

such extended service to be in the public interest, applicant requests authority to: (1) proceed with the changes in and additions to its telephone plant to effectuate such service at rates set forth in Exhibit C attached to the First Amended Application; and (2) cancel and withdraw present rates for local exchange service and message toll telephone rates between said central office areas.

Public Hearing

A public hearing on the application was held in Pomona on April 9 and 10, 1957, before Examiner Kent C. Rogers. The matter was submitted for decision on the latter date. Prior to the first day of hearing notice thereof was published as required by this Commission. Applicant's proposed rates and cost of providing the extended service were set forth in Exhibit C in the application and were testified to by applicant's employees. The attorney for the City of Monte Vista and the City of Upland, a representative of the California Farm Bureau Federation, a representative of the Upland Chamber of Commerce, and a member of the Commission staff, cross-examined the witnesses. No evidence, other than that presented by the applicant, was given with the exception of Exhibit No. 6, a resolution of the City Council of the City of Monte Vista, which was placed in evidence by the said city. This resolution, adopted by said City Council on January 7, 1957, requests that this Commission conduct a hearing for the purpose of inquiring into the service rendered to the inhabitants of the city by the applicant and require the applicant to establish a Monte Vista exchange or in the alternative to provide the inhabitants of the City of

Monte Vista with a single telephone service or designation so as to remove the necessity of dual service.

Need for Extended Service

The applicant's attorney and one of the applicant's witnesses each stated that the filing of the application does not indicate that the applicant believes there is a need for extended service but that whether or not there is a need for such service is a question to be determined by the Commission. The only evidence presented by the applicant relative to public demand for the proposed service was the statement by one of its witnesses that the applicant had eleven requests for the said service, including two requests by business firms. Four of the requests were from subscribers in the Ontario central office area; four were from subscribers in the Claremont central office area; and three were from subscribers in the Upland central office area. One of the writers in the latter group, according to applicant's witness, represented himself as speaking for 106 subscribers.

Evidence presented by the applicant shows that the Chino central office area originates 3.9 toll calls into the proposed extended service area per primary station per month; the Claremont central office area originates 2.8 such toll calls per primary station per month; the Pomona central office area originates 1.8 such toll calls per primary station per month; the Ontario central office area originates 4.4 such toll calls per primary station per month; and the Upland central office area originates 1.04 such toll calls per primary station per month. The applicant's witness stated that it views extended service as solving a boundary problem

and that the common boundary between the Pomona and Ontario exchanges is quite heavily built up and with churches and schools on each side thereof. He stated, however, that the boundary problem did not bring about the filing of the application which was a voluntary move on the part of the applicant. If there is an acute boundary problem, he said, it is in the incorporated City of Monte Vista which is served through two different exchanges.

There was very little active interest shown by the public. Communications in favor of the proposal were received by the Commission from a married couple residing in Ontario, an Ontario business man, a lady residing in Upland, the Soroptimist International of Chino, and the Kiwanis Club of Ontario. In addition, one man, a resident of Ontario, appeared in support of the application. He stated he has two telephones in his residence, one for the Pomona area and one for the Ontario area, and he desires the extended service. Twelve individuals or groups filed protests with the Commission. Included were ten Upland residents, a Claremont businessman, and the Upland Chamber of Commerce.

Appearances in opposition to the application were made by the Upland Chamber of Commerce and the City of Upland.

Applicant's Study

Applicant presented a study based on a ten-day traffic check made during June, 1955, raised to an average month for the year 1955, to show the effects of extending free-calling privileges (a) between the Chino central office area of the Pomona exchange and the Ontario central office area of the Ontario exchange; (b) between the Claremont central office area of the Pomona exchange

and the Ontario and Upland central office areas of the Ontario exchange; (c) between the Pomona central office area of the Pomona exchange and the Ontario central office area of the Ontario exchange; (d) between the Ontario central office area of the Ontario exchange and the Chino, Pomona and Claremont central office areas of the Pomona exchange; and (e) between the Upland central office area of the Ontario exchange and the Claremont central office area of the Pomona exchange. The applicant's study indicated that under the proposed plan 84.03 percent of the charges for toll messages to points in the Pomona-Ontario study area originating in the Chino central office area would be eliminated; 100 percent of the charges for such toll messages originating in the Claremont central office area would be eliminated; 75.18 percent of the charges for such toll messages originating in the Pomona central office area would be eliminated; 100 percent of the charges for such toll messages originating in the Ontario central office area would be eliminated; and 32.91 percent of the charges for such toll messages originating in the Upland central office area would be eliminated. The over-all percent of the toll calls originating and terminating within the Pomona-Ontario study area eliminated would be 82.94.

Cost and Revenue Effects

Applicant's study shows that in order to provide the extended service it will be required to invest \$446,769 in additional plant facilities to handle the estimated traffic and will be enabled to salvage \$77,502 of its existing plant, giving it a net additional plant investment of \$369,267. Applicant will have an annual net reduction in operating expenses of \$10,311. As a result of the installation of the additional plant applicant will incur annual charges of \$82,984, including a 7 percent return on the depreciated gross additional plant, income taxes, depreciation, maintenance, ad valorem taxes, insurance and general expenses. In

addition, applicant estimates it will have a reduction in toll revenues of \$261,500 annually, including money it now receives from other companies under toll settlement agreements amounting to \$85,828 annually, and \$175,672 annually it now receives in toll revenues from subscribers. The net effect of the reduced operating expenses, the annual charges and the loss of toll and toll settlement revenues will be a reduction in applicant's income of \$334,173. It expects its proposed rates to yield \$334,079 in revenues, leaving a net decrease in revenues of \$94.00. The witness stated that the sum of \$85,828 in toll settlements represents money the subscribers will be required to pay in addition to the sums they pay under the existing toll arrangement, but that the applicant will receive no more money under the extended service rates than it is receiving at present, and it would prefer not to sustain a revenue loss.

Present and Proposed Rates

The present local service rates and the several extended service rates for the principal classifications of service are as follows:

Classification	Present Rates		Company Proposed Rates	
	'Chino 'Claremont, 'Pomona C.O.'s	'Ontario ' and 'Upland C.O.'s	'Chino ' Claremont, ' Pomona C.O.'s	'Ontario ' and ' Upland C.O.'s
Business				
1-party	\$ 7.00	\$ 6.50	\$ 9.50	\$ 9.50
2-party	5.50	5.25	8.00	8.00
4-party	5.25	none	none	none
Suburban	4.75	4.50	7.25	7.25
Residence				
1-party	4.75	4.50	5.00	5.00
2-party	none	3.50	none	none
4-party	3.25	3.00	3.50	3.50
Suburban	3.50	3.50	4.00	4.00

From the above it will be seen that the proposed rates are identical for all of the central office areas and that the increases will be greatest in the Ontario and Upland central offices. The applicant's witness stated that the proposed residential rates will be approximately the same as the rates in the Los Angeles extended area and the business rates will be about the same as the business rates in the San Bernardino extended area. The witness further stated that the proposed rates were not based on the cost of service but were based on a differential study made with the purpose of preventing a loss in revenue to the company and in consideration of additional costs and expenses to the company. If the proposed rates are placed in effect, businesses and individuals now making many toll calls will have reduced bills while individuals and businesses making few toll calls will have increased bills.

The protestants pointed out that subscribers in the Upland central office area can call 18,938 stations toll free at present, under the proposal could call 25,485 stations toll free, the annual gross billing for non-toll services would be increased by \$47,376 and the annual toll loss would amount to only \$8,893, and only 32.91 percent of the toll calls to points in the study area would be eliminated. In the Claremont central office area, on the other hand, subscribers can now call 29,276 stations toll free, and will be able to call 48,214 stations toll free under the proposal, the annual gross billing for non-toll services would only be increased by \$32,031 and the annual toll loss would amount to \$22,883, and 100 percent of the toll call charges to points in the study area would be eliminated. Each of the other central offices considered would have a greater increase,

percentage-wise, than the Upland central office area, in station availability and toll calls eliminated, and, with the exception of the Ontario central office area, a smaller increase, percentage-wise, in the cost of exchange service.

A staff representative stated that the staff is of the opinion that the applicant has not given proper consideration to all pertinent factors in determining the rates and calling arrangements it proposes and that proper consideration has not been given to usage, calling habits, calling patterns, station availability, the nature of the area, area cost studies and community of interest.

The Monte Vista Area

This city, recently incorporated, has telephone service provided by applicant through the Pomona central office of the Pomona exchange, the Claremont central office of the Pomona exchange, the Upland central office of the Ontario exchange, and the Ontario central office of the Ontario exchange (Exhibit 5). At present calls between points in the Claremont central office area, which includes the greater part of the city, and the Pomona central office area are local calls, and calls between the Upland central office area and the Ontario central office area are local calls. Calls between the Claremont central office area and the Upland central office area or the Ontario central office area are toll calls, as are calls between the Pomona central office area and the Upland central office area or the Ontario central office area. Under the proposed plan, calls between the Pomona central office area and the Upland central office area would remain toll calls but all other intra-city calls would be local calls. The governmental functions of the city of Monte Vista are located in the Claremont central office area.

Conclusion

On careful consideration of the record it is found that:
(1) there is no general demand for extended service in the area involved and the majority of the people who have communicated with the Commission are opposed to the inauguration of such service; (2) the City of Upland is opposed to the extended service; (3) there is no sufficient showing of any community of interest in that there is little use of toll service between the points proposed to be given extended service; (4) the City of Monte Vista does not desire a service such as proposed with some intra-city calls being toll calls; and (5) the proposed rates will throw an unwarranted burden on the Upland central office area of the Ontario exchange in that there is very little traffic therein originating and under the proposal the only additional toll-free-calling subscribers therein will receive is to the Claremont central office area of the Pomona exchange.

On the foregoing findings it is concluded that the application should be denied.

O R D E R

Applicant having applied to the Public Utilities Commission of the State of California for determination of whether the public interest requires the establishment of extended service between central office areas of the Pomona and Ontario exchanges and the Commission having held a public hearing in the matter and having concluded that the application should be denied,

IT IS ORDERED that the application be and it hereby is denied.

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

Dated at Los Angeles, California, this 25th day of June, 1957.

[Signature]
President

[Signature]

[Signature]

[Signature]

Commissioners

Commissioner C. Lyn Fox, being necessarily absent, did not participate in the disposition of this proceeding.