

Decision No. 56729

ORIGINAL

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 discontinue the Clovis exchange,)
 expand the present Fresno exchange)
 area to include therein the present)
 Clovis exchange area and establish)
 two district areas in the Fresno)
 exchange.)

Application No. 37769
(Amended)

Appearances and witnesses are listed in Appendix A.

O P I N I O N

By Decision No. 54580 applicant was afforded the opportunity to amend the above-entitled application to one of extended service in lieu of consolidation of the Fresno and Clovis exchanges. On June 28, 1957 applicant filed an Amendment to Application contemplating the introduction of extended service between all of the Clovis exchange and all of the Fresno exchange.

Public Hearing

After due notice public hearing upon this application and the amended application was held before Examiner Manley W. Edwards on July 23, 1956, January 16, 1957, and February 17 and 18, 1958 in Fresno and on March 11, 1958 in San Francisco. The last three days of hearing were on a consolidated record with Case No. 5928, the Commission's investigation of extended service for the entire Fresno area. A concurrent separate decision is being rendered on the entire Fresno area situation under Case No. 5928.

Clovis-Fresno Extended Service Studies

The studies which applicant made with regard to only the Clovis-Fresno service under this application, as amended, are set forth in Exhibit No. 9 and may be summarized as follows:

Plan 1 - The Commission staff's proposal to provide extended service between the entire Clovis exchange and the Baldwin and Clinton central offices of the Fresno exchange.

Plan 2 - Segregating the dense portion of the Clovis exchange and including only it in the Fresno exchange.

Plan 3 - Establishing extended service which will permit this denser Clovis area to call all of the Fresno exchange, but limit the extended calling for the remainder of the Clovis exchange to the Baldwin and Clinton central offices.

Plan 4 - A plan to provide extended service between all of the Clovis exchange and all of the Fresno exchange.

Annual Revenue and Expense Effects

The annual revenue and expense effects of the four plans are:

	<u>Plan 1</u>	<u>Plan 2</u>	<u>Plan 3</u>	<u>Plan 4</u>
Reduction in Revenue:				
1. Toll Revenues	\$36,900	\$71,900	\$73,400	\$74,600
2. Exchange Revenues:				
Coin	(3,100)	(7,300)	(7,300)	(7,400)
FEX Service	-	8,000	8,000	8,300
3. Total Revenue Reduction	<u>33,800</u>	<u>72,600</u>	<u>74,100</u>	<u>75,500</u>
Savings in Accounting, Commercial and Traffic Expenses	18,800	37,000	37,900	40,900
Savings in Annual Charges on Plant Released	<u>800</u>	<u>(400)</u>	<u>(600)</u>	<u>7,800</u>
Net Revenue Reduction	14,200	36,000	36,800	26,800

(Inverse Figure)

The study shows that Plan 1 is the least costly and would require the smallest increase in exchange rates to maintain applicant's present net revenue position. Plan 4 is next lowest.

Position of Parties

The applicant preferred Plan 4 but proposed that the rates in Clovis be brought up only to the level of the Fresno rates. Such rates would produce only \$14,500 annual added revenue, based on November 30, 1956 development, and thus would leave the applicant with an indicated net loss of \$12,300 annually. However, applicant represents that there would be further savings under this plan and the net deficit of the proposal is about \$8,800 or one-tenth of one per cent of its annual revenue in the Fresno exchange.

The City of Clovis prefers Plan 4 as it would eliminate the need for Fresno FEX (foreign exchange service) in Clovis and permit the entire Clovis exchange to call the downtown-Fresno area without toll charges. It objected to Plan 1 because the need for Fresno FEX lines would not be eliminated. The California Farm Bureau Federation also prefers Plan 4 for practically similar reasons.

Findings and Conclusions

Plan 1 is the least costly to applicant and would eliminate the boundary problem between the Fresno and Clovis exchanges but apparently does not meet with the favor of the Clovis officials. Plans 2 and 3 would be more expensive than Plan 4. While Plan 4 meets with the apparent approval of the applicant and the Clovis officials, yet the applicant's proposed rate level would cast an unreasonable burden on applicant's customers in areas other than Clovis. Applicant did not propose that its stockholders make up the deficiency in net revenue. Accordingly, the Commission finds and concludes that the application for extended service on the basis proposed in Application No. 37769, as amended, should be denied.

O R D E R

Public hearing having been held on the above-entitled application, as amended, the matter having been submitted and the Commission having found that the amended application should be denied, therefore

IT IS ORDERED that the application of The Pacific Telephone and Telegraph Company for authority to establish extended telephone service in the Clovis and Fresno exchanges under the level of rates set forth in the amendment to Application No. 37769, filed on June 28, 1957, is denied, and Application No. 37769 is dismissed without prejudice to the establishment of extended service on a basis where the Clovis and Fresno customers will carry their reasonable share of the full cost of extended service, such as on a basis contemplated by concurrent decision in Case No. 5928.

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

Dated at San Francisco, California, this 27th day of May, 1958.

[Signature]
President
[Signature]
[Signature]
[Signature]
Commissioners
Commissioners

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

APPENDIX A

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.

LIST OF WITNESSES

(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.