ORIGINAL

Decision No. \_\_\_\_\_\_

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Investigation on the Commission's own motion into the reasonableness of the rates, rules, regulations, charges, classifications, contracts, practices, operations and service, or any of them, of THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY, GENERAL TELEPHONE COMPANY OF CALIFORNIA, KERMAN TELEPHONE COMPANY and SANGER TELEPHONE COMPANY.

Case No. 5928

Appearances and Witnesses are listed in Appendix B

#### OPINION

#### Purpose of Investigation

The Commission instituted the above-entitled proceeding on April 9, 1957, for the purpose of inquiring into and ascertaining: (1) the justification for and feasibility of providing extended telephone service between the Fresno exchange and Del Rey, Caruthers, Sanger, Fowler and Kerman exchanges hereinafter designated "Fresno Area", (2) the adequacy of the present calling areas and service arrangements in the Fresno Area, (3) for each of the above-listed respondents the traffic, revenue, expense and plant effects of introducing extended service in the Fresno Area, (4) the rate effects on subscribers to telephone service of providing extended service in the Fresno Area, (5) any other matter or thing relating to the introduction of extended service in the Fresno Area, and (6) to issue any order or orders that may be lawful and appropriate in the exercise of the Commission's jurisdiction in the premises.

It will be noted that the investigation order did not specifically mention the Clovis exchange as the matter of extended telephone service between Clovis and Fresno is the subject of

Application No. 37769 as amended. However, the fact that the Clovis exchange was not specifically mentioned does not exclude its consideration herein as the investigation order is sufficiently broad, in the Commission's opinion, to cover this area. Public hearing was held on this investigation on a consolidated basis with Application No. 37769.

#### Public Hearing

After due notice three days of public hearing were held on this investigation before Examiner Manley W. Edwards on February 17 and 18, 1958, at Fresno and on March 11, 1958, at San Francisco. Closing statements were made by the respondents and certain interested parties on March 11, 1958. The matter now is ready for decision.

## General Telephone Company Study - Fowler Exchange

The Fowler exchange, owned and operated by the General Telephone Company, is located some 10 miles southeast of the center of Fresno and involves a 15-cent initial period station toll charge that would be eliminated under extended service. The General Company's study showed the following principal results:

Average Monthly Toll Messages: Fowler to Fresno Fresno to Fowler	10,800 8,800
Community of Interest Factors:1/	
Fowler to Fresno	8.61
Fresno to Fowler	0.14
Revenue, Expense and Plant Effects:	
Reduction in Toll and Exchange Revenue	\$26,500
Increase in Annual Plant Costs	24, 100
Saving in Commercial, Acct'g. and Traffic	Exp. 2,000
Connecting Company Settlement	8,100
Net Reduction Annually	\$40,500

<sup>1/</sup> The Community of Interest Factor represents the average monthly number of toll calls per station over the indicated route from the exchange first mentioned.

Company's Trial Station Rate Increases to Offset Net Reduction:

	Present	Trial	Increase
1-Party Business	\$6.75	\$13.45 10.95	\$6.70 5.45
1-Party Residence	5.00	7.60	2.60
2-Party Residence 4-Party Residence Suburban Business	4.00 3.25	6.10 4.95	2.10 1.70
Suburban Residence	4.75 3.75	9.45 5.70	4.70 1.95

As of June 30, 1956, there were 1,481 main stations in the Fowler exchange.

## Kerman Telephone Company Study - Kerman Exchange

The Kerman exchange, owned and operated by the Kerman Telephone Company is located some 16 miles west of the center of Fresno and involves a 20-cent initial period station toll call that would be eliminated under extended service. The Kerman Company's study showed the following principal results:

Average Monthly Toll Messages: Kerman to Fresno	0.100
Fresno to Kerman	9,100 7,300
Community of Interest Factors:	
Kerman to Fresno	6.63
Fresno to Kerman	0.11
Revenue, Expense and Plant Effects:	
Reduction in Toll and Exchange Revenue	\$32,500
Increase in Annual Plant Costs	38,200
Saving in Commercial, Acctg. & Traffic Exp.	1,400
Connecting Company Settlement	(4,000)
Net Reduction Annually	(4,000) \$73,300
(Inverse Item)	

Company's Trial Station Rate Increases to Offset Net Reduction:

	Present	Trial	Increase
1-Party Business	\$5.00	\$20.10	\$15.10
2-Party Business 1-Party Residence	4.00 3.50	15.70 9.20	11.70 5.70
4-Party Residence Suburban Business	2.50	5.60	3.10
Suburban Residence	4.00 3.25	9.70 6.50	5.70 3.25

As of June 30, 1956, there were 1,500 main stations in the Kerman exchange.

## Sanger Telephone Company's Study - Sanger Exchange

The Sanger exchange, owned and operated by the Sanger Telephone Company, is located some 13 miles east of the center of Fresno and involves a 20-cent initial period station toll charge that would be eliminated under extended service. The Sanger Company's study showed the following principal results:

Average Monthly Toll Messages:	
Sanger to Fresno	18,300
Fresno to Sanger	15,900
Community of Interest Factors:	•
Sanger to Fresno	5.98
Fresno to Sanger	0.24
Revenue, Expense and Plant Effects:	
Reduction in Toll and Exchange Revenue	\$ 60,800
Increase in Annual Plant Costs	39,300
Saving in Commercial, Acctg. & Traffic Exp.	1,700
Connecting Company Settlement	(14,900)
Net Reduction Annually	\$113,300

#### (Inverse Item)

Company's Trial Station Rate Increases to Offset Net Reduction:

	Present	Trial	Increase
1-Party Business	\$5.75	\$16.05	\$10.30
2-Party Business	4.50	12.50	8.00
1-Party Residence	3.50	6.20	2.70
2-Party Residence	3.00	5.25	2.25
4-Party Residence	2.40	4.10	1.70
Suburban Business	4.25	11.75	7.50
Suburban Residence	3.00	5.25	2.25

As of June 30, 1956 there were 3,124 average number of main stations in the Sanger exchange.

## The Pacific Telephone and Telegraph Company's Study - Caruthers Exchange

The Caruthers exchange, owned and operated by The Pacific Telephone and Telegraph Company, is located some 14 miles south of the center of Fresno and involves a 20-cent initial period station toll charge that would be eliminated under extended service. The

Average Monthly Toll Messages:	
Clovis to Fresno	21,800
Fresno to Clovis	18,600
Community of Interest Factors:	•
Clovis to Fresno	14.76
Fresno to Clovis	0.29
Revenue Expense and Plant Effects:	
Reduction in Toll and Exchange Revenue	\$75,500
Reduction in Annual Plant Costs	7,800
Saving in Commercial, Acctg. & Traf.Exp	. 40,900
Net Reduction Annually	\$26,800

Company's Trial Station Rate Increases:

	Present	<u>Trial</u>	Increase
1-Party Business	\$6.50	\$9.75	\$3.25
2-Party Business	5.25	7.50	2.25
1-Party Residence	4.05	4.80	.75
2-Party Residence	3.50	3.75	.25
4-Party Residence	2.95	3.20	.25
Suburban Business	4.75	5.50	.75
Suburban Residence	3.45	3.70	.25

As of June 30, 1956, there were 1,477 main stations in the Clovis exchange.

The above tabulation is different than those for the other exchanges in that the company's trial rates (which are the present level of Fresno rates) fall \$12,300 short of covering the net costs shown above.

# The Pacific Telephone and Telegraph Company's Study - Fresno Exchange

The Pacific Telephone and Telegraph Company owns and operates the Fresno exchange. As of June 30, 1956, there were 65,186 main stations in the Fresno exchange and a total of only 14,148 main stations in the several exchanges adjacent to the boundary of the Fresno exchange. When the Pacific Company proposed extended service

between Clovis and Fresno it did not propose any increase in the level of the Fresno rates. However, when it studied its Caruthers and Del Rey exchanges (along with Fowler, Sanger and Kerman) it proposed increases in the principal Fresno rates as follow:

	Present	<u>Trial</u>	Increase
1-Party Business 2-Party Business 1-Party Residence 2-Party Residence 4-Party Residence Suburban Business Suburban Residence	\$9.75 7.50 4.80 3.75 3.20 5.50 3.70	\$10.15 7.80 4.95 3.85 3.25 5.70 3.75	\$0.40 .30 .15 .10 .05 .20

The Company estimated that the annual exchange revenues will be increased by \$130,800 by the above trial rates and the trial rates for its Caruthers and Del Rey exchanges. Such increases would offset the toll loss and added costs to Pacific of providing the proposed extended service, but would not provide reasonable compensation in Kerman, Sanger and Fowler exchanges and accordingly a reasonable level of rates.

Pacific's study, Exhibit No. 5928-1, included savings of \$46,700 in traffic expenses under extended service and elimination of toll traffic operating. With respect to Fowler, Pacific performs the manual toll operating at Fresno for all toll traffic between Fresno and Fowler. It appears that a major portion of such \$46,700 traffic expense savings of Pacific are attributable to elimination of toll traffic operation between Fresno and Fowler including that toll traffic generated by Fowler customers.

### Commission Staff Analysis

The Commission staff analyzed the studies presented by the several companies and prepared a set of trial rates that would offset the additional costs of extended service in the entire Fresno area. Such rates are more in line with those that would be available if the Pacific Company owned and operated all of the adjacent exchanges. Thus the staff visualized a "partnership" arrangement between

Pacific, General, Kerman and Sanger companies to effectuate a practical extended service arrangement as contemplated under Section 766 of the Public Utilities Code. Pacific objected to compensation to General, Sanger and Kerman companies other than to the extent of a 50 per cent trunking responsibility plan.

Pacific referred to Decision No. 55080 on Application No. 38099, dated June 4, 1957, in which extended service was authorized between Ventura and Ojai and Saticoy, wherein extended service was authorized in spite of a deficit of some \$8,000. Such a deficit occurred because Pacific did not seek sufficiently high rates in Ojai and Saticoy and desired to make up the deficit from Ventura subscribers. The Commission stated:

"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."

Applicant has mistakenly interpreted the reasonable proportionate share of added costs to the main exchange to be limited to a 50 per cent trunking responsibility. In situations like Ventura and Fresno, Pacific's responsibility may go beyond 50 per cent trunking arrangement because the subscribers in the main

exchange benefit from extended service as well as the subscribers in the sdjacent exchange and Pacific may realize economies in its operations through elimination of costs of handling toll traffic of independent company exchanges.

The question of extended service between Ventura,

Fillmore, Oxnard and Santa Paula and possibly other exchanges in

Ventura County was discussed at the hearing under Application

No. 38099, but these exchanges were not at issue in the proceeding
and the Commission made no determination with respect therete. Such
ruling does not relieve Pacific of future responsibility and assistance when the the General Company is ready to enter into a "partnership" arrangement to provide extended service to its exchanges in

Ventura County. The fact that two or more different telephone
companies own exchanges in a proposed extended service area is not
sufficient reason to deny the public extended service at reasonable
rates.

## Staff's Trial Rates

The staff in connection with its "partnership" proposal suggests the following trial rates for the principal grades of service; these are compared for each exchange with the trial rates suggested by the several companies involved:

Caruthers Exchange	Staff	Company	Staff Exceeds Company
1-Party Business 2-Party Business 1-Party Residence 2-Party Residence 4-Party Residence Suburban Business Suburban Residence	\$12.40 9.95 6.00 4.90 4.35 7.85 4.80	\$11.65 9.30 5.70 4.60 4.00 7.20 4.50	\$0.75 .65 .30 .30 .35 .65

Clovis Exchange	Staff	Company	Staff Exceeds Company
1-Party Business 2-Party Business 1-Party Residence 2-Party Residence 4-Party Residence Suburban Business Suburban Residence	\$11.40 8.95 5.50 4.40 3.85 6.85 4.30	\$ 9.75 7.50 4.80 3.75 3.20 5.50 3.70	\$1.65 1.45 .70 .65 .65 1.35
Del Rey Exchange			
1-Party Business 2-Party Business 1-Party Residence 2-Party Residence 4-Party Residence Suburban Business Suburban Residence	\$11.90 9.45 5.75 4.65 4.10 7.35 4.55	3.75	\$0.75 .65 .30 .30 .35 .65
Fowler Exchange			
1-Party Business 2-Party Business 1-Party Residence 2-Party Residence 4-Party Residence Suburban Business Suburban Residence	\$11.90 9.45 5.75 4.65 4.10 7.35 4.55	\$13.45 10.95 7.60 6.10 4.95 9.45 5.70	\$(1.55) (1.50) (1.85) (1.45) (.85) (2.10) (1.15)
Fresno Exchange			
1-Party Business 2-Party Business 1-Party Residence 2-Party Residence 4-Party Residence Suburban Business Suburban Residence	\$10.40 7.95 5.00 3.90 3.35 5.85 3.80	\$10.15 7.80 4.95 3.85 3.25 5.70 3.75	\$0.25 .15 .05 .05 .10 .15
Kerman Exchange			
1-Party Business 2-Party Business 1-Party Residence 2-Party Residence 4-Party Residence Suburban Business Suburban Residence	\$12.40 9.95 6.00 4.35 7.85 4.80	\$20.10 15.70 9.20 5.60 9.70 6.50	\$ (7.70) (5.75) (3.20) (1.25) (1.85) (1.70)

The Chamber of Commerce of Caruthers presented a witness who read a letter over the president's signature desiring extended service for Caruthers and who stated that the Caruthers subscribers are willing to pay a fair increase for the advantages of extended service.

Officials and businessmen of the City of Clovis, as well as the California Farm Bureau, urged that extended service be provided to Clovis. Generally, they desired Plan 4, under the studies made for Application No. 37769, which plan contemplates extended service between all of the Fresno exchange and all of the Clovis exchange.

While no party specifically appeared on behalf of the Del Rey subscribers the evidence indicates that there is sufficient community of interest to warrant the introduction of extended service.

The General Telephone Company was willing to offer extended service in the Fowler exchange on the assumption that the rates would offset its increased costs and loss of toll revenues. The staff's lower trial rates assume that the Fresno customers will have the advantage of extended service out to Fowler and should bear a reasonable portion of the increased costs. In addition, Fowler customers should reap some of the savings realized by Pacific

between the General and Pacific companies to enable the General Company to recover its costs plus a reasonable return on its capital devoted to providing extended service between Fowler and Fresno. While such an arrangement has been opposed by the Pacific Company as unworkable, the Commission wishes to point out that the methods now used to determine the costs on toll can be used to determine the costs on the extended service traffic and the revenues pooled to the end that both Pacific and General realize a reasonable return for providing extended service. As to the other exchanges, Kerman and Sanger, extended service will not be required at this time but when growth or future conditions warrant this case can be reopened and the Kerman and Sanger companies then can become a part of the Fresno extended area "partnership".

The Commission finds as a fact and concludes: (1) that public convenience and necessity require the introduction of extended telephone service in the Fresno area on or before July 1, 1960, between the Fresno exchange and the following exchanges: Caruthers, Clovis, Del Rey, and Fowler; (2) 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.

## ORDER

Investigation of Fresno Area extended service under the above-entitled case having been conducted, public hearing having been held, the matter having been submitted and the Commission having found that public convenience and necessity require extended service in certain exchanges of the Fresno Area; therefore,

C. 5928 ET 3,5% IT IS ORDERED as follows: 1. The Pacific Telephone and Telegraph Company shall proceed to institute extended telephone service between its Fresno and Caruthers, Clovis, and Del Rey exchanges on or before July 1, 1960. 2. The Pacific Telephone and Telegraph Company and the General Telephone Company of California, jointly, shall proceed to institute extended telephone service between the Fresno and Fowler exchanges on or before July 1, 1960 under a "partnership" arrangement as discussed in the foregoing opinion. 3. The Pacific Telephone and Telegraph Company and the General Telephone Company of California are 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 paragraphs 1 and 2 of this order. 4. At the time of making effective the rates authorized by paragraph 3 hereof, The Pacific Telephone and Telegraph Company and the General Telephone Company of California may cancel and withdraw: (a) rates for local service in the Caruthers, Clovis, Del Rey, Fowler and Fresno exchanges; (b) rates for toll service between Fresno and Caruthers, Clovis, Del Rey and Fowler exchanges; -14and (c) foreign exchange service between Fresno and Caruthers, Clovis, Del Rey and Fowler exchanges.

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

	Dated at _	San Francisco	, California, this 27th day
of	mau	, 1958.	
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Commissioner C. Lyn Fox being necessarily absent, did not participate in the disposition of this proceeding.

The following changes in rates are authorized in Fresno, Caruthers, Clovis, and Del Rey exchanges of The Pacific Telephone and Telegraph Company and in the Fowler exchange of the General Telephone Company of California, effective with the introduction of extended service:

## Local Service Areas:

Exchange	Local Service Area				
Fresno	Fresno Caruthers Clovis Del Rey Fowler				
Caruthers	Caruthers Fresno				
Clovis	Clovis Fresno				
Del Rey	Del Rey Fresno				
Fowler	Fowler Fresno				

# APPENDIX A Page 2 of 2

#### RATES

#### Extended Service Rates:

File extended service rates at the then effective rate levels for local service plus the following amounts:

	Fresno	Caruthers	Clovis	Del Rey	Fowler
Business Service:					
Individual Line	\$0.25	\$5.50	\$4.00	\$5.00	\$4.25
2-Party Line	.25	4.50	3.00	4.00	3.25
Suburban	.10	2.60	1.35	2.10	1.85
Farmer Line	.10	2.85	1.60	2.35	*
PBX Trunk	.50	8.25	6.00	7.50	6.50
Semipublic			1		
Rate per Month	.25	2.00	1.00	1.50	1.50
Minimum per Day	•	.04	.03	.04	.05
Residence Service:					
Individual Line	. 05	1.80	1.05	1.55	. 35
2-Party Line	. 05	1.30	.55	1.05	.30
4-Party Line	.05	1.30	.55	1.05	.50
Suburban	.05	1.30	.55	1.05	.50
Farmer Line	.05	1.30	.70	1.05	*

<sup>\*</sup> Not offered

### Foreign Exchange Rates:

Revise rates for foreign exchange service, not otherwise authorized to be cancelled, to reflect increases in basic exchange rates and provision for extended service.

#### APPENDIX B

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### LIST OF APPEARANCES

- For applicant, The Pacific Telephone and Telegraph Company, in Application No. 37769 and respondent in Case No. 5928: Arthur T. George, Pillsbury, Madison & Sutro by Dexter C. Tight, and Charles Renfrew.
- For General Telephone Company of California, interested party in Application No. 37769 and respondent in Case No. 5928: Ernest W. Watson, Albert M. Hart, and H. Ralph Snyder, Jr.
- For Sanger Telephone Company, interested party in Application No. 37769 and respondent in Case No. 5928: Alden C. Knapp and Neal C. Hasbrook.
- For Kerman Telephone Company, interested party in Application No. 37769 and respondent in Case No. 5928: William G. Sebastian and Neal C. Hasbrook.
- Protestants: Mrs. Clement S. Miller, Mrs. A. L. Holm, Mr.-C. Clyde Barnett, Mrs. E. Mae Grinstead and W. L. Grinstead, in propria personae; and Ray M. Crow for Sanger Grange 478 and Round Mountain Rural Telephone Company.
- Interested Parties: Nicholas H. Dubsick and John B. Weldon, for the City of Clovis; Floyd I. Klein, for Fresno County and City Chamber of Commerce; Norman H. Holt, for Sanger Chamber of Commerce; Abraam Krushkhov, for Fresno-Clovis Area Planning Commission; Mrs. Ruth R. Clarke, for Clovis Women's Club; Charles Preuss, for Garfield Telephone Company; R. L. Andrews, for Clovis Farm Bureau; J. J. Deuel and Bert Buzzini for California Farm Bureau Federation; Neal C. Hasbrook, for California Independent Telephone Association; Clyde Barnett and Wayne Rall, in propria personae.

For the Commission Staff: W. W. Dunlop and J. B. Balcomb.

(Application No. 37769 and Case No. 5928 Consolidated)

Evidence was presented on behalf of:

The Pacific Telephone and Telegraph Company by Clifford F. Goode, John S. Daniels and Robert M. Cunningham.

General Telephone Company of California by Ernest W. Watson, Ronald D. Kingston and James E. Pfrommer.

Kerman Telephone Company by William G. Sebastian.

Sanger Telephone Company by Alden C. Knapp.

Protestants and Interested Parties by Earl H. Wight, Richard West, Wayne Rall, John B. Weldon, Nicholas H. Dubsick, Floyd I. Klein, Clyde Barnett, Carmel McGarry, Dick Marcarian, M. S. Meeker, Lloyd R. Smith, Nerces Azadian, Norman H. Holt, Newman Marshall, Jr., J. O. Eaton, John Tanney, J. S. Anderson, Ben Baxter, Mesrob K. Mirigian, Mrs. Ivy Miller, W. L. Grinstead, Ray M. Crow, Mrs. A. L. Holm, Mrs. Helen Hatzik, Charles Preuss, J. J. Deuel, James S. Anderson, and Delmer C. Say.

Commission staff by James R. Barrett, E. J. Macario and James M. McCraney.