

ORIGINAL

Decision No. 55080

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 Ojai, Saticoy and
 Ventura exchanges in lieu of present
 rates and to cancel and withdraw
 message toll telephone service rates
 now in effect between Ventura and
 Ojai and Ventura and Saticoy.)

Application No. 38099
 (Second Amended)

Arthur T. George and Pillsbury, Madison & Sutro,
 attorneys, by Dexter C. Tight and Charles B.
 Renfrew, for applicant.
J. J. Deuel and Eldon Dye, for the California
 Farm Bureau Federation; J. Julien Baget, city
 manager, for the City of Ojai; A. H. Johnson,
 for the Ojai Valley Chamber of Commerce; Lynn
 Rains, for Hickey Bros. Land Corp. of Ojai;
Thomas M. Bayless, for Merchants Committee
 Ojai Valley; James M. Sharp, for Saticoy Ele-
 mentary School District; Mrs. Truman Chaney,
 librarian of Saticoy Church Branch, in propria
 persona; Mrs. James E. Parker, Mrs. Arland
 Gass, Mrs. Charles B. McConica, Mrs. E. A.
 Gardner, for Saticoy Poinsettia Club; J. C.
 Tobias, in propria persona and for the Saticoy
 Lemon Association and San Buenaventura Lemon
 Association; Dr. Howard B. Peto, for Peto Seed
 Company; Elmer Frosser and Al Albinger, for
 Board of Directors, Jerry Wainess, for Retail
 Merchants Committee, Fred W. Smith, in propria
 persona, all for Ventura Chamber of Commerce;
M. F. Stilwell, for Ventura County Chamber of
 Commerce; Jack Borrell, for Downtown Lions
 Club; James L. Cole, for Shell Oil Co.; T. H.
 Hahn, for Shell Chemical Corp.; Gene L. Norman,
 for Ray C. Skinner Co. of Ventura; Frank R.
 Jewett, in propria persona, Ventura;
 interested parties.
Ernest W. Watson, general commercial manager,
 General Telephone Company of California,
 called on behalf of the Commission.
Melvin E. Mezek, for the Commission staff.

O P I N I O N

The Pacific Telephone and Telegraph Company, a corporation, by the above-entitled application filed June 4, 1956, as amended October 5, 1956, and March 29, 1957, to propose revised schedules of rates based on later studies, seeks authority to establish rates for extended service in its Ojai, Saticoy, and Ventura exchanges in lieu of present rates, and to cancel and withdraw message toll telephone service rates now in effect between Ventura and Ojai, and Ventura and Saticoy, and to cancel and withdraw rates for foreign exchange service applicable to Ventura service in Ojai and Saticoy, and Ojai and Saticoy service in Ventura. The proposed rates are set forth in Second Revised Exhibit C attached to the second amendment to the application, and in Exhibit No. 3 filed at the hearing.

A public hearing on this matter was held before Commissioner Ray E. Untereiner and Examiner Stewart C. Warner, on April 11, 1957 at Ventura. In addition to all of the appearances of record, each of whom supported the application, the Commission received 14 letters, which were noted on the record, urging that the application as amended be granted, together with two letters in support of the application received subsequent to the hearing. One letter was received from private individuals in Ojai stating that they would have no need for the proposed service. No objections, as such, to the granting of the application were entered. The Commission staff presented one exhibit through one witness and proposed a rate schedule differing from that of the applicant.

General Information

Applicant's Ventura exchange, located in the county seat of Ventura, is about 70 miles north and west of Los Angeles on the Pacific Coast. As of March 31, 1957, it had a total of 18,701

telephones. The City of San Buenaventura is the governmental and trading center for this portion of the county.

The City of Ojai is located about 14 miles north of the City of San Buenaventura. Applicant's Ojai exchange is contiguous to its Ventura exchange. Ojai is primarily a residential and resort community. As of March 31, 1957 there were 3,689 telephones in the Ojai exchange.

The community of Saticoy is located about 7 miles east of the City of San Buenaventura, and applicant's Saticoy exchange is contiguous to its Ventura exchange. The Saticoy area is predominantly rural in character. As of March 31, 1957 there were 696 telephones in the Saticoy exchange.

Community of Interest

The record shows that the community of interest factor from Ventura to Ojai, based on a 10-day study in June 1955, was 1.278; from Ojai to Ventura, 6.204; from Ventura to Saticoy, 0.323; and from Saticoy to Ventura, 10.454. These factors indicate that on the average Ojai and Saticoy subscribers have a higher calling rate to Ventura than Ventura subscribers have to Ojai and to Saticoy. The testimony shows clearly that the telephone communications between Ojai and Ventura on the one hand, and Saticoy and Ventura on the other hand, are beneficial to both originating and receiving parties of the telephone calls made.

Rates

Applicant's present rates were established by Decision No. 50258, dated July 6, 1954 in Application No. 33935, a state-wide rate proceeding. The present rates for Ojai, Saticoy and Ventura are

set forth in the following tabulation and are compared therein with those proposed in the application as amended.

Classification	Present Rates			Applicant's Proposed Extended Service Rates
	Ojai	Saticoy	Ventura	
Business				
1-Party	\$6.50	\$6.00	\$ 8.75	\$ 9.25
2-Party	5.25	4.75	6.75	7.25
Coin Semipublic				
Guarantee per day	6.30	6.00	7.20	7.20
Monthly Charge	.75	.75	1.00	1.00
Suburban 1-Party	4.75	4.50	5.25	5.25
PBX (each trunk)	9.75	9.00	13.00	13.75
Residence				
1-Party	4.05	3.80	4.30	4.50
2-Party	3.50	3.25	3.50	3.65
4-Party	2.95	2.70	2.95	3.05
Suburban	3.45	3.20	3.45	3.55
Joint User Service				
Individual, Party or Answering Line	1.50	1.50	2.00	2.00
Semipublic Service	1.50	1.50	1.50	1.50
PBX or Cord Oper. Answering Service	3.00	2.50	4.00	4.00

The applicant proposed cancellation of toll telephone rates between Ojai and Ventura and between Saticoy and Ventura of 15 cents for the first three minutes, plus 5 cents per minute in excess thereof for station service upon establishment of extended service. The present person toll service rates would also be canceled. Some foreign exchange service is also rendered which would be eliminated in applicant's proposal herein.

Cost and Revenue Effects

Exhibit No. 4 shows the estimated differential plant effects and estimated annual revenues and expenses of the extended service proposed in the instant application as amended, based on data for the year 1955, on an annual basis. Said exhibit, and the testimony relating thereto, show that some local exchange plant could be converted to extended service usage and some toll plant could be

eliminated, but that there would be a net increase in plant investment of \$38,800; the annual charges on said increase, based on a 7 per cent rate of return would be \$7,200; the amortized nonrecurring charges would be \$1,200; and due to the reduction of accounting, commercial and traffic expenses totaling \$62,200, the total annual cost effects would be a reduction of \$53,800. Against said reduction would be an estimated reduction in toll revenue of \$103,100; an increase in basic exchange service revenue of \$53,100 (due to the higher basic rates); a reduction of foreign exchange service revenue of \$600; a reduction of mileage charges for foreign exchange service of \$6,700; and an increase of coin message charges of \$4,400. The total annual revenue effects would be a reduction of \$52,900. Thus, the over-all gain of applicant would be \$900 per year.

Commission Staff Proposed Trial Rates

The Commission staff, through an engineering witness, submitted Exhibit No. 5, a study of and report on its investigation of the application.

The staff study assumed a rate of return of 6.25 per cent, rather than 7 per cent used by applicant, and segregated the costs and subscriber savings to the three exchanges involved. This study indicates the over-all gain of applicant, at its proposed rates, to be \$1,600 per year rather than \$900 as mentioned above. Said exhibit

proposed the following rates giving weight to cost, toll savings, usage and other factors.

Classification	Ojai and Saticoy			Ventura		
	Company Proposed Rates	Staff Trial Rate	Main Stations 6-30-55	Company Proposed Rates	Staff Trial Rate	Main Stations 6-30-55
Business						
1-Party	\$ 9.25	\$ 9.70	329	\$ 9.25	\$ 9.05	1,770
2-Party	7.25	7.80	101	7.25	6.95	183
Coin Semipublic						
Daily Guarantee	7.20	7.20	21	7.20	7.20	77
Monthly Charge	1.00	1.00	-	1.00	1.00	-
Suburban	5.25	5.50	15	5.25	5.40	10
PBX (each trunk)	13.75	14.50	21	13.75	13.50	316
Residence						
1-Party	4.50	4.70	597	4.50	4.50	2,163
2-Party	3.65	3.90	952	3.65	3.60	5,163
4-Party	3.05	3.15	653	3.05	3.00	1,570
Suburban	3.55	3.65	181	3.55	3.50	359

The staff study revealed the following savings to subscribers under applicant's proposed rates, compared to the savings under the staff's trial rates:

	Ventura	Ojai	Saticoy	Total
Subscriber Savings				
Company Proposed Rates	\$18,100	\$27,400	\$7,400	\$52,900
Amt. per Main Station	1.56	11.33	16.37	3.65
Staff Trial Rates	28,100	20,600	6,200	54,900
Amt. per Main Station	2.42	8.52	13.72	3.79

An analysis of the staff's Exhibit No. 5 shows that the rates for 11,612 stations in Ventura would be less than those proposed by applicant, while rates for 2,870 stations in Ojai and Saticoy would be greater than those proposed by applicant.

The representatives of the California Farm Bureau Federation and a number of appearances from Ojai and Saticoy stated that they opposed the staff trial rates and believed it was reasonable for Ventura subscribers to pay a higher rate for their service because of the benefits they would derive, even for subscribers who do not make calls to Ojai and Saticoy under their present service arrangements.

History of Studies of Proposed
Extended Service in Ventura County

At the request of the Commission, instigated by the California Farm Bureau Federation, applicant and Associated Telephone Company, Ltd., (now General Telephone Company of California) in 1952, began to study jointly the effects of introducing extended service between applicant's Ventura and Fillmore and General's Oxnard and Santa Paula and possibly other exchanges in Ventura County, and submitted the results of such studies to the Commission in June 1953. In connection with these studies, the Commission called as a witness in the instant proceeding, the general commercial manager of General Telephone Company of California, who explained that the results of further studies, based on data of June 1955, had been submitted to the Commission in January 1957. The record shows that copies of said results have been distributed to interested parties. They are not at issue in the instant proceeding and the Commission has made no determination with respect thereto.

Applicant's Proposed Date of Extended Service
in its Ojai, Saticoy and Ventura Exchanges

Applicant alleged that extended service arrangements, as proposed in the application as amended, can be made effective in its Ojai, Saticoy, and Ventura exchanges 24 months after such arrangements may be authorized by the Commission.

Findings and Conclusions

The area is growing rapidly and the future need for extended service has been shown. After a careful review of the testimony regarding the application as amended and the proposed trial rates submitted by the staff, together with the testimony and statements in support of the application as amended by the interested parties, the Commission finds and concludes that the advantages of

increased and improved service incident to extended service areas outweigh the authorized increase in extended service station rates.

There appears to be no question that extended service will be of some value to subscribers in Ojai, Ventura, and Saticoy exchanges, but this factor does not preclude the need for also giving consideration to relative toll savings and cost factors in establishing rates for extended service among the three exchanges. The record reveals that for a test month 75 per cent of the residential subscribers and 50 per cent of the business subscribers of the Ventura exchange made no toll calls to Ojai or to Saticoy. Each Ojai and Saticoy subscriber placed five times as many toll calls to Ventura as the average Ventura subscriber placed to Ojai and to Saticoy.

The Commission is reluctant to require a utility to charge a higher rate than it has applied for, unless it clearly appears that only by this means can just and reasonable rates be established. For reasons of its own, applicant did not choose to apply for rates in Ojai and in Saticoy sufficient to reasonably offset the toll revenue losses and the additional allocated costs to those exchanges for providing extended service. Rather, applicant chose to request higher rates in Ventura than reasonably required to offset the toll revenue losses and added costs allocable to that exchange. Under the circumstances, the Commission will authorize for Ventura no higher rates than reasonably required to offset the toll revenue losses and additional allocated costs to Ventura and will authorize the applicant's proposed rates for Ojai and Saticoy.

While the company's over-all revenues at the rates authorized herein are some \$8,000 less than applicant has requested, the rates authorized for Ventura will offset the reasonable costs

attributable to that exchange for providing extended service. Further, there are additional exchanges contiguous to Ventura, including Oxnard and Carpinteria, served by another telephone company. These areas are growing rapidly and may require extended service with Ventura in the future. If extended service were introduced, for example, between Oxnard and Ventura, subscribers in Oxnard would be expected to pay their reasonable share of the additional costs attributable to providing extended service, since it is patently unreasonable to require subscribers in Ventura to pay more than their reasonable proportionate share of the added costs of providing extended service with an exchange of another telephone utility. Likewise it appears equally inequitable to require subscribers of one exchange to pay more than their proportionate reasonable share of the additional costs of providing extended service in another exchange even though both exchanges are owned by the same telephone utility.

It is for these reasons that the Commission, in this proceeding, is authorizing rates for extended service as it has in a number of other proceedings of similar nature, which give consideration to reasonable allocations among exchanges of the additional costs of providing extended service, thereby precluding the placing of unreasonable burdens on particular areas or certain subscribers.

Applicant is placed on notice that in any future rate proceeding, the Commission will give consideration to any deficiencies in earnings in Ojai and Saticoy in order not to unreasonably burden other areas in California.

The Commission finds as a fact and concludes that the increases in rates and charges authorized herein are justified and 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.

O R D E R

Application, as amended, as above entitled having been filed, a public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED as follows:

1. That applicant is authorized, on or before May 31, 1959, to expand the local serving area of its Ojai exchange to include its Ventura exchange, of its Ventura exchange to include its Ojai and Saticoy exchanges, and its Saticoy exchange to include its Ventura exchange.

2. That 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 such revised tariff schedules effective with the establishment of extended service as provided by paragraph 1 of this order.

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

4. The authority herein granted will expire unless exercised on or before May 31, 1959.

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

Dated at San Francisco, California, this 4th day of JUNE, 1957.

E. M. ...
President
...
...
...
Commissioners

APPENDIX A

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.

	<u>Ojai and Saticoy</u>	<u>Ventura</u>
Business		
1-Party	\$ 9.25	\$ 9.05
2-Party	7.25	6.95
Coin Semipublic		
Daily Guarantee	.24	.24
Monthly Charge	1.00	1.00
Suburban	5.25	5.25
PBX (each trunk)	13.75	13.50
Residence		
1-Party	4.50	4.50
2-Party	3.65	3.60
4-Party	3.05	3.00
Suburban	3.55	3.50
Joint User Service		
Individual, Party, or		
Answering Line	2.00	2.00
Semipublic Service	1.50	1.50
PBX or Cord Oper.		
Answering Service	4.00	4.00