

**ORIGINAL**Decision No. 59981

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 publish, file and place in effect ) Application No. 41789  
 rates in an exchange to be designated )  
 Shasta Lake, Shasta County, California. )

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

Charles J. Gleeson, for Lake Shasta Chamber of  
 Commerce; E. E. Bagley, for The Western Telephone  
 Company; Jack Halpin, for Salt Creek Summer  
 Homesite Association; Durl Towne, for Lake Shasta  
 Resorts, Inc.; Stanley Sawyne, for Shasta Lake  
 Marina; Bill G. Minton, for Shasta County Board  
 of Supervisors; and Edwin L. Garlington, for  
 Redding Chamber of Commerce; interested parties.

O P I N I O NApplicant's Request

By the above-entitled application, filed on December 23, 1959, The Pacific Telephone and Telegraph Company seeks authorization to (1) establish an exchange to be known as Shasta Lake with exchange and base rate area boundaries substantially as shown on Exhibit A of the application; (2) file and make effective, coincident with the establishment of Shasta Lake exchange, rates as shown on Exhibit C of the application; and (3) establish a toll rate center in the Shasta Lake exchange as provided in the application.

Public Hearing

After due notice public hearing was held upon this application before Examiner William W. Dunlop on March 10, 1960 at Redding. Applicant presented four exhibits and testimony through two witnesses in support of its request.

A witness for the Commission staff presented two exhibits. He concluded from his review that exchange service in the general area was warranted, but recommended a change in the location of applicant's proposed eastern and western boundaries of the proposed Shasta Lake exchange to exclude some 335 square miles of outlying territory which he considered was without prospect of development in the near future. This witness expressed the view that when the adjacent outlying areas develop they could at that time be considered for inclusion within exchange areas. The boundaries of the proposed Shasta Lake exchange as recommended by the staff witness are shown on Exhibit No. 5.

Seven public witnesses presented testimony generally showing the present and prospective development in the territory and their need for more adequate telephone service. Resolutions favoring the establishment of the proposed Shasta Lake exchange were presented on behalf of the Shasta County Board of Supervisors, the Lake Shasta Chamber of Commerce and the Redding Chamber of Commerce. A witness representing the Salt Creek Summer Homesite Association favored the granting of the application. While the witness on behalf of the Lake Shasta Chamber of Commerce favored the establishment of the exchange and urged the provision of emergency telephone service along Hirz Creek Road, he testified he had no objection to reducing the area to the west generally as proposed by the staff since he did not foresee any development in such western area in the near future. One witness, representing the Shasta Marina, recommended that extended toll-free service to Redding be provided since most of his calls were to Redding rather than to the Shasta Lake area.

A witness for Lakehead expressed concern over the present inadequate telephone service particularly in summer months and desired that some interim improvement be made pending the time exchange

service could be provided. According to the testimony, applicant plans to provide at least one additional toll circuit in the area for the 1960 summer season.

The application was taken under submission at the conclusion of the day's hearing and now is ready for decision.

#### Proposed Shasta Lake Exchange Area

The Shasta Lake exchange area, as proposed by applicant, comprises some 500 square miles of territory in Shasta County, lying between applicant's Redding and Dunsmuir exchanges. Included within this area are the resort communities and localities of O'Brien's Lodge, Salt Creek, Sugarloaf, Lakeshore, Lakehead, Riverview, Delta, La Moine, Pollard Flat and Gibson. These resort communities generally lie along or in close proximity to U. S. Highway 99.

According to the testimony there is a permanent population of approximately 500 residents living in the resort area and, during summer months, there is a substantial influx of visitors into the area. It appears there are over 200 residences and approximately 60 business establishments within the proposed exchange area. This development generally lies along or in close proximity to U. S. Highway 99. It further appears that a large portion of the proposed exchange area is uninhabited, mountainous territory within which applicant does not have any present firm plans for erecting telephone exchange plant.

#### Present Telephone Service

Present telephone service in the territory proposed by applicant for inclusion within Shasta Lake exchange consists of some 41 toll stations, 10 public and 31 semipublic. These toll stations are furnished by applicant and connect with 9 toll circuits, 7 of which terminate in Redding and two terminate in Dunsmuir. No exchange telephone service presently is offered or furnished in the area by any public utility.

Canvass of Area

During October and November 1959 applicant conducted a canvass of the Shasta Lake area. From this canvass applicant obtained 41 signed applications for business service and 93 applications for residence service. Since the canvass, applicant has received five additional applications for service, four business and one residence. Applicant estimates that about 12 seasonal businesses and about 50 to 60 seasonal residences will also require service during the summer months.

Proposed Telephone Service

To meet present and future demands for telephone service, applicant proposes to establish an exchange to be known as Shasta Lake. The more closely developed portions of said exchange, including the communities of Sugarloaf, Lakeshore, and Lakehead, are proposed to be included within the base rate area shown in Exhibit A of the application.

Applicant proposes construction and installation of a dial central office equipped for full selective ringing on four-party lines and semi-selective ringing on eight-party suburban lines. It is planned that toll and other traffic requiring the assistance of an operator will be routed to and handled by applicant's operator office at Redding. Necessary construction and installation work required to provide the proposed exchange service, according to the testimony, can be completed within approximately 18 months.

Proposed Rates

Rates proposed by applicant for the principal classifications of exchange service for Shasta Lake are shown on Exhibit C of the application and may be summarized as follows:

	<u>Flat Rate Per Month</u>	
	<u>Residence Service</u>	<u>Business Service</u>
Individual Line	\$4.40	\$7.00
Two-Party Line	3.60	5.60
Four-Party Line	3.00	-
Suburban, Ten-Party Line	3.50	5.10

Applicant proposes to establish a toll rate center within the Shasta Lake exchange. The legal description of the proposed toll rate center is the Southeast quarter of the Northwest quarter of Section 13, Township 35 North, Range 5 West, Mount Diablo Base and Meridian.<sup>1</sup> Under applicant's plan an initial period station toll rate of \$0.30 would apply on calls between Shasta Lake and Redding and between Shasta Lake and Dunsmuir.

When exchange service is available, applicant expects that all present toll stations in the area will be discontinued. However, toll station subscribers located outside the proposed base rate area would have the option, according to the testimony, of continuing to receive toll station service or of obtaining exchange service.

Estimated Operating Results

Applicant presented in Exhibit No. 4 its estimates of plant effects, annual expenses and revenues resulting from the establishment of the proposed exchange for the first year of operation. These results may be summarized as follows:

	<u>First Year of Operation</u>
Annual Revenues . . . . .	\$ 26,000
Annual Cost Effects Including 7% Return on Investment . . . . .	41,800
Investment in Existing and/or Added Plant . . . . .	149,600

Of the \$41,800 estimated annual cost effects, \$17,300 is the estimated amount for return and income taxes at a seven percent

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<sup>1</sup> The block and section designation of this toll rate center on the Post Route Map is P 9-v.

return on investment. Hence, the estimated first year's revenues are estimated by applicant to be sufficient to cover all estimated first year direct operating costs and provide \$1,500 for return and income taxes.

#### Findings and Conclusions

After considering the evidence of record the Commission finds and concludes that:

1. There is public need for improvements in and additions to telephone service in the Shasta Lake area. Establishment of exchange telephone service appears warranted at this time.

2. The area proposed by applicant for inclusion within the Shasta Lake exchange appears to be too extensive at this time. The boundary recommended by the Commission staff appears reasonable except that the eastern boundary should be so located as to also include within the exchange area the territory proposed by applicant lying north of Salt Creek Road and west of a line running one-quarter mile east of the McCloud River.

3. If future development in adjacent outlying areas should warrant the provision of exchange telephone service, applicant may at that time request authorization to provide such service by regular tariff filing procedures set forth in General Order No. 96.

4. The Shasta Lake base rate area, exchange rates, and toll rate center as proposed by applicant should be authorized.

5. Such increases in rates and charges as will result from the order herein are justified and present rates insofar as they differ from those herein authorized upon the establishment of exchange telephone service are unjust and unreasonable.

O R D E R

Public hearing having been held on the above-entitled application, the matter having been submitted for decision and the Commission being informed thereon,

IT IS ORDERED that The Pacific Telephone and Telegraph Company is authorized after the effective date hereof and on or before December 31, 1961, to establish an exchange to be known as Shasta Lake with base rate area boundary substantially as shown on Exhibit A of the application and exchange area boundary substantially as recommended by the Commission staff on Exhibit No. 5 except that the eastern boundary is to be so located as to also include within the exchange area the territory proposed by applicant in Exhibit A of the application lying north of Salt Creek Road and west of a line running one-quarter mile east of the McCloud River.

IT IS FURTHER ORDERED that The Pacific Telephone and Telegraph Company is authorized to establish a toll rate center in the Shasta Lake exchange as provided in the application, to file in accordance with General Order No. 96 and, on not less than ten days' notice to the public and to the Commission, to make effective coincident with the establishment of the Shasta Lake exchange, rates as shown on Exhibit C of the application and maps showing exchange and base rate area boundaries and toll rate center as hereinabove authorized.

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

Dated at San Francisco, California, this 19<sup>th</sup> day of April, 1960.

Everett W. Page  
 President

W. H. [unclear]

[unclear]

[unclear]

Theodore [unclear]  
 Commissioners