

ORIGINAL

Decision No. 54079

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 establish rates for extended)
 service in its Salinas and Castro-)
 ville exchanges in lieu of present)
 rates and to cancel and withdraw)
 message toll telephone service rates)
 now in effect between Salinas and)
 Castroville.)

Application No. 37706
 Amended

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

O P I N I O N

By the above-entitled application filed February 1, 1956,
 The Pacific Telephone and Telegraph Company, applicant herein, pro-
 poses extended service in the Salinas and Castroville exchanges and
 coincident therewith requests authority to:

1. File and make effective rates for extended serv-
 ice as set forth in Exhibit C attached to the
 application.
2. Cancel and withdraw present rates for exchange
 service now in effect in the Salinas and Castro-
 ville exchanges.
3. Expand the local service area of the Salinas
 exchange to include the Castroville exchange and
 expand the local service area of the Castroville
 exchange to include the Salinas exchange.
4. Cancel and withdraw foreign exchange service
 tariffs applicable to Salinas service in Castro-
 ville and modify the conditions of the farmer
 line tariff to exclude the offering of foreign
 exchange farmer line service between these two
 exchanges.
5. Cancel and withdraw message toll telephone service
 rates between Salinas and Castroville.

Public Hearing

After due notice, a public hearing was held upon this application in Salinas before Examiner M. W. Edwards on September 19, 1956, the matter being submitted for decision on that date after two minor amendments regarding foreign exchange service. Applicant, through three witnesses, presented five exhibits and testimony in support of its application. The Commission staff, represented by a senior utilities engineer, took an active part in the proceeding, presented an exhibit through one witness and sponsored an additional exhibit prepared by one of applicant's witnesses relating to exchange earnings. Testimony and statements generally favoring extended service were presented by representatives of the Monterey County Board of Supervisors, the Salinas Chamber of Commerce, the Monterey County Industrial Development, Inc., the Castroville Produce Shippers, the Castroville P.T.A., the Castroville Eastern Star #580, the Kaiser Aluminum and Chemical Corporation and other representative subscribers and residents of the area.

The California Farm Bureau Federation, through counsel and a representative, took an active part in the proceeding, cross-examined witnesses and called a resident from Castroville who presented testimony favoring extended service on her own behalf and a copy of a petition signed by some 335 subscribers. This petition requested extended service at the rates in effect in the Salinas exchange. This petition was signed in 1953 and while the proposals by the applicant and the recommendations by the staff were for a higher level of rates in the Salinas exchange than existed in 1953, this witness expressed the opinion that the persons signing the petition would not now be adverse to either the applicant's proposal or the staff's recommendation.

Service Development

The Castroville exchange was started in May 1888 and was operated as a manual exchange until May 1936 when it was changed to dial. In May 1936 it served 87 telephones. By August 1, 1956 the exchange had grown to the point where 676 telephones were being served.

The Salinas exchange was started in March 1891 with 14 telephones and was operated as a manual exchange until January 1939 when 5,029 stations were being served. In 1939 it was converted to dial and growth has been so rapid since then that by July 1956 a second dial office was necessary and the total stations had grown to 19,600. Salinas is the county seat of Monterey County and is the industrial and trading center of Monterey County.

The Castroville exchange occupied an irregular square-shaped area some five miles wide and five miles long and is located adjacent to the northwest portion of the Salinas exchange. The Salinas exchange occupies an irregular shaped rectangular area some 10 miles wide and 22 miles long. The distance from the center of the Salinas exchange to the northwest corner of the Castroville exchange is little, if any, greater than the distances from this center to the northeastern and southwestern corners of the Salinas exchange.

Applicant represents that a definite community of interest has developed between Salinas and Castroville and that since 1948 desire has been expressed to it, by residents and civic groups in Castroville, for extended service to Salinas. Applicant stated that it undertook studies and determined that establishment of extended service would be feasible after the introduction of seven digit numbering planned for 1956 in both exchanges and the installation of equipment necessary to implement the service, which could be accomplished in 1957.

Exchange Rates, Present and Proposed

Under applicant's proposal present and future subscribers in Castroville and Salinas would be provided with nonoptional extended service at rates which would represent increases of from 5 to 50 cents per month for Salinas subscribers and from 5 cents to \$3.75 per month for Castroville subscribers. The staff studied this matter and recommended that if the Commission finds the introduction of extended service to be in the public interest, slightly lesser increases be provided in Salinas and increases up to 75 cents per month greater be provided for Castroville. An example of the present, proposed and suggested rates for principal classes of service follows:

Classification	Salinas Exchange			Castroville Exchange		
	Present Rate	Proposed Rate	Applicant: Staff	Present Rate	Proposed Rate	Applicant: Staff
<u>Residence</u>						
1-Party	\$ 4.30	\$ 4.35	\$ 4.35	\$ 4.05	\$ 4.35	\$ 4.55
2-Party	3.50	3.55	3.55	3.50	3.55	3.65
4-Party	2.95	3.00	3.00	2.95	3.00	3.10
Suburban	3.45	3.50	3.50	3.45	3.50	3.55
Farmer Line	1.25	1.30	1.30	0.85	1.30	1.35
<u>Business</u>						
1-Party	8.75	9.00	8.95	6.50	9.00	9.50
2-Party	6.75	6.85	6.85	5.25	6.85	7.25
PBX Trunk	13.00	13.50	13.25	9.75	13.50	14.25
Suburban	5.25	5.30	5.30	4.75	5.30	5.45
Farmer Line	2.25	2.30	2.30	1.50	2.30	2.35

Applicant's basis for proposing the increased rates is that they approximately offset the loss from elimination of the 15-cent toll charge between Castroville and Salinas after allowing for the increases in cost on added plant and the expense savings in each exchange. The staff's basis for its suggestion primarily is to restore the rate of return in both exchanges to a level equivalent to that experienced for the two exchanges on a consolidated basis prior to the loss of local toll revenue.

Cost and Revenue Effects

Under either basis of rates for extended service the loss in toll revenue is estimated at \$19,200 per year. The applicant estimated the additional capital cost on new plant, after allowing for plant saved or released, at \$5,800 per year and the staff estimated it at \$5,438. The saving in accounting, commercial and traffic expenses is estimated at \$9,000 by the applicant and at \$8,690 by the staff. After allowing for changes in coin revenue and loss of foreign exchange service revenue, an annual net differential revenue reduction of \$17,300 was estimated by the applicant and of \$17,548 by the staff.

The staff computed that applicant's proposed exchange service rates would result in a revenue increase of \$14,653 in the Salinas exchange and \$3,416 in the Castroville exchange. Its effect would be to increase the rate of return on exchange plant investment in the Salinas exchange from 4.22 to 4.24 per cent and because of the relatively larger effect of toll revenue loss the rate of return in the Castroville exchange would drop from 7.18 to 3.91 per cent. The staff's suggested rates would increase revenues by \$12,675 in the Salinas exchange and by \$4,475 in the Castroville exchange, and would hold the Salinas exchange return to 4.22 per cent while bringing the Castroville exchange return back up to 4.22 per cent.

Discussion

No opposition to the applicant's proposal for extended service between Castroville and Salinas was expressed at the hearing. Most of the witnesses did not object to the staff's suggested rates as their toll saving would more than offset the higher Castroville rates proposed by the staff. The majority of the witnesses were from Castroville and this is a matter of concern to the Commission. The evidence indicates that approximately 90 per cent of the residential subscribers and 80 per cent of the business subscribers in

the Salinas exchange for the test month had no toll calls to Castroville. Obviously, the Castroville subscribers would benefit most from extended service as their station availability would increase from 673 to 20,235 stations based on July 31, 1956 development, whereas the Salinas station availability would increase only from 19,562 to 20,235 stations. Under such a condition it would seem prudent to hold the increase in the Salinas rates to the lowest reasonable figure. On this basis it would appear more reasonable to adopt the staff's suggested rates than the applicant's.

The applicant introduced rebuttal testimony favoring its higher rate proposal for Salinas and describing the advantage of having all subscribers in Salinas and Castroville exchanges pay the same rates. However, there are at present two rate levels for base rate area service in the Salinas exchange. The higher rate level applies in the Ambler Park Special Rate Area. This gives consideration to the added costs of providing urban grades of service at a considerable distance from the main base rate area boundary. These added costs also are reflected in the mileage charges applicable to urban grades of service at any point outside the base rate area or special rate area. It is apparent, then, that all subscribers in Salinas are not presently paying the same rate for the same grade of service, and the establishment of higher rates for Castroville more nearly will reflect the costs allocable to Castroville for providing extended service, and the toll savings to Castroville subscribers.

Findings and Conclusions

The area is growing rapidly and the future need for extended service has been shown. The Commission has carefully considered the testimony and statements favoring the application as well as the diverse position taken by the applicant and the staff with

regard to the level of the rates in the two exchanges. The advantages of increased service incident to an extended local calling area, in the Commission's opinion, outweigh the nominal increase to the Salinas subscribers and the greater increase to the Castroville subscribers suggested by the staff.

From the facts of record herein the Commission finds: that the public interest requires the establishment of nonoptional extended service in the Salinas and Castroville exchanges during the year 1957; that the increases in rates and charges authorized herein are justified; that present rates in so far as they differ from those herein prescribed for the future are unjust and unreasonable after extended service is available; and that an order should be issued authorizing the introduction of extended service and revised rates.

O R D E R

The above-entitled application having been filed, a public hearing having been held, the matter having been submitted and being ready for decision; therefore,

IT IS ORDERED as follows:

1. Applicant is authorized, on or before December 31, 1957, to expand the local service area of the Salinas exchange to include the Castroville exchange and expand the local service area of the Castroville exchange to include the Salinas exchange.

2. Applicant is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with the Commission's General Order No. 96, revised tariff schedules with changes in rates, charges and conditions as set forth in Appendix A herein, and, after not less than five days' notice to this Commission and to the public to make said revised tariff schedules effective

with the establishment of extended service as provided by Section 1 hereof.

3. At the time of making effective the rates authorized by Section 2 hereof, applicant may cancel and withdraw present rates for local, toll and foreign exchange service as contemplated in the application as amended.

4. The authority herein granted will expire unless exercised on or before December 31, 1957.

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

Dated at San Francisco, California, this 13th day of November, 1956.

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

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

APPENDIX A
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RATES

The presently effective rates, charges, and conditions are authorized to be changed to the level or in the manner as set forth in this appendix.

Schedule No. 3-T
Local Service Areas, Northern California

Service is provided at extended service rates without additional charge as follows:

<u>From stations receiving service from the exchange designated as</u>	<u>To stations receiving service from exchanges and from district areas designated as</u>
	<u>Exchanges</u> <u>District Areas</u>
Castroville	Castroville Salinas
Salinas	Castroville Salinas

Schedule No. 4-T
Individual and Party Line Service, Northern California

<u>Each Primary Station</u>	<u>Individual and Party Line Service</u>				
	<u>Rate per Month</u>				
	<u>Business</u>		<u>Residence</u>		
	<u>Individual: 2-Party Line</u>	<u>2-Party Line</u>	<u>Individual: 2-Party Line</u>	<u>4-Party Line</u>	<u>4-Party Line</u>
Castroville, Extended	\$9.50	\$7.25	\$4.55	\$3.65	\$3.10
Salinas, Extended					
Base Rate Area	8.95	6.85	4.35	3.55	3.00
Special Rate Area	9.95	7.55	5.35	4.25	3.50

<u>Each Primary Station</u>	<u>Suburban Service</u>		<u>Semipublic Service</u>	
	<u>Rate per Month</u>		<u>Individual Line</u>	
	<u>Business</u>	<u>Residence</u>	<u>Rate</u>	<u>Minimum</u>
	<u>10-Party Line</u>	<u>10-Party Line</u>	<u>per Month</u>	<u>Charge per Day</u>
Castroville, Extended	\$5.45	\$3.55	\$1.00	\$0.24
Salinas, Extended				
Base Rate Area	-	-	1.00	.24
Special Rate Area	-	-	2.00	.24
Suburban Area	5.30	3.50	-	-

APPENDIX A
Page 2 of 2RATESSchedule No. 9-TFarmer Line Service, Northern California

Each Station	Farmer Line Service		Conditions Applicable Group
	Residence Service	Business Service	
Castroville, Extended	\$1.35	\$2.35	B
Salinas, Extended	1.30	2.30	A

Foreign exchange farmer line service is authorized to be canceled between Salinas and Castroville exchanges.

Schedule No. 11-TPublic Telephone Service

Add Castroville and Salinas exchanges to the list of exchanges shown under Condition 1.a.

Schedule No. 13-TPrivate Branch Exchange Trunk Line Service, Northern California

Rates (1) (a)	Rate per Month Each Flat Rate Trunk
Castroville, Extended	\$14.25
Salinas, Extended	
Base Rate Area	13.25
Special Rate Area	14.25

Schedule No. 20-TJoint User Service, Northern California

	Rate per Month Each Joint User Service in Connection with		
	Individual, Party or Answering Line Service	Semi- public Service	PBX or Cord-operated Telephone Answering Service
Castroville, Extended	\$2.00	\$1.50	\$4.00
Salinas, Extended	2.00	1.50	4.00

Schedule No. 34-TForeign Exchange Service, Northern California

Rates for foreign exchange service are authorized to be canceled between the Castroville and Salinas exchanges.

Primary rates for other foreign exchange services are authorized to be adjusted to the extent required by changes authorized in the basic individual line, party line, or PBX trunk rate.

All Schedules Affected

Present rates and conditions for local and toll service within and between Castroville and Salinas are authorized to be canceled.

APPENDIX B

LIST OF APPEARANCES

For Applicant: Arthur T. George, Pillsbury, Madison & Sutro by Dexter C. Tight.

Interested Parties: Eldon Dye and Joe Joynt, for California Farm Bureau Federation; Richard A. Johnson, for the president of the Board of Directors of the Salinas Chamber of Commerce; Chester Deaver, for the Monterey County Supervisors; D. M. Kerr, for Kaiser Aluminum & Chemical Corporation; Jack Bias, for Grower Shipper Vegetable Association of Central California; Edw. J. Brunnier, for Castroville Produce Shippers; Major General E. K. Wright, U. S. A. Retired, for Monterey County Industrial Development, Inc.; Mrs. William Robe, for Castroville Eastern Star #580; Gussie Boggiatto, for housewives and farmers with a Petition of 335 signatures; Evelyn Oksen, for residents of Del Monte Farms Road, Archer Road and Castroville Boulevard; Mrs. Quinn Smith, for Castroville P.T.A.; and Mrs. Ralph Markum in propria persona.

For the Commission staff: J. B. Balcomb.

LIST OF WITNESSES

Evidence was presented on behalf of the applicant by: Clifford F. Goode, Willard C. Bruce and Robert M. Cunningham.

Evidence was presented on behalf of the interested parties by: Mrs. Gussie Boggiatto, Mrs. Quinn Smith, Mr. Chester Deaver and Mr. Bert L. Talcott.

Evidence was presented on behalf of the Commission staff by Paul Popenoe, Jr.