

ORIGINALDecision No. 54619

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 establish rates for extended)
 service in its Jamestown exchange and)
 main district area of its Sonora)
 exchange in lieu of present exchange)
 service rates and to cancel and with-)
 draw message toll telephone service)
 rates now in effect between Jamestown)
 and the main district area of Sonora.)

Application No. 38187

Arthur T. George, Pillsbury, Madison & Sutro,
Dexter C. Tight and Charles Renfrew for
 applicant.

Donald L. Vars, Sheriff-Coroner, Ernest J.
 Conde, County Statistician, and Harold R.
 Johnson, Constable, for County of
 Tuolumne; Wesley Eproson for Sonora City
 Council; Howard E. Moore for California
 Division of Forestry and Tuolumne County
 Rural Fire Service; Joseph Q. Joynt for
 California Farm Bureau Federation; Donald
 E. Lovelace for Jamestown Promotion Club,
 Inc.; John Bradley for Rawhide Community
 Club; O. E. Nichols for Parents of Children
 of Jamestown School; Norman Kerr in propria
 persona, interested parties.
James F. Haley for the Commission staff.

O P I N I O NApplicant's Request

By the above-entitled application filed on June 26,
 1956, The Pacific Telephone and Telegraph Company requests an
 order of the Commission authorizing applicant to:

1. File and make effective rates for extended service in the Jamestown exchange and in the Main district area of the Sonora Exchange as set forth in Exhibit C attached to the application.

2. Cancel and withdraw present rates for exchange service now in effect in the Jamestown exchange and in the Main district area of the Sonora exchange.
3. Expand the local service area of the Main district area of the Sonora exchange to include the Jamestown exchange and expand the local service area of the Jamestown exchange to include the Main district area of the Sonora exchange.
4. Cancel and withdraw message toll telephone rates between Jamestown and the Main district area of the Sonora exchange.

Public Hearing

After due notice, public hearing on this application was held before Examiner M. W. Edwards on January 30, 1957, at Sonora, California. Applicant through three witnesses presented five exhibits in support of its application. The Commission's staff, represented by a telephone engineer, cross-examined applicant's witnesses for the purpose of developing a full record to aid the Commission in deciding this matter. Also counsel for the California Farm Bureau Federation cross-examined the witnesses. Statements favoring the establishment of Sonora-Jamestown extended service were made by representatives of the following civic and service organizations: Board of Supervisors of Tuolumne County; City Council of Sonora; California Division of Forestry and Tuolumne County Rural Fire Service; Jamestown Promotion Club, Inc.; Rawhide Community Club; and Jamestown Public Schools. No persons attending the hearing objected to the granting of applicant's request.

Service Development

The Sonora exchange is comprised of two district areas designated Main and Juno. The Main district area includes the town of Sonora and adjacent territory. The Juno district covers the northeast section of the Sonora exchange and is not involved

in this application for extended service. In the Main district area there are approximately 3,000 telephone stations served by dial equipment. The Jamestown exchange, which is comprised of Jamestown and surrounding territory, is contiguous to the southwest portion of the Main district area of the Sonora exchange. Telephone service is also provided in Jamestown by means of dial equipment and approximately 300 telephone stations are served.

Need for Extended Service

Sonora is the county seat of Tuolumne County, being located about 50 miles east of the City of Stockton. Jamestown, also in Tuolumne County, is located about four miles southwest of Sonora. Sonora is the business and recreational center of the area and also is the social and business trading center for Jamestown residents. Applicant represents that there is a close community of interest between Jamestown and Sonora and cites the fact that over 14 toll calls per month per average main station are placed from Jamestown to Sonora.

The base rate area boundaries of the Sonora Main district area and Jamestown exchange are separated by a distance of about one and one-half miles. Applicant states that a new residential development of some 40 homes is being constructed within the area between the two base rate area boundaries. Informal complaints have been registered with the Commission objecting to the 10-cent initial period toll rate between Jamestown and Sonora. Applicant asserts that over the past few years demand has been expressed by civic leaders and various individuals for a toll-free calling arrangement between Jamestown and Sonora.

Applicant's witness testified that it would be feasible to place the proposed extended service in operation within 19 months following the date of Commission authorization.

Present and Proposed Rates

The present rates in Jamestown and in the Sonora Main district area for the principal classifications of service are compared with the applicant's proposed extended service rates in the tabulation following:

	<u>Present</u>		<u>Company Proposed Extended Service Rates</u>
	<u>Jamestown</u>	<u>Sonora-Main District Area</u>	
Business			
1-Party	\$6.00	\$6.50	\$7.00
2-Party	4.75	5.25	5.50
Suburban	4.50	4.75	5.00
Residence			
1-Party	3.80	4.05	4.20
2-Party	3.25	3.50	3.60
4-Party	2.70	2.95	3.00
Suburban	3.20	3.45	3.50

Applicant's proposed rates for extended service are designed to offset the net cost of providing the service after allowing for the loss in toll revenue, the increased annual cost of added plant, and the savings in operating expenses.

Cost and Revenue Effects

Applicant estimates that its net plant will increase by \$6,500 upon the inauguration of extended service and that the annual charge thereon is \$2,000. In addition the loss of toll revenue is estimated at \$10,200 making a total gross cost of \$12,200. Offsetting this cost, in part, are expense savings of \$900 in accounting, \$200 in commercial, and \$5,000 in traffic expenses, or a total of \$6,100. This leaves an annual deficiency of \$6,100 to be made up by increases in exchange rates as set forth in applicant's proposed schedules. The estimated increase in basic exchange service rates is \$5,800 and the increase in coin station exchange revenue is \$700, a total of \$6,500 annual increase, which is \$400 greater than the estimated deficiency.

At the request of the Commission's staff, applicant introduced Exhibit No. 6 which indicated that for the year 1955 the Jamestown exchange showed an estimated rate of return of 3.9 percent on exchange operations and the Sonora exchange a negative rate of return of 1.4 percent, both on the basis of present serving arrangements. On the basis of the proposed Jamestown-Sonora extended area arrangement the estimated rate of return would have been a negative 1.2 percent for exchange operations in the year 1955. Between 1955 and 1958, when the extended service could be introduced, some growth is expected. This might improve somewhat the poor earning position of the combined exchanges, but it is not apparent that the rate levels requested would result in an unreasonably high rate of return in the future.

Findings and Conclusions

The Commission has carefully considered the testimony and statements favoring the application and, being of the opinion that the advantages of increased and improved service incident to an extended serving area outweigh the proposed increases in station service rates, finds and concludes:

1. That the public interest requires the establishment of extended service in the Jamestown and Sonora exchange as proposed in the application on or before September 30, 1958.
2. That the proposed increases in rates will not result in an unreasonably high rate of return for exchange service in the proposed extended service area.
3. That an order should be issued authorizing the introduction of extended service at the rates proposed by the applicant.
4. That the increases in rates and charges authorized herein are justified and that present rates insofar as they differ from those herein prescribed for the future are unjust and unreasonable after extended service is available.

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,

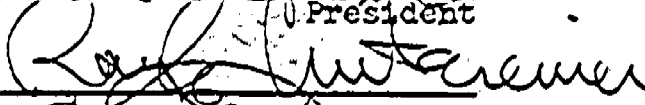
IT IS ORDERED as follows:


1. Applicant is authorized, on or before September 30, 1958, to expand the local service area of the Main district area of the Sonora exchange to include the Jamestown exchange and expand the local service area of the Jamestown exchange to include the Main district area of the Sonora 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 containing rates, charges and conditions as proposed in Exhibit C attached to the application, 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 and toll service as contemplated in the application.
4. The authority herein granted will expire unless exercised on or before September 30, 1958.


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


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



President








Commissioners