

Decision No. 54480**ORIGINAL**

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 Alvarado,)
 Centerville, Decoto, Newark and Niles)
 exchanges and to establish a new)
 exchange to be designated North)
 Washington.)

Application No. 38478

Arthur T. George; Pillsbury, Madison & Sutro,
 by Dexter C. Tight, for applicant.
Bert Buzzini for California Farm Bureau
 Federation.
LeRoy A. Bryun for City of Fremont.
John W. Scanlon for City of Hayward.
Harold H. Barlow for Telephone Answering
 Services, interested parties.
W. E. Rodes for Glenmoor Home Owners'
 Association, protestant.
James F. Haley for the Commission staff.

O P I N I O N

By this application, filed October 5, 1956, The Pacific Telephone and Telegraph Company seeks authority to (1) discontinue the Alvarado, Centerville, Decoto, Newark and Niles exchanges, (2) cancel and withdraw the tariffs presently effective in such exchanges, (3) establish a new exchange to be known as North Washington, comprised of two district areas to be designated Main and Greenleaf with exchange, district area and base rate area boundaries as shown in Exhibit A of the application, (4) establish exchange rates for the Main district area corresponding to those now in effect in the Centerville, Newark and Niles exchanges, (5) establish exchange rates for the Greenleaf district area.

corresponding to those now in effect in the Alvarado and Decoto exchanges, and (6) change the present five toll rate centers to one for each of the proposed new districts of the proposed North Washington exchange.

Public Hearing

Public hearing in the matter was held before Examiner F. Everett Emerson on December 19, 1956 at Centerville. The matter was submitted subject to receipt of a late-filed exhibit received December 26, 1956.

Nature of Evidence

Telephone service was first established in the general area covered by the application on July 4, 1900 with the offering of service in Niles. An exchange for service in and around Newark was established in 1906. These and subsequent exchanges in the northern portion of Washington Township first served small centers of population in rural areas. For many years the growth of population and telephone service was modest. In recent years, however, industrial development and residential growth have shown marked increases and the area seems to be developing into one large urban-industrial community. With such growth has come an ever-increasing demand for telephone service. In January 1950, applicant had about 2200 subscribers in the area. By the end of September 1956, the number had grown to 9000, an increase of over 310 percent. An increase of 18 percent was experienced during the first nine months of 1956 alone.

To meet present and future growth, applicant proposes to replace the five separate dial central offices with two large dial offices, one to be located at Centerville and one at Decoto.

By so doing, applicant estimates that it will be able to serve the over-all area at additional capital costs about \$110,000 less than would have to be expended if future growth were to be met by the mere expansion or extension of existing facilities. Even so, applicant's planned development, on the basis of the proposed combination of exchanges, will entail capital expenditures of approximately \$3,490,000.

Applicant proposes to combine the Alvarado and Decoto exchanges into a district to be known as Greenleaf. Alvarado and Decoto presently have the same level of exchange rates and applicant proposes that such rates, without change, be made the rates for the new Greenleaf district. The local service areas for Alvarado and Decoto exchanges include all telephone stations receiving service from the Alvarado, Centerville, Decoto, Hayward, Newark, Niles and South Washington exchanges and applicant proposes that the same local service area be made applicable to the new Greenleaf district.

Applicant proposes to combine the Niles, Centerville and Newark exchanges into a district to be known as Main. Exchange rate levels are now the same in these exchanges and applicant proposes that they remain unchanged for the new Main district. The local service areas for these three exchanges include all telephone stations served by the Alvarado, Centerville, Decoto, Newark, Niles and South Washington exchanges and applicant proposes that the new Main district will have a local service area of identical scope.

Applicant's proposal to change toll rate centers so as to have one center in each of the new districts would produce some minor increases in charges and in message units over certain

routes as well as some decreases over certain other routes for distances within forty miles of the present rate centers. Applicant estimates that the aggregate of these changes will result in reduction in annual charges to subscribers of approximately \$9,600.

Applicant's present view is that the proposed North Washington exchange will be placed in operation during 1958.

While no person expressed opposition to applicant's overall proposal, a number of parties, including representatives of cities in the area, expressed disapproval of applicant's choice of the name "North Washington". Testimony was also received to the effect that the name of "South Washington", applicant's only exchange bordering the proposed exchange on the southeast, has caused confusion and delays in service. Of the several names suggested during the course of the hearing, no one name seemed acceptable to all parties.

Within applicant's existing Decoto exchange are three residential subdivisions, known as Hillview Crest, Fairway Park and El Rancho Verde, which are within the city limits of Hayward. Annexation to the City of Hayward was accomplished during 1954 and 1955. They lie some distance from the prior city limits and their inclusion in the city necessitated "strip" annexation along State Highway Route No. 9 (Hayward - Niles Highway). At the present time about three-quarters of a mile of strip development separates these three subdivisions from the rest of the City of Hayward. Residents of the three subdivisions, supported by the City of Hayward, seek to be excluded from applicant's proposed North Washington exchange and to be included in the Hayward exchange. The three subdivisions contain about 2050 homes and an estimated

population of 8,000. Applicant's witnesses testified that irrespective of which exchange might contain these subdivisions (Hayward or North Washington), they would be served from the proposed new central office at Decoto as a matter of physical plant engineering, administrative organization and economy of operation.

Conclusions

In view of the evidence we find that the consolidation of the Alvarado, Centerville, Decoto, Newark and Niles exchanges as proposed should improve service and will not be adverse to the public interest. We find as a fact that any increases in rates and charges which may result from such consolidation are justified and that present rates and charges, insofar as they differ from those hereinafter prescribed, for the future are unjust and unreasonable.

It appears that applicant's choices of names, both for the proposed new exchange and for its existing South Washington exchange, are unfortunate. The choice, however, lies with applicant. In view of the opposition expressed at the hearing, applicant should review the situation and attempt to select a name or names more acceptable to persons in the area. More than a year remains before the consolidation will be completed. Surely during such period a suitable name may be selected by applicant.

In our opinion, a further consolidation of exchanges in the general area of southern Alameda County may be desirable. It occurs to us that applicant's existing South Washington exchange might well be combined with the consolidation proposed in the instant application, as the Oliver district area of the new exchange.

By so doing the new exchange would consist of Main, Greenleaf and Oliver district areas of an exchange which would carry a name suitable to the overall area. Applicant should review this situation. If it appears desirable and acceptable to it, such overall consolidation may be accomplished by means of the "advice letter" procedures of General Order No. 96.

This Commission has long adhered to the premise that no distinction, without other controlling reasons, should be recognized in either rates charged subscribers, in rules governing subscriber-utility relationships or by defining limits of service to them by reason of the fact that a political boundary, such as that determined by the limits of a city, separated one subscriber from another. If such a distinction were to be made, political rates, rather than service rates might soon follow -- a condition abhorrent to the general public interest and to the clear mandate of law that no unreasonable discrimination shall exist. City limits are boundaries which may change without any relationship to the utility facilities used and useful in serving the public or in relationship to the economics of serving the public at reasonable rates. Indeed, there have been in the neighborhood of 30 to 40 such boundary changes in Hayward during the past ten years. While it is true that telephone exchange boundaries are in some few instances identical with city boundaries, such is not usually the case and the Commission has studiously avoided the placing of such arbitrary or frivolous restrictions or delimitations upon rates and service to utility customers. In the case of the three subdivisions before us in this proceeding, the matter of distance between the central office which actually serves and will in the

future serve the subdivisions and the Trinidad district area, which by this record seems to be the desired measure-free calling area, is such, in our opinion, as to warrant no departure from the existing boundary between the Hayward and Decoto exchanges. The real demands of subscribers for direct local service from some exchange other than that within which they are receiving local service may be met by the foreign exchange service which is regularly offered by applicant. By such means the added costs of special service may be borne by those especially benefitting and not become a burden on other subscribers. In short, we conclude that the boundaries of applicant's proposed Main and Greenleaf district areas should be authorized without modification thereof.

O R D E R

Based upon the evidence and the findings and conclusions contained in the foregoing opinion,

IT IS HEREBY ORDERED as follows:

1. Applicant, after the effective date of this order and on or before December 31, 1958, may discontinue its Alvarado, Centerville, Decoto, Newark and Niles exchanges and cancel its presently effective tariff schedules applicable in said five exchanges coincident with the establishment of the new consolidated exchange and the Main and Greenleaf district areas thereof, as proposed, to serve the area now included in the said five exchanges.
2. Coincident with the establishment of the new consolidated exchange, applicant is authorized (1) to make effective in the new Greenleaf district area the presently effective rates and

rules applicable in the Alvarado and Decoto exchanges, except that a new rate point in lieu of the present two rate points is authorized to be established at the location of the new district central office of such district and (2) to make effective in the new Main district area the presently effective rates and rules applicable in the Centerville, Newark and Niles exchanges, except that a new rate point in lieu of the present three rate points is authorized to be established at the location of the new central office of such district.

3. Necessary tariff filings, including maps of the new exchange and its district and base rate area boundaries, in conformity with the provisions of General Order No. 96, shall be made on not less than ten day's notice to the Commission and to the public.

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

Dated at San Francisco, California, this 5th day of FEBRUARY, 1957.

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

Commissioners

Commissioner Matthew J. Dooley, being necessarily absent, did not participate in the disposition of this proceeding.