

**ORIGINAL**Decision No. 60021

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
 CALIFORNIA INTERSTATE TELEPHONE COMPANY,  
 a corporation, for authority to establish,  
 maintain and operate a telephone exchange  
 at Lucerne Valley, San Bernardino County,  
 California, to provide telephone exchange  
 service in the Lucerne Valley Exchange  
 Area, and to file and make effective rates  
 for telephone service in said Exchange  
 Area, and to revise Applicant's Big Bear  
 Lake and Victorville Exchange Maps.

Application No. 41871

Best, Best & Krieger, by James H. Krieger and  
Glen E. Stephens, for applicant.  
 Permanente Cement Co., by Phillip A. Harrigan;  
 Lucerne Valley Leader, by John Hudson,  
 interested parties.  
Melvin E. Mezek, for the Commission staff.

O P I N I O N

By this application, filed January 21, 1960, California Interstate Telephone Company seeks an order of this Commission authorizing it to establish a Lucerne Valley Exchange in an area now partially served by each of applicant's Victorville and Big Bear Lake Exchanges, to expand into adjacent territory presently unserved, to revise exchange boundaries accordingly and to establish rates for service to be rendered in the new Lucerne Valley Exchange.

After due notice, public hearing in the matter was held before Examiner F. Everett Emerson on March 3, 1960, at Victorville. The matter was submitted on such date and is now ready for decision.

The community of Lucerne Valley is located about 21 miles from the Victorville Central Office and 14 miles from the Apple Valley Central Office of the Victorville Exchange. It is experiencing a large growth and whereas at the present time only about

150 telephone stations are in the valley, more than 840 are expected to be in service by 1962. The community is well separated from other communities and is not directly dependent on them. In view of such situation, it appears logical to provide telephone service based upon the community of interest which presently exists and which, it is anticipated, will strengthen in the immediate future. The area is presently provided 8-party line suburban service for both business and residential uses. Up-graded telephone service is desired by many. As of the date of hearing in this matter, applicant was holding 96 orders for either new or up-graded service in Lucerne Valley. Existing facilities are not adequate to fully meet these demands for both better service and growth. The point has been reached where, in the general public interest, the improved standard of service which will result from the implementation of applicant's proposal to establish a Lucerne Valley Exchange should not be delayed, and the Commission finds the fact so to be.

During a five-day period in February 1960, applicant's employees conducted a survey of 211 present and potential telephone subscribers in Lucerne Valley. Of this number 109 expressed some objection to applicant's proposal respecting toll charges between Lucerne Valley and the Victorville or Apple Valley areas. Twenty subscribers attended the hearing in this matter. Seven of them testified in opposition to the payment of toll charges. One expressed complete accord with applicant's proposal. All seemed in agreement that improved service, especially the replacement of 8-party lines with up-graded service, is needed. A number expressed the desire for "extended service" whereby calls to adjacent exchanges would be toll-free.

Because of an apparent misconception respecting the relationship of the charges made for toll usage and the charges

made for extended service, a brief statement of the principles involved may be helpful. Essentially the greater costs of rendering "extended service" are spread over all subscribers in the exchanges participating. The basic exchange rates in the respective exchanges then normally reflect the average traffic flow between the exchanges. In effect, each subscriber thus pays something greater than his basic rate so that toll-free calling may be made available to all. Stating the situation another way--the revenues not received from toll users are "made up" by revenues from basic exchange services, the latter being at higher charges than would be necessary if there were no toll-free calling to adjacent exchanges. Although simple in principle, extended service requires a complex study of the factors of plant facilities, revenues and calling habits before proper rates may be established for such service. The factors of plant facilities and of costs are directly related to the volume of traffic to be handled. Toll-free calling generates a large volume of traffic and requires substantially greater amounts of switching equipment, more circuits, a greater number of trunks and greater maintenance than does the toll-center plan proposed by applicant. Each of these items affects plant costs and the expenses of operations. All of the factors depend upon the calling habits (or traffic flow) of the telephone subscriber and these can most readily be determined from an analysis of operations under toll-calling conditions. Having such situation in mind, the Commission staff, during the course of the public hearing in this proceeding, suggested that the utility undertake to make such a study during the year following establishment of the toll rates proposed by the utility. Applicant indicated that it would follow the staff suggestion.

In view of the evidence and in the light of existing and immediately foreseeable circumstances, the Commission is of the

opinion that applicant's proposal respecting establishment of a toll center at Lucerne Valley is reasonable and that the matter of extended service should be deferred pending the results of the study which applicant will make of such subject. Further, the Commission finds that the authority sought by applicant in this application should be granted without modification thereof. The Commission also finds that applicant's proposed base rate area in Lucerne Valley and the proposed realignment of the exchange boundaries are reasonable and should be authorized. The Commission finds that the increased rates and charges for exchange telephone service which will result from the establishment of the new Lucerne Valley Exchange are justified and that existing rates and charges, insofar as they differ from those herein authorized, will become unfair and unreasonable at such time as Lucerne Valley Exchange telephone service is rendered.

O R D E R

Based upon the evidence and the findings and discussion respecting certain of its elements as contained in the foregoing opinion,

IT IS ORDERED as follows:

1. Applicant is authorized to file in quadruplicate with this Commission, on or after the effective date of this order and in conformity with the provisions of General Order No. 96, revised tariffs, which will provide for inclusion therein of the Lucerne Valley Exchange, as set forth in Exhibit G attached to the application herein and, on not less than five days' notice to the public and to this Commission, to make said revised tariffs effective for exchange telephone service on such date as exchange telephone service is rendered in said Lucerne Valley Exchange.

2. Coincident with the establishment of the tariffs hereinabove authorized, applicant shall establish its exchange area and base rate area at Lucerne Valley with boundaries which shall be as set forth in Exhibit B attached to the application herein and shall revise the boundaries of its Victorville and Big Bear Lake Exchanges to correspond therewith.

3. Applicant is authorized to establish a toll-rate center for Lucerne Valley Exchange as set forth on Exhibit A attached to the application herein coincidental with establishment of the tariffs hereinabove authorized.

4. Applicant shall file with this Commission four copies of each map of the base rate area and the exchange areas hereinabove mentioned, delineating thereon the precise boundaries thereof, as a part of the filing authorized in ordering paragraph 1, above.

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

Dated at San Francisco, California, this 3rd day of May, 1960.

Cecil R. Page  
President

John E. Mitchell

Walter D. Cook

E. L. Fox

Theodore Jensen  
Commissioners