements within 15 days.

Interim Opinions and Orders

After the first two days of public hearing the Commission, on March 24, 1953, issued its first interim opinion and order in this investigation, Decision No. 48384 (52 Cal. P.U.C. 432), summarizing the outlook at that time in the manner following:

"From all information available the Commission is of the opinion that although the telephone corporations have made progress in reducing the number of held orders, this investigation should be continued. It is apparent from the recent increase in the number of held orders that the telephone industry must continue greater than normal efforts to construct additional plant necessary to take care of increased needs for service. Since the date of the last hearing there has been a relaxation of controls and the material situation should improve.

"It does not appear, at the present time, that modification of Commission rules would assist in providing better service to the public."

The record reveals that the held order situation, as well as the number of held applications for regrades, showed marked improvement during 1953 and 1954. In 1955 the trend turned upward as indicated by the figures below for the State of California as a whole.

<u>Period</u>	<u>Unfilled Appli- cations for Main Service (Held Orders)</u>	<u>Unfilled Requests for Regrade of Service</u>
First Quarter 1953	118,656	102,548
Second Quarter 1953	108,539	94,108
Third Quarter 1953	101,124	97,557
Fourth Quarter 1953	72,633	89,661
First Quarter 1954	64,318	77,078
Second Quarter 1954	53,971	50,599
Third Quarter 1954	48,559	49,937
Fourth Quarter 1954	32,283	46,650
First Quarter 1955	39,206	50,068
Second Quarter 1955	41,469	56,714
Third Quarter 1955	44,044	69,195
Fourth Quarter 1955	40,583	86,906
First Quarter 1956	45,924	97,413

It should be noted that the reports for the fourth quarter of 1955 and the first quarter of 1956 have been received subsequent to November 3, 1955, the submission date, pursuant to prior Commission order. On receipt of these reports showing continued growth in held orders the Commission on April 3, 1956 addressed a letter to The Pacific Telephone and Telegraph Company requesting additional explanation and report as to the reason why the held-order situation was not improving as forecast by company witnesses.

On May 11, 1956 The Pacific Telephone and Telegraph Company filed its answer to the above-mentioned letter by means of "Report on Telephone Service Growth - Demand - Construction." In addition, under date of April 17, 1956, the General Telephone Company of California submitted a letter containing revised estimates of growth and the company's construction program.

By the end of 1953 it appeared that several of the smaller telephone companies in the State were in position to satisfy the

demand for new telephone service in their service areas and were able to provide service on a current basis. Accordingly, on March 23, 1954, the Commission issued its second interim order herein, Decision No. 49832 relieving 18 small telephone companies from filing quarterly held-order reports in the future.

Commission Responsibility

The legislature has charged this Commission, pursuant to the provisions of the Public Utilities Code¹ of the State of California, with the duty of requiring utilities under its jurisdiction to:

"...furnish and maintain such adequate, efficient, just, and reasonable service, instrumentalities, equipment, and facilities as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public."

In the same section the legislature also has required that:

"All charges demanded or received by any public utility, or by any two or more public utilities, for any product or commodity furnished or to be furnished or any service rendered or to be rendered shall be just and reasonable."

¹ Section 451.

As a consequence of these provisions, the Commission and the utilities subject to its jurisdiction are confronted with the constant duty of providing reasonable adequacy and reliability of service, consistent with a reasonable cost. Compliance with these specifications has required continuous engineering economic studies and development of compromises between engineering perfection and economic necessity.

Telephone Utilities

The responsibility for furnishing telephone service to the great majority of patrons in California has fallen on the following three telephone companies:

<u>Name</u>	<u>Number of Company Stations Served as of 12-31-54</u>
California Water & Telephone Company	84,567
General Telephone Company of California	634,465
The Pacific Telephone and Telegraph Company	4,127,396
Total	4,846,428

In addition to the above there was a total of 92,355 stations being served as of December 31, 1954, by 35 of the 56 smaller companies, the largest of which was the California Interstate Telephone Company serving 11,314 stations. The number of stations served by these 35 companies is segregated below:

	<u>Company Stations 12-31-54</u>		<u>Company Stations 12-31-54</u>
Bigelow	230	Independent	250
California Interstate	11,314	Kerman	1,437
California-Oregon	874	Kern Mutual	6,907
California Pacific	5,756	Kernville (Est.)	150
Capay Valley	127	Los Gatos	9,808
Central California	3,758	Mariposa (Est.)	270
Citizens Utilities	8,238	McCloud	643
Coachella	5,768	McFarland	734
Colfax	496	Roseville	3,700
Colorado River	2,257	Sanger	2,991
Delta	2,024	San Joaquin	4,174
Dorris	344	Siskiyou	733
Dos Palos	1,525	Sunland-Tujunga	7,701
Enterprise (Est.)	254	Tuolumne	367
Evans	1,492	Volcano	393
Foresthill	178	West Coast	2,546
Gilroy	2,973	Western	1,840
Happy Valley	103		

While the larger utilities have been faced with the problem of handling large numbers of new customers the smaller utilities likewise have been faced with problems of growth, some having to double their capacity in a matter of three to four years.

Growth of State

The basic problem is created by the sharp rate of growth of population and manufacturing in the State. For example, during the period 1940 to 1950 population increased by 53.3 per cent in California compared to 14.5 per cent for the United States as a whole. California manufacturing grew from a relationship of 4.6 per cent of the United States as a whole in 1939 to 5.7 per cent in 1950. Since 1950 these sharp rates of growth have continued. Agriculture, light industry, trade and services are the major industries. Future expansion in these industries, as well as potential development of heavy industry, points to a continuation of rapid growth. Climatic conditions attract residents from other states and natural resources are still relatively large. It is logical to assume that California's population will continue to increase at a rate greater than the average of the nation.

The number of telephones in service in California increased 124 per cent from 1940 to 1951 compared with an increase of 108 per cent for the United States. In 1940, California had 8.3 per cent of the nation's telephones and only 5.2 per cent of the population. By 1950 the ratio of telephones had increased to 8.9 per cent and the population to 7.0 per cent. California has been consistently ahead of the United States as a whole in the number of telephones per 100 population. At the end of 1950 there were 35 telephones per 100 population in California compared with 28 for the United States.

Staff Analysis and Recommendations

A staff witness presented Exhibit No. 5 concerning the availability of facilities for the provision of telephone service in

California and discussed such items as trends in stations served, net new demand, held orders, dial and manual service, telephone plant in service, proposed future plant construction, and commercial forecasts of future demand for service. He also included a discussion of line-extension schedules and priority of service rules and regulations. This testimony reveals that the demand for telephone service in the first eight months of 1955 was substantially higher than in the same period of 1954; that, in spite of record breaking construction programs, some companies would continue to have held orders above a minimum reasonable level at the end of 1955; that line-extension rules of many companies require revision; and that the conditions that brought about the adoption of the wartime priority rule and regulation no longer exist.

The staff recommended that each telephone company holding unfilled orders for main service or unfilled applications for regrades exceeding a combined total of 20 be required to file quarterly reports only when the number of unfilled orders or applications exceed 0.4 per cent of main stations in service; that each telephone corporation be required to submit a detailed report on orders for new service and regrades held for over six months, describing the conditions causing the orders to be held and the company's plans for providing service; and that each company be required to revise its line-extension schedules and rules and regulations, withdraw Emergency Rule and Regulation A-1 relative to the National Defense Program and replace the wartime priority rule with the proposed rule set forth in Table 3-A of Exhibit No. 5.

Another staff witness presented Exhibit No. 7 which dealt primarily with the future demand for and availability of central office facilities in southern California for the next five years. After comparing demand forecasts with estimates of central office

capacity available, the staff witness concluded that, based upon the latest available construction programs, a shortage of central office facilities will be experienced in 71 of 225 central offices in southern California in the near future.

To provide a focus point at which present and prospective telephone subscribers throughout the State can obtain information as to the potential availability of telephone facilities to meet their expanding needs, the staff recommended that each Class A or Class B telephone utility supply annually to the industry committee estimates of primary station demand, capacity available, and cost of new plant required for each of the next five years by exchanges. Also, the staff suggested that summaries be furnished to the industry committee of central office line-fill data by class and grade of service and subscriber percentage distribution by class and grade of service.

Definition of Held Order

There were different views as to the meaning of the term "held order". One utility did not consider an application for service to be a held order if it would be filled, in the ordinary course of business, within two weeks, or at a later date if held at request of subscriber. Another utility considered a held order to be only an application for which it did not currently have the facilities to render the service. Another utility counted as held orders all applications for service unfilled on the day of the count, whether they were going to be connected the next day or not. A number of the telephone utilities suggested that the Commission define a held order as an application remaining unfilled 30 days after the date on which the applicant desires the service to start.

The Commission has considered this matter and finds need for a uniform definition for "held order" so that the reports by the various utilities will be on a comparable basis. Applications in the

normal process of being promptly filled do not appear to the Commission to be those reasonably to be designated as "held orders". The largest utility reports on the basis of a 2-week waiting period. In the Commission's opinion, reporting of applications remaining unfilled 15 or more days after the date on which the applicant desires the service should reasonably show the locations where service deficiencies are developing and should not be burdensome on the clerical staff of the reporting utilities. In the future the utilities shall use the following definition of a "held order":

An application for service unfilled 15 days after the applicant desires the service to be effective, and the following definition of a "held request for regrade of service":

An application for a regrade of service unfilled 15 days after the applicant desires the regrade to be effective.

Quarterly Reports

The staff's recommendation for quarterly held-order reports, only where unfilled orders or applications exceed a combined total of 20 and where the number exceeds 0.4 per cent of the main stations, was agreeable to some utilities and objected to by others. Some utilities were of the opinion that quarterly reports should be required only when the number exceeds 1.0 per cent. The adoption of a definition of a held order and held application providing for 15-day waiting periods should reduce the number of applications classed as held orders to the point where many of the smaller utilities would not have 20 held orders, while others with more than 20 held orders would have less than 0.4 per cent and would not be required to render quarterly reports. Under this condition the staff's recommendation is not unreasonable and will be adopted.

The importance of these quarterly reports is illustrated by the Pacific Company's special report of May 11, 1956, which explains that the sharp increase in demand for telephone service in the last four months of 1955 was wholly unexpected and shattered its best forecast. At the end of April 1956 the held orders for main service amounted to less than two months' main station gain. The great bulk of held orders is in new subdivision areas, where plant has to be planned and built from the ground up. The most acute areas on this utility's system at present are Orange County, Sacramento and San Jose and vicinity, all of which areas are undergoing phenomenal growth.

This report also shows that about two thirds of the held orders are less than three months old and almost 90 per cent are less than six months old. Held orders on the Pacific System were some 13,000 more at the end of the first quarter of 1956 than at the end of the fourth quarter of 1954. This increase in held orders occurred while it completed 1,500,000 orders for installation and 1,200,000 orders for disconnection in 1955. In 300 out of 491 wire centers, primary service is substantially on a current basis. Pacific represents that despite every speed-up device known, it still takes about 18 months, on the average, to design and construct a central office, which is the controlling factor in held orders. Pacific states that in 1954, to meet the rising demand, it devoted \$180,000,000 to new plant construction in California; in 1955, it devoted \$238,000,000; and in 1956 the figure will be \$318,000,000 -

approximately a 77 per cent increase over the 1954 figure. It anticipates a net gain of 441,500 telephones in the year 1956.

General's report showed that during the past two years its original estimate that it would reach 1,000,000 telephones by the end of 1964 has been revised several times and it now forecasts reaching this figure prior to 1959. The station-gain estimate for 1956 has been increased from a figure of 77,400 to 98,500 telephones. In spite of this 26 per cent increase in telephone growth, which General hopes to attain, it fears held orders may rise by over 2,000 between March 31, 1956 and the end of the year. It cites the need for acceleration in the delivery of cable, telephone instruments, and central office equipment as well as the recruiting and training of additional people to accomplish this job.

Six-Month Reports

The staff's recommendation that detailed reports be made on each individual order for new service and regrade request held for

more than six months met with opposition from most of the utilities. This recommendation would require a separate analysis and summary of each such held order which the utilities state would be extremely time consuming and expensive. Furthermore, they state that the preparation of such a report would divert man power from the telephone job and would not help to relieve the held-order situation. One utility states that applicants whose orders are held six months or more are generally well informed of the reasons for the delay. It suggests that a detailed report be required only where the applicant files an informal complaint with the Commission.

The Commission realizes that in certain instances 12 months or more time may be required to design, procure and construct new telephone plant where additions to central office equipment and outside plant are necessary. Since a new subdivision may be conceived and constructed in a matter of six months or so, delays of up to six months or more in providing new telephone service might therefore be experienced. In view of the requirements of the Public Utilities Code as to adequate and reasonable service as well as to just and reasonable rates, the utilities must engineer and size their plant to the convenience of the public, but costs would be unreasonably high, and the rates which are predicated on the costs likewise would have to be unreasonably high, if the utilities were required to ready their plant too far ahead of the actual development. What today is an orange grove or a farm may, in a short time, be a new residential, commercial or industrial subdivision. It is the Commission's opinion that the average subscriber should be fully informed of this situation by the utility, but that detailed reports to the Commission on all individual held orders of over six months' duration, as recommended by the staff, should not be required. Such detailed reports apparently would not speed up the provision of service. However, the record reveals that certain managements have available for

their information reports which reflect the total number of held orders exceeding a six-month duration. Therefore the submission of such information to the Commission periodically should not prove burdensome. The order following will require respondents to periodically advise the Commission of the total number of orders held for six months and a general explanation of the utilities plan for providing service. Those utilities having such held orders should report at least twice annually. Where unusual delays appear, individual reports should be prepared and forwarded to the Commission. This will not, however, relieve the utilities from reporting on individual delays whenever requested by the Commission.

Line Extensions

When materials are in short supply the less remunerative new business in the suburban or rural areas have a tendency to be neglected for the more remunerative urban new business. In order that new suburban and rural business may be served without burdening the rates to existing customers the utilities have filed line-extension rules and tariffs with the Commission that generally require some advance payment by the new subscriber beyond certain free lengths. These free lengths vary from 300 to 2,640 feet and the required payment beyond the free length varies from \$2 to \$10 per 100 feet. Some tariffs go even further and require an advance to cover the full cost beyond the free length.

The staff had studied the various extension rules and recommended that the utilities review and revise their line-extension rules and tariffs to remove ambiguities and to clarify certain conditions. By Table 2-C of Exhibit No. 5, the staff provided a sample tariff which includes most of the conditions and practices now in effect in most of the utilities, but allows for such variations in line-extension charges as may be required by the economic situation of any particular utility.

One large utility submitted a proposed line-extension schedule which was designated as Exhibit No. 9. This schedule was similar, in many ways, to the staff's sample tariff except that a one-year period for recomputation and possible refund, in the event that subsequent applicants are added to the extension, was suggested instead of a three-year period.

A representative for a number of utilities stated that the illustrative line extension tariff, Exhibit No. 9, in general meets their requirements, but did not advocate that it be adopted as a standard tariff filing. He stated that certain utilities experience a continuing demand for long extensions of circuit facilities to serve one or two isolated subscribers and that although in many of these cases the extension of wire facilities can be made along existing pole lines, the cost of the wire and its erection is disproportionately large in relation to the revenue that is derived from the service. To meet the requirements of utilities experiencing this type of line extension, he submitted some alternate wording to Condition 1 of Exhibit No. 9, which was identified as Exhibit No. 10. The purpose of Exhibit 10 is to make line-extension charges applicable to wire facility extensions added to existing plant.

This representative recommended that the general form of line-extension tariff set forth in Exhibit No. 9 be adopted but that the application of charges to wire extensions, the basis of charges for extensions on private right of way, and the period within which recomputation of charges is to be made, be determined individually on the basis of each utility's requirements.

Several utilities desired that any provisions concerning refunds of line-extension charges in cases where a line extension is later used for toll facilities be excluded from the line-extension tariff. Also they desired exclusion of provisions concerning line extensions into real estate subdivisions.

The Commission is aware of the many problems and varying conditions relating to line extensions. After considering the evidence on this subject it is the conclusion of the Commission that there is insufficient cost data in the record to enable it to prescribe an extension rule at this time. The respondents will be required by the order herein to furnish cost data within 60 days after the effective date of this decision so as to enable the Commission later to issue a supplemental order on the subject of line extensions.

Emergency Rule and Regulation A-1

On December 10, 1941, the Commission issued Decision No. 34848, Case No. 4619, ordering California utilities to file Emergency Rule and Regulation A-1 which limited the line extensions that the utilities could build to provide service to new applicants. On March 2, 1942 the federal government limited telephone service establishment to those applicants with high government priority ratings. In July 1944 the federal government issued Utilities Order No. U-2 which established certain priority classifications. Utilities Order No. U-2 was revoked by the federal government on December 31, 1946, however this Commission continued the rule in effect until a study of the matter could be completed.

On February 4, 1947 the Commission authorized the telephone utilities to file the priority Rule and Regulation No. 8 which contained priority classifications similar to former Utilities Order No. U-2, and authorized Emergency Rule and Regulation No. A-1 to be withdrawn only by those utilities filing the priority rule. The staff now recommends that all utilities which still have Emergency Rule and Regulation No. A-1 on file with the Commission should be authorized to withdraw and cancel the rule at this time. There was no opposition to this recommendation and it will be adopted.

Priority Rule and Regulation

The staff recommended that Rule and Regulation No. 8, which was based on the wartime priority rule and regulation, be withdrawn by the 25 utilities that presently have on file such priority rule and regulation and that the utilities, in lieu thereof, file the rule and regulation shown in Table 3-A of Exhibit No. 5. The staff's proposed rule is similar to the priority rule most of the utilities had on file prior to World War II and which is currently on file by 25 utilities. The staff's proposal was objected to by a number of the utilities.

One utility stated that the staff's proposed rule is unworkable from the viewpoint of the public interest and is so uncertain and vague in its meaning that its application must depend upon the individual opinions of people administering it. The point in question is the provision of top priority in cases of real emergency. This provision makes the rule general in character and most of the utilities prefer a specific rule that establishes a fairly specific gradation of relative importance from the standpoint of public interest.

A number of utilities stated that retention of the present rule and regulation governing the priority of establishment of telephone service provides for any foreseeable emergency and forestalls the necessity of filing an emergency rule at some future date. They suggested some modification of the rule concerning priorities to members of the armed services. Also they suggested revision to provide that any application after being held for six months be placed in Category I.

The representative of the California Farm Bureau Federation testified that in view of the improved situation he saw no need for any priority rules, but if the present rule is maintained he suggested that producers of food and handlers of medical insurance claims be moved to Category I.

The Commission has carefully considered the diverse viewpoints presented by the staff, Farm Bureau and the various utilities on the subject of priority rules. If the Commission immediately casts aside the specific rule in favor of a general rule, confusion, discrimination and many complaints may result. When shortages occur, as they may in emergency situations, a detailed rule may be a valuable administrative tool for the period of the emergency. However, in the Commission's opinion application of a priority rule should not be used by a utility as a substitute for providing adequate facilities to furnish telephone service on a current basis. Under the circumstances, the Commission will authorize the retention until July 1, 1957 of the more detailed priority rule, but will modify it to reclassify food producers and medical insurance adjusters to Category I three months after application is made and reclassify all other applications to Category I six months after application is made.

All utilities which now have the more detailed priority rule in effect will be required to file a priority rule and regulation essentially the same as shown in Table 3-A of Exhibit No. 5 to become effective no later than July 1, 1957, set forth herein as Appendix D.

Those utilities which, in their opinion, will require the retention of the more detailed priority rule (Appendix B) in any exchange after July 1, 1957 will be required to file by March 1, 1957 and thereafter not later than September 1, of each year, commencing with the year 1958, by formal petition under this case number, a list of exchanges where, in the utility's opinion, during the ensuing year this more detailed rule will be required together with supporting data as to:

1. Why the more detailed rule is required in each such exchange.
2. Why telephone service in the exchange will not be furnished on a current basis;
3. The utility's plans for providing sufficient facilities to furnish service on a current basis in each such exchange;
4. When the utility expects to be in a position to furnish service on a current basis in each exchange.

Station Demand and Capacity Estimates

The staff's recommendation that estimates for five years in the future of primary station demand and central office capacity be furnished to an industry committee met with opposition from most utilities. In the first place, the industry committee considered its responsibilities in this proceeding fully discharged with the introduction of its report as Exhibit No. 1 in this proceeding and subsequently dissolved itself. While some utilities make estimates of primary station demand for five years in the future, others do not, making them for three years or less. Estimates of central office capacity for five years in the future are not made, except in a rough over-all way predicated on long range demands.

The staff desired these estimates for the purpose of providing information at one point where present and prospective telephone subscribers, such as cities, subdividers and individuals can obtain information as to the potential availability of telephone facilities in the State, as contemplated in the order of investigation.

One utility points out what it considers a basic fallacy in the conclusion that an industry report would be useful towards accomplishment of the purpose indicated. It states that the telephone utilities would have to lay out new subdivision plans for all vacant areas and then the subdividers would have to be bound by the layout provided by telephone engineers for streets and alleys and rights of way and the location of businesses and factories and residences. It is obvious that the final telephone service demands may be far different than the early estimates of the utilities.

This utility went on to state that the dynamic growth of California is such that the commercial forecasts and plans providing for both central office and outside plant facilities for serving future customers must be continually reviewed and changed. It holds

that an estimate made today and filed with the Commission through an industry committee, five months from today would be not only useless but misleading to a prospective subdivider.

It is the Commission's conclusion regarding the staff's recommendation that the preparation of special reports by an industry committee would cause the utilities to do much extra work, the results of which would be of limited value to the Commission. Such committee and reports will not be ordered.

Conclusion

After considering the evidence presented by representatives of the utilities, industry and the staff, it is the conclusion of the Commission that during the four-year period while this investigation has been in progress the telephone situation has improved in California, but that there are still a number of exchanges where the held-order situation is serious. The shortages in central office capacity forecast by the staff may or may not develop, because of the rapidly changing conditions in California; in many cases it may not be possible to divert equipment and materials from one office to another office where growth suddenly outstrips the estimates. As a result of this investigation thus far, it is concluded that the telephone utilities are aware of their public duties and are endeavoring to meet the unprecedented demands for telephone service.

In view of the fact that this held-order situation has existed over a period of years, despite the repeated optimistic forecasts by the utilities that they would be furnishing service on a current basis long before this time, the respondents should give consideration to the development of some type of central office equipment that could be placed in service rapidly in large as well as in small units to speed up the provision of service, and they should also explore other new techniques for providing service without extended delay, but within the framework of practical and economical operations as required by the Public Utilities Code. This should avert overbuilding in anticipation of subdivisions that may not materialize as originally forecast by the utility.

The Commission realizes that the situations created by unpredictable population shifts with reference to shortages of facilities are by no means peculiar to the telephone service. We hear constantly of shortages in schoolrooms and sewers and of inadequate roads. Nevertheless, the utilities should continue to exert every effort to avert a situation like that existing at the time this investigation was originated and to minimize the held-order and regrade-request delays.

While the record does not warrant the termination of this investigation at this time, the Commission recognizes and expresses appreciation to the respondents for the improvements that have been made and the progress that has been achieved toward solution of this difficult and important problem. An interim order appears warranted at this time to clarify the definition of held orders, revise the priority rule and to initiate procedure for improvement of line extension rules that may assist in improving the held-order situation.

THIRD INTERIM ORDER

The Commission having, on its own motion, instituted an investigation to ascertain the present and potential demands for and availability of facilities for telephone service, and the need for and propriety of emergency modification of current rules or practices to facilitate the furnishing of telephone service, and it being the opinion of the Commission that while the telephone situation has improved there still remains a number of exchanges where the held-order situation is serious, the priority rule should be modified and further consideration should be given to the line extension rule; public hearings having been held and the Commission now being fully advised; therefore,

IT IS ORDERED that:

1. Each of the 25 telephone utilities set forth on Appendix A herein is authorized to retain until July 1, 1957 a detailed priority rule and regulation provided that it modify said priority rule and regulation substantially as set forth in Appendix B herein, and cancel any existing priority rules. Such filing shall be made within sixty days after the effective date of this order in conformity with the Commission's General Order No. 96.

2. Each of the 25 telephone utilities set forth on Appendix A herein on or before May 31, 1957 shall file with this Commission in conformity with General Order No. 96 the priority rule and regulation shown in Appendix D to become effective no later than July 1, 1957. However, those utilities which will require the retention of the more detailed priority rule (Appendix B) in any exchange after July 1, 1957 shall file by March 1, 1957 and thereafter not later than September 1, of each year, commencing with the year 1958, by formal petition under this case number, a list of exchanges where the more detailed rule will be required in the ensuing year together with supporting data as to:

- (1) Why the more detailed rule is required in each such exchange.
- (2) Why telephone service in the exchange will not be furnished on a current basis;
- (3) The utility's plans for providing sufficient facilities to furnish service on a current basis in each such exchange;
- (4) When the utility expects to be in a position to furnish service on a current basis in each exchange.

3. Any telephone utility which has Emergency Rule and Regulation No. A-1 on file with this Commission is authorized to cancel such emergency rule and regulation, in conformity with the Commission's General Order No. 96, within ninety days after the effective date of this order.

4. Each telephone utility in the State shall file with this Commission, not later than thirty days after the close of each quarter, quarterly reports showing separately the number of held orders for main service and the number of held requests for regrades of service as defined hereinabove when their combined number totals more than 20 and totals more than 0.4 per cent of the main stations in service at the end of the quarter. Such reports shall commence with the quarter ending June 30, 1956 and shall continue until further action of the Commission.

5. Each telephone utility in the State with annual operating revenues exceeding \$1,500 shall periodically advise the Commission, at least twice annually, of the total number of orders for new service and for regrades of service held for more than six months after the date the applicant desires the service to start, together with a general explanation of the reasons for the delay and of the utility's plans for providing service to the waiting applicants.

6. Each telephone utility in the State with annual operating revenues exceeding \$1,500, within sixty days after the effective date of this order, shall submit in quadruplicate its view as to the length of the free footage allowance and line-extension charge per 100 feet in excess of such free footage allowance, separately for the base rate area and the suburban area, that will permit the utility to make line extensions under normal conditions without burdening other customers. In addition, each said utility, within 60 days after the effective date of this order, shall submit in quadruplicate representative

up-to-date capital cost data for extensions on its system covering the following types of construction:

	<u>Per Mile of Line</u>	
	<u>Base Rate Area</u>	<u>Suburban and Rural Area</u>
a. Pole line erected without crossarms, wires or cables	_____	_____
b. Necessary crossarms and 1 pair of open wire on above pole line	_____	_____
c. Necessary crossarms and 10 pairs of open wire on above pole line	_____	_____
d. Necessary crossarms and 11-pair cable on above pole line	_____	_____
e. Necessary crossarms and 26-pair cable on above pole line	_____	_____

In addition each said utility shall furnish in quadruplicate representative percentage figures for determining annual costs and expenses on the above construction covering such items as (1) operation and maintenance, (2) administrative and general, (3) property taxes, (4) income taxes, (5) depreciation, (6) return on investment and (7) miscellaneous items. In the event that the utility cannot supply representative cost data segregated as above, it shall supply such cost data on extensions as it does have or keeps. In addition each said utility shall furnish in quadruplicate a statement of the average revenue per subscriber, based on recent experience, that it would expect from exchange and from toll service to prospective base rate and suburban subscribers for the various classes and grades of service, and any other data which the utility deems pertinent for the Commission to consider in this matter.

7. The secretary of the Commission shall serve copies of this decision upon all respondents and other appearances of record herein

and shall mail copies thereof to the Governor of the State _____ of California, members of the Senate and Assembly of the State of California, members from California of the Senate and the House of Representatives of the Congress of United States of America, and to the members and secretary of the Federal Communications Commission, Washington 25, D. C.

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

Dated at San Francisco, California, this 26th day of June, 1956.

E. Mitchell
President
Justin D. Casner
Paul L. Lintner
Mark L. Cook
Commissioners

Commissioner Rex Hardy, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

California Interstate Telephone Company
California-Pacific Utilities Company
California Water & Telephone Company
Central California Telephone Company
Citizens Utilities Company of California
Colfax Telephone Exchange
Dos Palos Telephone Company, Inc.
Enterprise Telephone Company
Forest Hill Telephone Exchange
General Telephone Company of California
Gilroy Telephone Company
Kerman Telephone Company
Kern Mutual Telephone Company
Los Gatos Telephone Company
McCloud Telephone Company
Richardson Springs Telephone Company
Roseville Telephone Company
Sanger Telephone Company
Sierra Telephone Company
Sunland-Tujunga Telephone Company
The Pacific Telephone and Telegraph Company
Tuolumne Telephone Exchange
Volcano Telephone Company
West Coast Telephone Company of California
Western Telephone Company

APPENDIX B
Page 1 of 5

Rule and Regulation No. _____

PRIORITY OF ESTABLISHMENT AND SUPERSEDURE OF SERVICE

A. Priority of Service Application

Whenever facilities are not immediately available to furnish service to all applicants, the order of precedence, by categories, will be as shown below.

Category I

Business service and residence main service to the extent required for the proper discharge of duties essential to the activities of:

Official Army, Navy, Marine Corps and Coast Guard Units and the Veterans' Administration;

Official federal, state, county and municipal government services;

Official agencies of foreign governments;

Public or private organizations directly serving the public safety, health, or welfare, such as: hospitals, clinics, sanatoria; physicians, surgeons, dentists, nurses, nurses' registries, veterinarians, ambulance services, manufacturers or distributors (wholesale and retail) of drugs, surgical, medical, hospital or dental supplies or equipment; mortuaries, burial service organizations; the American Red Cross and similar agencies;

Philanthropic and eleemosynary organizations recognized as such by the Bureau of Internal Revenue, including their fund raising offices; United Service Organizations and other similar organizations; religious establishments and their officiating clergy; Christian Science practitioners; public and private schools;

Press associations, newspapers, radio broadcasting stations;

Public transportation, pipeline companies, all types of public utilities;

Labor unions having bona fide collective bargaining agreements with business concerns identified in this category;

Public pay station service;

Temporary installation of residence main service when the immediate installation of service is essential to the protection of life;

APPENDIX B
Page 2 of 5

Rule and Regulation No. _____

PRIORITY OF ESTABLISHMENT AND SUPERSEDURE OF SERVICE

Category I--Contd.

Temporary installation of one residence extension telephone when it is essential in cases of serious illness;

One residence extension telephone and/or connection with an answering bureau for practicing physicians and surgeons;

Change of address of business service and of residence main service within the same central office area;

Service, other than listed above, required because of essentiality or unreasonable hardship;

Food producers and medical insurance adjusters will be reclassified to Category I three months after application is made for main telephone service;

All other applications for main telephone service will be reclassified to Category I six months after application is made.

Category II

Changes of address of business service within the same exchange or within such other area as is defined by the company's established practices, except as provided in Category I, above.

Category III

New business service for an enterprise which is substantially owned and principally operated or managed by a veteran who applies for service within 24 months after being honorably separated or placed on terminal leave from the armed forces of the United States or the merchant marine, provided such enterprise is expected to be the veteran's principal means of livelihood. The applicant for service must certify to these facts in writing.

Category IV

Business service other than that included in the above categories.

Category V

Residence main service where:

The attending physician or surgeon certifies in writing that there exists a condition of serious illness or pregnancy involving serious complications, that he must be called repeatedly at unpredictable intervals for emergency treatment and that in view of all the

APPENDIX B
Page 3 of 5

Rule and Regulation No. _____

PRIORITY OF ESTABLISHMENT AND SUPERSEDURE OF SERVICE

Category V--Contd.

circumstances telephone service is essential. Such service shall be terminated within 30 days of the termination of the conditions specified above;

A person lives alone and the attending physician certifies in writing that such person is confined to residence quarters for a protracted period by reason of serious illness or physical disability and that in view of all the circumstances telephone service is essential; residence main service where a blind person lives alone. The phrase "lives alone" includes a person who is alone all day or during the day or night working hours, except for one or more children aged 15 years or younger or another person either blind or similarly certified to be confined to residence quarters by reason of serious illness or physical disability. Such service shall be terminated within 30 days after the termination of the conditions specified above;

A seriously disabled veteran of the armed forces of the United States who applies for service within 24 months after being honorably separated from the armed forces. For the purpose of this paragraph a veteran will be considered seriously disabled if he is receiving disability payments of \$50 a month or more from the Veterans' Administration. The applicant for service must certify to these facts in writing.

Category VI

Changes of address of residence main service within the same exchange or within such other area as is defined by the company's established practices, except as provided in Category I above.

Category VII

New residence main service to the extent required for the proper discharge of duties essential to the following activities:

The hiring of substantial numbers of people;

The furnishing of material, equipment or facilities under prime or subcontracts to the armed forces of the United States and by suppliers to such prime or subcontractors; the converting of war plants to peacetime operations; and the reestablishing under the same ownership of businesses which were obliged to close during the war because of lack of materials or man power or because of wartime regulations; persons (such as engineers, architects, contractors, chemists, lawyers and accountants) who perform special services for these activities or for public works projects;

Rule and Regulation No. _____

PRIORITY OF ESTABLISHMENT AND SUPERSEDURE OF SERVICE

Category VII-Contd.

The production and wholesale distribution of fuel and lumber and other construction materials and construction equipment and mining equipment; mining operations and mining engineers;

The maintaining or servicing of equipment essential to the following: the armed forces, production for the armed forces or conversion from such production, public works projects, public transportation, public utilities, pipeline companies, mining operations, and producers of fuel, lumber and other construction materials and construction equipment and mining equipment;

Food processing, food distribution (wholesale and retail) and food storage and production of substantial quantities of food;

Labor unions having bona fide collective bargaining agreements with business concerns identified in this category.

Category VIII

New residence main service for:

The wife of a member of the armed forces of the United States or the merchant marine who is on active duty away from home, where she is pregnant and there is no one else in her household, or where her household consists only of herself and one or more children aged 15 years or younger; and under the same circumstances for a widow whose husband dies since January 1, 1940 while a member of the armed forces of the United States or the merchant marine. For the purpose of this paragraph the presence of one or more persons who are blind or confined to residence quarters by reason of serious illness or physical disability shall be disregarded. The applicant for service must certify to these facts in writing;

Those who discontinued residence service upon entering the armed forces of the United States or the merchant marine and who apply for service within 24 months after being honorably separated or placed on terminal leave from the armed forces or the merchant marine. The applicant for service must certify to these facts in writing;

A veteran who is head of a family (that is, who maintains in one household one or more individuals other than himself who are connected with him by blood relationship, relationship by marriage, or by adoption), and who applies for service within 24 months after being honorably separated or placed on terminal leave from the armed forces of the United States or the merchant marine. The applicant for service must certify to these facts in writing.

Rule and Regulation No. _____

PRIORITY OF ESTABLISHMENT AND SUPERSEDURE OF SERVICE

Category IX

New residence main service other than that included in the above categories.

Category X

Residence extension telephones other than those specifically set forth in Category I above.

Records

Documents supporting the establishment of service applications in the above categories will continue to be retained in the files of the company during the effective period of this regulation.

B. Supersedure

An applicant who otherwise qualifies for the immediate establishment of service under Section (A) of this rule and regulation, may supersede the service of a subscriber discontinuing that service, when the applicant is to take service on the premises where that service is being rendered and a written notice to that effect from both the subscriber and applicant is presented to the company and where an arrangement, acceptable to the company, is made to pay outstanding charges against the service.

APPENDIX C

LIST OF APPEARANCES

Respondents: The Pacific Telephone and Telegraph Company by Pillsbury, Madison & Sutro, Arthur T. George, and Francis N. Marshall; General Telephone Company of California, by Marshall K. Taylor; California Water & Telephone Company and West Coast Telephone Company of California, by Claude N. Rosenberg of Bacigalupi, Elkus & Salinger; McCloud Telephone Company, by Warren H. Saltzman of Littler, Lauritzen and Mendelson, and Neal C. Hasbrook; The Bigelow Telephone Company, California Interstate Telephone Company, California-Oregon Telephone Company, California-Pacific Utilities Company, Capay Valley Telephone System, Central California Telephone Company, Citizens Utilities Company of California, Coachella Valley Home Telephone and Telegraph Company, Colfax Telephone Exchange, Colorado River Telephone Company, Delta Telephone and Telegraph Company, Dorris Telephone Company, Dos Palos Telephone Company, Inc., Enterprise Telephone Company, Evans Telephone Company, Foresthill Telephone Exchange, Gilroy Telephone Company, Happy Valley Telephone Company, The Independent Telephone Company, Kern Mutual Telephone Company, Kennan Telephone Company, Kernville Telephone Company, Los Gatos Telephone Company, Mariposa County Telephone Company, Inc., McFarland Telephone Company, Roseville Telephone Company, Sanger Telephone Company, San Joaquin Telephone Company, Siskiyou Telephone Company, Sunland-Tujunga Telephone Company, Tuolumne Telephone Exchange, The Volcano Telephone Company, and The Western Telephone Company, by Neal C. Hasbrook; Petrolia Telephone Company, by Mrs. Langdon.

Interested Parties: City and County of San Francisco, by Dion R. Holm and Paul L. Beck; California Farm Bureau Federation, by Eldon N. Dye and J. J. Deuel; City of Los Angeles, by Roger Arnebergh, T. M. Chubb, M. Kroman, and R. W. Russell; California Independent Telephone Association, by Neal C. Hasbrook, Frank V. Rhodes, and Marshall K. Taylor; Telephone Industry Committee, by Marshall K. Taylor and Francis N. Marshall.

Commission Staff: Boris Lakusta, C. G. Ferguson, and Charles W. Mors.

LIST OF WITNESSES

Evidence was presented on behalf of the Telephone Industry Committee, by Thomas A. Taylor, chairman, H. W. Holmwood, vice chairman, and Frank V. Rhodes and Russell J. Loveland, members.

Evidence was presented on behalf of the respondents, by Clifford F. Goode and H. L. Kertz of The Pacific Telephone and Telegraph Company; Ernest W. Watson of General Telephone Company of California; and Peter A. Nenzel of California Water & Telephone Company and West Coast Telephone Company of California.

Evidence was presented on behalf of interested parties, by J. J. Deuel of the California Farm Bureau Federation.

Evidence was presented on behalf of the Commission staff, by John E. Brown and M. E. Mezek.

APPENDIX D

Rule and Regulation No. _____

PRIORITY OF ESTABLISHMENT AND SUPERSEDURE OF SERVICE

A. Priority of Service Application

Applications for service will be completed in accordance with the chronological order of their receipt in so far as practicable and in accordance with economical administration except in the following cases in which deviation may be made in the following order in accordance with the facilities available:

1. Applications for service where serious sickness, public safety, public necessity, or war conditions are involved will be given priority over all other applications included under Sections 2, 3 and 4 below.
2. Applications where the instrumentalities are in place on the premises to which the application applies, and where service to these instrumentalities has not been permanently discontinued and assigned to another subscriber, will be given priority over all other applications referred to under Sections 3 and 4 below.
3. Application of a party who has been a subscriber of the the company within a 1-month period immediately prior to the date of the application will be given priority over other applications referred to under Section 4 below.
4. Application for business service will be given priority over applications for residence service which have been held for a period of less than two months.

B. Supersedure

An applicant who otherwise qualifies for the immediate establishment of service under Section A of this rule and regulation may supersede the service of a subscriber discontinuing that service when the applicant is to take service on the premises where that service is being rendered when a written notice to that effect from both the subscriber and applicant is presented to the company and where an arrangement acceptable to the company is made to pay outstanding charges against the service.