

ORIGINAL

Decision No. 56430

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
CALIFORNIA INTERSTATE TELEPHONE)	
COMPANY, a corporation, for authority)	
to reclassify all subscribers in the)	Application No. 39124
Lone Pine Exchange, from Applicant's)	
lower levels of single office exchange)	
service rates to Applicant's higher)	
level of single office exchange service)	
rates.)	
)	

Best, Best and Krieger by James H. Krieger
 and Richard Edsell for California Interstate
 Telephone Company, applicant.
William Dunlop for the Commission staff.

O P I N I O N

On June 5, 1957, California Interstate Telephone Company filed its application herein for authority pursuant to Sections 453, 454, 491 and 701 of the Public Utilities Code to make effective within the Lone Pine Exchange, applicant's higher level of single office exchange telephone service rates in lieu of the lower level of single office exchange telephone service rates now in effect.

Public hearings were held before Examiner Cline at Lone Pine on December 19, 1957. At the conclusion of the hearing the matter was taken under submission.

In support of the application applicant introduced evidence to show that the number of connected exchange stations in the Lone Pine Exchange has increased from 564 on January 31, 1955, to 668 on December 31, 1956. Exhibit No. 3 shows that the increase in gross revenues to applicant resulting from the reclassification of Lone Pine Exchange subscribers to the higher level of single office exchange rates would amount to \$618.61 monthly and to \$7,423.35 annually. Exhibit No. 4 shows that the rate of return on California operations, including interstate as well as intrastate, would have increased from 6.0089% to only 6.0420% for the twelve months ended March 31, 1957, had the proposed rates been in effect.

The Secretary and Assistant Treasurer of applicant testified that applicant did not have information (1) as to the rate of return being realized at presently effective exchange rates by the portion of applicant's operations in Lone Pine devoted to exchange service on a separated use basis and (2) as to the rate of return being realized at presently effective rates by the portion of applicant's operations in Lone Pine devoted to intrastate service on a separated use basis.

The public witnesses who testified stated that the local exchange service was very satisfactory. There were some complaints with respect to unreasonable delays in completing toll calls during the summer resort season and during other periods of peak activity.

To alleviate this condition applicant is constructing a microwave radio system between San Bernardino and Bishop which will be completed by April 1, 1958. A new telephone building with a new switchboard will also be installed at Bishop by the end of 1958. Bishop is the toll center for the Lone Pine exchange. Applicant's witness stated that there will be some improvement in the toll circuit situation by April of 1958 but that the toll difficulties will not be completely alleviated until the beginning of 1959.

At the close of the hearing the representative of the Commission staff took the position that applicant had failed to sustain its burden of proving that the proposed increase in exchange rates at Lone Pine is justified. He pointed out that the Commission has repeatedly held that cost of service is one of the fundamental elements to be considered in rate fixing. The telephone facilities and property which applicant has in service in Lone Pine are for the most part used in common in exchange and in intrastate and interstate toll service. Separation studies are required to determine the property, revenue and expense applicable to intrastate operations on the one hand and the interstate operations on the other hand, as well as to test the reasonableness of the exchange and intrastate toll rates. He also pointed out that although an increase in revenues of \$7,423 would have no material effect on the over-all operating results of applicant, such an increase would have an appreciable effect on the earning results of the Lone Pine exchange. There is

nothing in the record which shows that the present exchange rates in Lone Pine are producing an unreasonable rate of return on the portion of the property devoted to such exchange operation.

Counsel for applicant argued that the cost of such separation studies would be out of line with the increased revenues to be realized from the higher level of rates. He also argued that the application of the present exchange rates will result in continued discrimination against applicant's customers in other exchanges having substantially the same number of customers who are charged at the higher level of rates. He pointed out that in issuing, in 1947, Decision No. 40526 in Application No. 28359, the Commission must have considered evidence which justified the two level type of rate fixing which was established at that time. He then urged that there is no evidence in this proceeding which would show that the situation has changed since that time.

The answer to applicant's contention is that neither is there evidence to show that the situation is the same as it was in 1947. Any discrimination in rates which may exist has not been shown to be unreasonable. As applicant has failed to sustain its burden of proving that the proposed increase in rates is justified, the application will be dismissed. Applicant is again placed on notice that in rate proceedings this Commission will require it to submit in evidence separated results of exchange and interstate and intrastate toll operations.


O R D E R

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

IT IS HEREBY ORDERED that the application herein be dismissed.

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

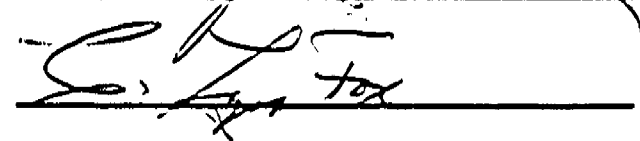
Dated at San Francisco, California, this 1st day of April, 1958.



President







Commissioners