

ORIGINALDecision No. 59501

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 transfer a certain area from)
 the San Jose Exchange to the Sunny-)
 vale Exchange.)

Application No. 40441

In the Matter of the Investigation)
 on the Commission's own motion into)
 the rates, rules, regulations,)
 charges, tolls, classifications,)
 contracts, practices, operations,)
 facilities and service of THE)
 PACIFIC TELEPHONE AND TELEGRAPH)
 COMPANY in its San Jose and Sunny-)
 vale Exchange areas.)

Case No. 6334

Arthur T. George and Pillsbury, Madison & Sutro,
 by Charles B. Renfrew, for applicant and
 respondent.

Brainerd Plehn, for Creston Improvement Associa-
 tion, Inc.; Carl H. Heilbron, for South
 Sunnyvale Homeowners' Association; John T.
 Cunningham, for Southeast Sunnyvale Residents
 Association; Robert A. Bell, for Raynor Park
 Neighborhood Association; Robert C. Abrams,
 for Western California Telephone Company,
 interested parties.

Cyril M. Saroyan and James M. McCraney, for the
 Commission staff.

OPINION ON REHEARING OF DECISION NO. 57996
 IN APPLICATION NO. 40441, AND ON CASE NO. 6334

Nature of Proceeding

On September 19, 1958 The Pacific Telephone and Telegraph
 Company filed Application No. 40441 requesting authority from the
 Commission to transfer a portion of its San Jose exchange to its
 Sunnyvale exchange and to furnish exchange and toll telephone service
 therein under the applicable tariff schedules in effect in the
 Sunnyvale exchange. The Commission, on February 9, 1959, issued its

Decision No. 57996 denying such authority for the reason that the evidence presented by Pacific was not convincing and was insufficient to permit a finding that the public interest required or would be served by such transfer. Thereafter, on May 22, 1959, South Sunnyvale Homeowners' Association and Creston Improvement Association, Inc., interested parties to the proceeding, filed a petition for rehearing with respect to said Decision No. 57996. On July 28, 1959, the Commission issued its order granting rehearing and thereafter on August 14, 1959, the Commission instituted an investigation on its own motion under Case No. 6334 for the following purposes:

1. To determine whether the telephone service now rendered by respondent¹ in the area now incorporated in its San Jose exchange area but served by a central office located in Sunnyvale is adequate and sufficient.
2. To determine whether public convenience and necessity requires the transfer of said area² or any part thereof from respondent's San Jose exchange to its Sunnyvale exchange.
3. To determine whether any order or orders that may be appropriate should be entered in the lawful exercise of the Commission's jurisdiction.

The order instituting investigation under Case No. 6334 required Pacific to conduct a canvass by mail of possible affected subscribers and to submit a study of the plant, revenue and expense effects that would result if a change in serving arrangement of Chestnut 5 Area were made effective. The order instituting investigation also consolidated Case No. 6334 for hearing with Application No. 40441.

Public Hearing

After due notice, public hearing on Case No. 6334 and rehearing on Decision No. 57996 in Application No. 40441 was held on

¹ The Pacific Telephone and Telegraph Company.

² Hereinafter designated Chestnut 5 Area.

a consolidated basis before Examiner William W. Dunlop on December 2, 1959 in Cupertino. Respondent presented seven exhibits through two witnesses showing the results of the mail canvass of subscribers and the rate effects on customers as well as the cost effects on the utility that would result if Chestnut 5 Areas, as shown on Exhibit No. 9, were transferred from San Jose exchange to Sunnyvale exchange. Pacific was not adverse to the transfer provided the Commission found such change to be in the public interest.

South Sunnyvale Homeowners' Association presented one exhibit and testimony through one witness supporting the transfer of Chestnut 5 Area. Transfer also was supported by the Creston Improvement Association, Inc., and by the South Sunnyvale Homeowners' Association. Raynor Park Neighborhood Association was not opposed to the transfer provided subscribers retained their Chestnut 5 telephone prefix without change.

The Commission staff took an active part in the proceeding, cross-examined witnesses, and recommended the transfer of Chestnut 5 Area from the San Jose to the Sunnyvale exchange with no change in telephone prefix. No one appeared at the hearing in opposition to the transfer of Chestnut 5 Area under the condition that subscribers retain their present Chestnut 5 telephone prefix.

The matters were submitted at the conclusion of the day's hearing and are now ready for decision.

Chestnut 5 Area

Chestnut 5 Area comprises approximately 3.8 square miles of territory lying in the western portion of San Jose exchange, adjacent to the southern boundary of the Sunnyvale exchange near Cupertino in Santa Clara County. According to the testimony, approximately 40 per cent of this area is within the city of Sunnyvale compared with 9 per cent within Cupertino, 1 per cent within Los Altos

and 49 per cent within unincorporated areas. It further appears from the evidence that the area is experiencing a rapid growth.

Though within the San Jose exchange, Chestnut 5 Area is physically served by five telephone feeder cables originating in the Sunnyvale central office. There are in excess of 2,200 telephone subscribers served within this area, including some 112 Mountain View and 45 Sunnyvale foreign exchange subscribers.

Mail Canvass

Pursuant to the directive in Case No. 6334, Pacific conducted a canvass, by mail, of all subscribers located within Chestnut 5 Area. Such canvass was made in September 1959 and consisted of three mailings: One to each subscriber with San Jose exchange service, one to subscribers with Sunnyvale foreign exchange service and one to subscribers having Mountain View foreign exchange service.

The mail canvass consisted of informational folders³ sent to 2,214 subscribers. Included as a detachable portion of each folder, was a ballot on which the subscriber was to indicate preference as to having the service remain unchanged or being transferred to the Sunnyvale exchange. The evidence reveals that of the 1,419 subscribers who returned their ballots, 1,091, or 77 per cent, favored the transfer. This compares with a 66 per cent favorable vote in a similar mail canvass conducted by Pacific more than a year earlier in June 1958. Furthermore the September 1959 mail canvass results indicate a preference for transfer in each of the five cable feed areas ranging from 55 per cent in cable feed Area 5 to 89 per cent in cable feed Area 3.

³ Exhibits Nos. 10, 11 and 12 in these proceedings.

Effect on Customer Charges

The net effect on customer charges estimated by Pacific to result if the Chestnut 5 Area is transferred from San Jose to Sunnyvale exchange is a reduction of \$51,500 on an annual basis. Reductions in message unit and in toll charges comprise \$46,100 of the total. Since the message unit and toll reduction applies to both incoming and to outgoing traffic, approximately one half of the annual savings in such charges is estimated to be realized by customers located within the Chestnut 5 Area. Annual charges for foreign exchange service are estimated to be reduced by \$6,200 while local coin box usage is expected to increase by \$800.

Transfer of the area generally would not result in any change in the level of basic rates for exchange telephone service since the basic rates for corresponding grades of service are the same in Sunnyvale as they are in San Jose. San Jose exchange, however, offers four-party residence service at a monthly rate of \$3.45 which is not offered in Sunnyvale. Residence two-party message rate service is offered in Sunnyvale in lieu of the four-party service at a monthly rate of \$3 for 60 message units with a rate of 4½ cents for each message unit over the allowance. The evidence reveals that if the transfer is authorized, Pacific plans to interview all four-party residence customers affected and offer them any grade of service then being offered in Sunnyvale exchange in accordance with the tariffs.

Transfer of Chestnut 5 Area would result in a change in the areas that could be called without payment of additional message unit and toll charges. Mountain View and Los Altos exchanges would be added to the local calling area of Chestnut 5 subscribers while calls to Saratoga, Campbell and Los Gatos, now within the local calling

area of Chestnut 5 subscribers, would become subject to message unit or to toll charges.

Such a transfer also would change the rate center for Chestnut 5 subscribers from downtown San Jose to downtown Sunnyvale and result in changes in message unit and toll charges. Generally message unit charges would be reduced between Chestnut 5 subscribers and subscribers in all exchanges except those served from Campbell and Saratoga where increases would result, and those served from Concord, Danville, East Bay-Berkeley, San Jose, San Rafael and Sunnyvale where the charges would remain unchanged. An initial period station toll rate of 15 cents would apply to Los Gatos and the station toll rates would be increased by amounts up to 10 cents for the initial period over some routes, would be reduced by amounts up to 10 cents over other routes and would be unchanged over still other routes.

The changes in Schedule No. 34-T relating to foreign exchange mileage measurements which Pacific states are required, assuming the transfer is made effective, are contained in Exhibit No. 14. If the transfer is made, Sunnyvale foreign exchange subscribers within Chestnut 5 Area would no longer require such foreign exchange service and thereby realize a reduction in charges. It appears that customer required foreign exchange services within Sunnyvale exchange that are not currently offered in the tariffs can be made available through normal tariff filing procedure.

Effect on Utility

An engineering witness for Pacific estimated that the transfer of Chestnut 5 Area to Sunnyvale would result in a saving to Pacific of \$5,500 in annual expenses, an increase of \$6,600 in annual carrying charges on required additional investment assuming a 7 per cent rate of return and a reduction of \$51,500 in annual revenues. The overall effect is equivalent to a reduction in annual revenues of

\$52,600. Pacific's study assumed there would be no change in the Chestnut 5 prefix.

This witness further testified that it is more economical, from an outside plant standpoint, to serve the Chestnut 5 Area from the Sunnyvale central office than from one of the existing San Jose central offices and that the serving arrangement that would result in the most economical use of Sunnyvale central office equipment is the one that transfers the entire Chestnut 5 Area to Sunnyvale.

Time Required

Witness for Pacific testified it would be feasible to transfer the Chestnut 5 Area and furnish Sunnyvale exchange and toll service therein within a period of 18 months after receipt of Commission approval. The 18-month period assumed there would be no change in the Chestnut 5 telephone prefix. Under such conditions, according to Pacific's witness, it would be necessary to engineer, obtain equipment and complete a major central office rearrangement project in Palo Alto to avoid a conflict in the code now used to route calls in and around Palo Alto. The testimony further reveals that if the Chestnut 5 prefix numbers were changed the transfer could be accomplished within approximately six months. In any event, analysis of the record indicates it is essential that any transfer of Chestnut 5 Area be made concurrently with a new issue of the Sunnyvale telephone directory. New issues of such directory now are scheduled for February 1960 and February 1961.

Service Problem

Witness for South Sunnyvale Homeowners' Association urged that Pacific review its information practices particularly with respect to information furnished to customers involving changes in foreign exchange services. Instances were cited where misinformation

had been given customers by Pacific. Particular concern was expressed over Pacific's practices in light of the fact there would be a number of changes made in foreign exchange services if the Chestnut 5 Area is transferred.

Findings and Conclusions

The evidence is convincing, and the Commission so finds, that the public interest requires the transfer of Chestnut 5 Area from the San Jose to the Sunnyvale exchange, the inclusion of the area thus transferred to Sunnyvale exchange within the Sunnyvale base rate area and the furnishing of Sunnyvale exchange and toll service within Chestnut 5 Area under the applicable tariff schedules in effect in the Sunnyvale exchange with no change in the Chestnut 5 prefix, and that an order should be issued to such effect.

We find that Application No. 40441, which seeks authorization to transfer only a portion of Chestnut 5 Area to Sunnyvale exchange, is not in the public interest and that Decision No. 57996 denying said application should be affirmed. We further find that a period of approximately 14 months is a reasonable period of time within which to accomplish the transfer of the area from the San Jose to the Sunnyvale exchange and the order herein will so provide.

Pacific will be required by the order herein to review its information practices and performance relating to the Chestnut 5 Area and to file a report thereon.

We find, therefore, that such increases in rates and charges as will result from a transfer of Chestnut 5 Area herein ordered are justified and that the present rates and charges, in so far as they differ therefrom, are for the future unjust and unreasonable.

O R D E R

Public hearing having been held on the above-entitled matters, the matters having been submitted and the Commission having been fully informed thereon, the matters are now ready for decision based upon the evidence and the findings and conclusions contained in the foregoing opinion; therefore,

IT IS ORDERED as follows:

1. The Pacific Telephone and Telegraph Company shall, at as early a date as is practicable but in no event later than March 1, 1961, transfer the Chestnut 5 Area, as delineated on Exhibit No. 9, from the San Jose to the Sunnyvale exchange, include said Chestnut 5 Area within the Sunnyvale base rate area and furnish Sunnyvale exchange and toll telephone service therein under the applicable tariff schedules in effect in the Sunnyvale exchange with no change in the Chestnut 5 prefix.

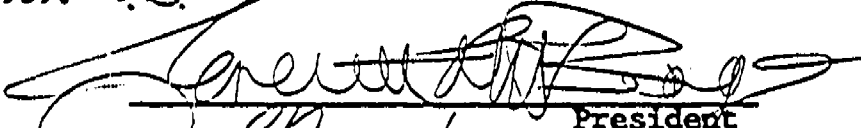
2. The Pacific Telephone and Telegraph Company shall make and file the necessary tariff schedule revisions including those set forth in Exhibit No. 14, in accordance with the provisions of General Order No. 96, on not less than ten days' notice to the public and to this Commission.


3. The Pacific Telephone and Telegraph Company shall review its information practices relating particularly to foreign exchange service changes within the Chestnut 5 Area and within sixty days from the effective date of this order file a report with this Commission, with a copy to each appearance of record, setting forth its findings as to its performance on the information service problem revealed by the evidence in these proceedings and, further, setting forth such remedial measures as are taken.


4. Decision No. 57996, denying the authority sought in Application No. 40441, is affirmed.


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


Dated at San Francisco, California, this 12th day of January, 1959. 18.



President








Commissioners