

ORIGINALDecision No. 59887

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Suspension and
Investigation on the Commission's
own motion of tariffs covering exchange
area expansion in the Kernville exchange
of California Interstate Telephone Company,
and exchange area expansion in the White
River Exchange of Central California
Telephone Company.

Case No. 6382

James H. Krieger and Glen E. Stephens of Best, Best & Krieger, for California Interstate Telephone Company; Warren A. Palmer and Orrick, Dahlquist, Herrington & Sutcliffe, Jack Maguire and W. Gilman Snyder, for Central California Telephone Company; Respondents. J. J. Deuel and Ralph Hubbard, for California Farm Bureau Federation; Walter LaCasse, for Mt. Whitney Lumber Company and for himself; Velma K. Araujo, for U. S. Forest Service; Interested Parties. Paul Poponoe, Jr., for the Commission staff.

O P I N I O NNature of Proceeding

On November 17, 1959, the Commission issued its order of suspension and investigation in the above-entitled proceeding to determine whether California Interstate Telephone Company^{1/} or Central California Telephone Company^{2/} can better supply telephone serving arrangements in the Johnsondale area, Tulare County. Prior to the issuance by the Commission of its order of suspension and investigation, Interstate had filed on October 26, 1959, its Advice Letter No. 247 relating to the expansion of its Kernville exchange to include an area to the north known as Johnsondale. Also Central

1/ Hereinafter sometimes referred to as Interstate.

2/ Hereinafter sometimes referred to as Central.

had filed on November 9, 1959, its Advice Letter No. 12 (White River Series) relating to the expansion of its White River exchange to include the same Johnsondale area. This investigation was instituted in view of the desire of both telephone utilities to serve the Johnsondale area.

The effective date of the tariff sheets filed by the above-mentioned advice letters initially were suspended until March 24, 1960. On February 2, 1960, the period of suspension was extended to and including September 23, 1960, unless otherwise hereafter ordered.

Public Hearing

After due notice public hearing was held before Examiner William W. Dunlop on February 17, 1960, at Kernville. The Commission staff through one witness presented Exhibit No. 1 showing the location and boundaries of the Kernville and White River exchange areas as well as the additional territory each of the two utilities desires to serve.

Interstate presented four exhibits and testimony through three witnesses in support of its plan to serve the Johnsondale area. Central presented seven exhibits and testimony through two witnesses in support of its position. At the hearing Central withdrew its request to serve the Greenhorn Summit territory (Area B shown on Exhibit No. 1) since such area already lies within the Kernville exchange boundary of Interstate.

Ten public witnesses generally indicated the need for telephone service in the Johnsondale area, showed the business and social interests between Johnsondale and Kernville, expressed a desire for telephone service between Johnsondale and Kernville without toll charges and in general supported the serving of Johnsondale by Interstate. No public witness supported the serving of Johnsondale by Central.

At the conclusion of the day's hearing the matter was submitted and is now ready for decision.

The Respondents

California Interstate Telephone Company, a California corporation, is a public utility providing the public with telephone service in portions of the counties of Douglas, Lyon, Mineral and Esmeralda in the State of Nevada, and in the counties of Alpine, Inyo, Kern, Los Angeles, Mono, San Bernardino and Tulare in the State of California. Interstate was formed on January 21, 1954, and subsequently acquired the properties of its predecessor, Interstate Telegraph Company and commenced operations as an independent company on March 25, 1954. At the end of 1959 Interstate operated 28 central offices in 24 telephone exchanges and served 24,435 telephones. At March 31, 1959, Interstate had in excess of \$17,474,000 in telephone plant in service.

Central California Telephone Company, a California corporation, furnishes telephone service in nine communities located generally in the San Joaquin valley. At the end of 1959 Central had plant in service amounting to approximately \$2,171,000 and served some 7,800 telephones. Central is affiliated with three other operating telephone utilities in California: Kern Mutual Telephone Company, Colorado River Telephone Company and The Western Telephone Company. The four companies combined serve about 26,000 telephone subscribers in California. Central obtains various services, including engineering, advice on construction, operations and accounting, from a service company known as Central Western.

Disputed Area

As shown by Exhibit No. 1, "Area A", comprising some 54 square miles of territory including Johnsondale, is the only area wherein both utilities desire to serve. Central is the only utility

desiring to serve "Area C" shown on Exhibit No. 1 and, as previously indicated, Central withdrew its request to serve "Area B".

Mt. Whitney Lumber Company carries on logging operations in and around Johnsondale. The community of Johnsondale is a lumber company-owned town composed of a large sawmill, a commissary, ninety-five company-owned residences, a grade school, a high school and a trailer camp. According to the testimony, the population of Johnsondale during most of the year is about 500 and during summer months there are thousands of tourists and sportsmen in the area between Riverkern and Johnsondale. There is no public utility telephone service in Johnsondale at present.

Service By Interstate

Interstate proposes to serve the Johnsondale area by constructing one physical circuit from its Kernville central office to Johnsondale generally along the all-year paved county road. This circuit would be constructed on existing facilities of Interstate from Kernville to Riverkern and on an existing pole line of Southern California Edison Company from Riverkern to Johnsondale, a distance of about 22 miles. Interstate proposes to install eleven channels of subscriber line carrier to operate on the physical circuit and expects to serve some 60 subscribers at Johnsondale and about 10 subscribers between Riverkern and Johnsondale. Seven pay stations are proposed for installation in the area.

Plant costs, as estimated by Interstate to serve the Johnsondale area, total \$73,821 while estimated annual operating costs including a 7 percent return on net plant investment, total \$20,205. Interstate estimates the initial annual revenues from the proposed extension to Johnsondale will approximate \$14,100 of which \$9,160 will be derived from toll charges and \$4,940 from exchange charges.

Under Interstate's plan, Johnsondale would be included within the Kernville exchange, Kernville exchange rates would apply and calls between Johnsondale and Kernville would be made without toll charges. A witness for Interstate testified that his company could provide telephone service to Johnsondale within six months after receipt of Commission authorization.

Service by Central

Central proposes to serve Johnsondale by constructing a new pole line and stringing four copperweld wires from California Hot Springs to Johnsondale, a distance of 12 miles. Six subscriber carriers are proposed to work over both physical circuits to assure greater reliability of service. The road from California Hot Springs to Johnsondale is some 20 miles in length, is unpaved, and is closed by snow during winter months. Central estimated its plant costs to serve Johnsondale would total \$57,486 and further estimated it would receive some \$7,200 of revenues from an estimated 60 subscribers in Johnsondale at the rates it proposed in Exhibit No. 7. Central did not present any estimates as to its annual operating costs for the Johnsondale extension but did show in Exhibit No. 7 estimates of operating costs for its proposed new California Hot Springs and Glennville exchanges combined. According to a witness for Central, the proposed facilities to serve Johnsondale could be constructed and in operation by January, 1961.

While Advice Letter No. 12 of Central proposed to include Johnsondale in White River exchange, at the hearing Central revealed that it plans to file an application with the Commission for authority to replace the White River exchange with a new California Hot Springs exchange and a new Glennville exchange, include Johnsondale in the California Hot Springs exchange and establish new exchange and toll rates. Under Central's plan, toll rates would apply on calls between

Johnsondale and Kernville but calls between California Hot Springs or Glennville and Johnsondale would be made without toll charges.

Exhibit No. 7 in this proceeding reveals that before Central would be in a position to serve Johnsondale it would have to reconstruct its existing plant in the present White River exchange, construct and install new central offices at California Hot Springs and at Glennville, and construct new toll facilities to Bakersfield. Further, it appears that, to some extent at least, such proposed construction and serving arrangements depend upon Central's filing an application with the Commission and obtaining authorization to establish appropriate exchange and toll rates.

Comparison of Exchange Rates and Charges

A comparison of the basic exchange rates proposed by each respondent for Johnsondale follows:

<u>Service</u>	<u>Monthly Rate</u>		<u>Suburban Mileage Charge</u>		<u>Total</u>	
	<u>Interstate</u>	<u>Central</u>	<u>Interstate</u>	<u>Central</u>	<u>Interstate</u>	<u>Central</u>
<u>Business</u>						
1-party	\$ 6.75	\$6.75	\$43.40	\$18.00	\$50.15	\$24.75
2-party	5.60	5.50	27.90	12.60	33.50	18.10
4-party	4.70	-	21.70	-	26.40	-
Suburban	5.85	5.00	-	-	5.85	5.00
PBX Trunk	10.00	-	43.40	-	53.40	-
<u>Residence</u>						
1-party	4.40	4.50	43.40	18.00	47.80	22.50
2-party	3.80	-	27.90	-	31.70	-
4-party	2.95	3.10	21.70	9.00	24.65	12.10
Suburban	4.40	3.60	-	-	4.40	3.60

At the hearing it was disclosed that Interstate planned to file within 30 days an application seeking a general increase in rates throughout its system. The above rates of Interstate are those presently in effect and do not reflect possible increases that are not now known.

The above rates of Central are those which that utility plans to seek authorization to establish in a new California Hot Springs exchange by a separate application to be filed subsequent to the hearing herein. The only service presently available in Central's White River exchange is multiparty service at a rate of \$1.50 per month where the line and instrument are maintained by the utility.

Comparison of Toll Rates and Charges

A comparison of typical initial period station toll rates as proposed by each respondent between Johnsondale and certain other California points follows:

Johnsondale To:	<u>Initial Period Station Toll Rate</u>	
	<u>Interstate-Present</u>	<u>Central-Proposed</u>
Bakersfield	\$0.50	\$0.45
Porterville	.50	.35
Tulare	.70	.50
Los Angeles	.90	.80
San Francisco	1.25	1.05
Kernville	-	.25
California Hot Springs	.30	-

The above toll rates of Interstate are those presently effective while those of Central are those which that utility plans to seek authorization to establish in a new California Hot Springs exchange by a separate application to be filed subsequent to the hearing herein.

Findings and Conclusions

Based upon a careful review of the record, we find and conclude that the public interest requires the extension of telephone service to the Johnsondale area; that residents of the Johnsondale area have a greater community of interest with Kernville than they do with California Hot Springs; that although the exchange rates of Interstate for service at Johnsondale exceed those of Central, under Interstate's plan no toll charges would apply between Johnsondale

and Kernville; that Interstate can provide the service at Johnsondale sooner than Central; and that Interstate is in a better position to serve Johnsondale at the present time than is Central. Accordingly, we find and conclude that an order should issue authorizing the changes in tariff schedules filed by Interstate under its Advice Letter No. 247 to become effective and permanently suspending the tariff filing made by Central under its Advice Letter No. 12 (White River Series). Central, if it so desires, may by a new tariff filing incorporate "Area C" shown on Exhibit No. 1 within its White River exchange.

O R D E R

Public hearing on the above-entitled matter having been held, the matter having been submitted, and the Commission being duly informed,

IT IS ORDERED:

1. That the suspension of the tariff filing made by California Interstate Telephone Company under Advice Letter No. 247 on October 26, 1959, be and hereby is removed and California Interstate Telephone Company is authorized and directed to place said tariff filing in effect as of the effective date of this order and to provide telephone service to the Johnsondale area in accordance with its regularly filed tariff schedules.
2. That the suspension of the tariff filing made by Central California Telephone Company under Advice Letter No. 12 (White River Series) on November 9, 1959, be and hereby is made permanent.
3. That California Interstate Telephone Company shall file with this Commission monthly reports of progress in providing telephone service to Johnsondale. Such reports shall be filed commencing May 1, 1960, and continue monthly thereafter until service is established at Johnsondale.

The Secretary is directed to cause a copy of this order to be served upon each respondent, and the effective date of this decision shall be twenty days after such service.

Dated at San Francisco, California, this 5th day of April, 1960.

E. W. Page
President
[Signature]
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Commissioners