

Decision No. 60287**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 author-)
 ity to consolidate its Bethel)
 Island, Brentwood, Byron, Knightsen)
 and Oakley exchanges into a new)
 exchange to be designated East)
 Contra Costa; to establish rates)
 for extended service between Antioch)
 exchange and East Contra Costa)
 exchange; and to withdraw certain)
 message toll telephone rates now in)
 effect.)

Application No. 41805

(List of Appearances are shown in Appendix B)

O P I N I O NApplicant's Request

By the above-entitled application filed on December 29, 1959, The Pacific Telephone and Telegraph Company seeks authorization pursuant to Section 454 of the Public Utilities Code to consolidate its Bethel Island, Brentwood, Byron, Knightsen and Oakley exchanges into a single exchange designated East Contra Costa, to establish rates for extended service between the new East Contra Costa and the Antioch exchanges, and to cancel certain toll and foreign exchange rates.

Public Hearing

After due notice public hearing was held on this application before Examiner William W. Dunlop on April 26, 1960 in Antioch. Applicant presented five exhibits and testimony through two witnesses in support of its request. The Commission staff presented an alternate service and rate arrangement for the consideration of the Commission through testimony of one witness and four exhibits.

Ten public witnesses, including a member of the Board of Supervisors of Contra Costa County, the Mayor of Brentwood, a representative of the Liberty Union High School District, the Lone Tree Medical Center, the Byron Fire Protection District, the Antioch Chamber of Commerce, and the Brentwood Chamber of Commerce, generally favored the telephone service plan of the applicant. The record also contains a list of 18 resolutions adopted by various organizations within the affected areas asking the Commission to grant the application.

No public witness stated a preference for the staff's alternative proposal. The representative of the Byron Fire Protection District, while generally favoring the service plan of the applicant, took exception to the difference in rate between Byron and Brentwood proposed by applicant.

The Commission staff presented Exhibit No. 8 showing the results of a survey of 73 residence subscribers in Brentwood and Byron. The exhibit shows that 18 per cent of these subscribers preferred present service and rates, 45 per cent preferred the applicant's proposed plan and rates, and 37 per cent preferred the Commission staff's proposed serving arrangement and rates. Comparison of Exhibit No. 8 with the testimony of the 10 public witnesses who favored the applicant's proposal appears to support the contention of the staff witness, that the principal demand for extended service generally originates with the business community rather than from residential subscribers.

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

Present Service

This application involves the following six present telephone exchanges of The Pacific Telephone and Telegraph Company in the eastern part of Contra Costa County:

<u>Exchange</u>	<u>Number of Telephones Jan. 1, 1960</u>	<u>Exchange Area Sq.Miles</u>	<u>Present Central Office Equipment</u>
Antioch	7,648	79	Dial No. 5 Crossbar
Bethel Island	387	8	Dial 355-A Step-by-Step
Brentwood	1,383	46	Dial 355-A Step-by-Step
Byron	249	30	Dial North Electric CX-200
Knightsen	161	24	Dial North Electric CX-200
Oakley	690	14	Dial 355-A Step-by-Step
Total	10,518	201	

Present exchange rates within Bethel Island, Byron, Knightsen and Oakley are at the same level; those within Brentwood are at a higher level and those within Antioch are at a still higher level. Antioch subscribers presently have extended service to the main district of Pittsburg exchange. Telephone calls between the above-mentioned six exchanges presently are made at toll rates which for three-minute station day messages, vary from 10 cents over some routes up to a maximum of 20 cents over the Antioch-Byron route. Centers of the five smaller exchanges generally lie from 6 to 14 miles east of Antioch.

Applicant represents that the dial offices at Byron and at Knightsen are of fixed capacity and because of growth would soon require replacement.

Desire for Change in Service Arrangements

The evidence shows that in April 1958, 92 per cent of the Byron subscribers petitioned applicant for a consolidation of Byron and Brentwood exchanges and requested unification of adjoining areas that in July 1958 the Brentwood City Council voted to support the Byron petition; that thereafter Knightsen people joined in support of the Byron petition; and that in March 1959, an informal complaint

was made to the Commission which, among other things, contended that the elimination of separate exchanges in the vicinity of Brentwood would increase the facility of communications.

Applicant's Proposed Service and Rate Arrangements

Applicant proposes to consolidate five exchanges, Bethel Island, Brentwood, Byron, Knightsen and Oakley, into one new East Contra Costa exchange, and at the same time to offer extended service between Antioch and the new exchange. Three separate central office locations are proposed initially to serve the new exchange, one at Bethel Island, one at Oakley and one at Brentwood. The Oakley office would serve both Oakley and Knightsen while the Brentwood office would serve Byron as well as Brentwood.

Present toll rate centers of the five exchanges are proposed by applicant to be discontinued and a new toll rate center for the new East Contra Costa exchange is proposed to be established at the same location as that of the present Brentwood exchange. Further, the base rate area proposed for East Contra Costa exchange includes all territory now encompassed within the base rate area of the present five exchanges. Two district areas also are proposed by applicant within the proposed new East Contra Costa exchange to be known as District Area 1 and District Area 2. The location of exchange, base rate area and district area boundaries as proposed by applicant are shown on Exhibit No. 1.

Coincident with the establishment of the proposed East Contra Costa exchange and introduction of extended service between said exchange and the Antioch exchange, applicant proposes to cancel present message toll telephone rates between the six present exchanges involved in this application as indicated on Exhibit No. 3. Establishment of East Contra Costa exchange as proposed by applicant also would

increase toll rates over certain routes, reduce toll rates over other routes and leave unchanged toll rates over still other routes as illustrated on Exhibit F of the application.

Applicant also proposes a withdrawal of rates for certain foreign exchange services which it claims will not be required upon establishment of the proposed extended service.

A comparison of present exchange rates with those proposed by applicant under its proposed serving arrangement are shown on Exhibit F of the application.

For principal classifications of service, such rates are summarized as follows:

	<u>Residence Service</u>				<u>Business Service</u>		
	<u>1-Party</u>	<u>2-Party</u>	<u>4-Party</u>	<u>Subr.</u>	<u>1-Party</u>	<u>2-Party</u>	<u>Subr.</u>
Antioch:							
Present	\$4.80	\$3.70	\$3.10	\$3.55	\$ 9.25	\$7.10	\$5.60
Proposed	4.85	3.75	3.15	3.60	9.30	7.15	5.65
Brentwood:							
Present	4.40	3.60	3.00	3.50	7.00	5.60	5.10
Proposed Dist.1	5.35	4.25	3.65	4.10	10.30	8.15	6.65
Proposed Dist.2	5.60	4.50	3.90	4.35	10.80	8.65	7.15
Bethel Island							
Byron							
Knightsen							
Oakley:							
Present	4.15	3.35	2.75	3.25	6.50	5.10	4.85
Proposed Dist.1	5.35	4.25	3.65	4.10	10.30	8.15	6.65
Proposed Dist.2	5.60	4.50	3.90	4.35	10.80	8.65	7.15

According to applicant's witness, the proposed rates for Districts 1 and 2 of the new East Contra Costa exchange give recognition to the greater distance between such districts and Antioch and hence to costs and value of service.

Staff Proposal

The staff proposed consolidation of Bethel Island, Knightsen and Oakley exchanges into one exchange (Exchange A); consolidation of Brentwood and Byron into a separate exchange (Exchange B); introduction of extended service between Exchange A and Exchange B, and between

Antioch and Exchange A; establishment of extended service rates as shown on Table 3-B of Exhibit 6; and establishment of toll rate centers for Exchanges A and B.

Under the staff's proposal Brentwood and Byron (Exchange B) subscribers would continue to pay a toll rate to call Antioch, whereas such calls would be made without toll charges under applicant's plan. With the less extensive local calling under the staff's plan, the exchange rates proposed by the staff were lower than those requested by applicant for its plan, except for certain business classifications in Antioch where the staff's rates were 5 cents per month higher than applicant's.

It was the staff's view that local calling between Antioch and Exchange B (Brentwood and Byron) was not warranted at this time. The staff was also concerned with the level of rates proposed by applicant for Antioch in relation to the level of rates proposed for the new East Contra Costa exchange since a redistribution of customer charges results from exchange consolidations and introduction of extended service. The staff noted that sizeable decreases in charges to a few customers are required to be offset by increases in charges to many customers.

Plant, Expense and Revenue Effects

Compared to a continuation of the present serving arrangement, applicant's plan results in a reduction in annual costs of \$17,800, increases in exchange revenues of \$40,500 and a reduction in toll revenues of \$56,100. Thus, subscriber charges in the aggregate are reduced by \$15,600 under applicant's plan based on the level of business as of June 30, 1958. The corresponding reduction under the staff's plan is \$14,400 and, because of the somewhat less extensive local calling area under the staff's plan, a somewhat less redistribution of charges among customers would result under the staff's plan.

Applicant's proposed exchange rates, according to its own estimates, are \$2,200 more than required to maintain its revenue position.

Findings and Conclusions

Based upon a careful review of the evidence, we find that applicant's plan of consolidation and extended service will best meet the present and future requirements for telephone service in the eastern portion of Contra Costa County and is in the public interest. However, we find that the exchange rates requested in the application are more than adequate to maintain applicant's revenue position. Accordingly certain downward adjustments in the requested rates, amounting to approximately \$2,200 lesser annual revenues, will be made by the order herein. In authorizing the withdrawal of certain foreign exchange rates as requested, we will expect applicant to satisfy any present or future demands that may exist or develop for such service in the area by appropriate tariff filings. With respect to the applicant's use of the term "district area" as applied to the different portions of the East Contra Costa exchange, it has introduced a new meaning to this term not in accord with its own tariffs nor in accord with generally accepted usage and practice in this State. Use of the term "zone" would be in accord with the generally accepted usage and practice in this State. The order herein will specify the term "zone" in lieu of "district area" as proposed by applicant.

The Commission is also concerned as to the testimony of the staff witness that consolidation of the exchanges and introduction of extended service will cause increased relative exchange usage of plant and thereby may effect a lowering of the rate of return of the separated exchange operations of the area involved. To ascertain the facts in this respect the order herein will require that appropriate comparative studies be made.

We find, therefore, that the increases in rates and charges herein authorized are justified and that present rates and charges upon the consolidation of exchanges and introduction of extended service are for the future unjust and unreasonable.

O R D E R

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

IT IS ORDERED that:

1. The Pacific Telephone and Telegraph Company, after the effective date of this order and on or before March 31, 1962, is authorized and directed to (a) discontinue the Bethel Island, Brentwood, Byron, Knightsen and Oakley exchanges; (b) cancel and withdraw the exchange rates in the above-listed five exchanges and in the Antioch exchange; (c) establish a new exchange to be known as East Contra Costa comprised of two zones with exchange, zone and base rate area boundaries substantially as shown in Exhibit No. 1; (d) establish rates for extended service in Antioch exchange and in East Contra Costa exchange as set forth in Appendix A hereof; (e) establish a toll rate center for East Contra Costa exchange as requested in the application; (f) cancel and withdraw message toll telephone service rates between the six exchanges named in Exhibit No. 3; and (g) cancel and withdraw foreign exchange service rates for Antioch service in Brentwood, Brentwood and Oakley service in Knightsen, Antioch and Brentwood service in Oakley, and Oakley service in Antioch.

2. Necessary tariff schedule filings shall be made in accordance with General Order No. 96 and, after not less than ten days notice to the public and to this Commission, such tariff

filings shall be made effective coincident with the exchange consolidation and offering of extended service as set forth in ordering paragraph 1 hereof.

3. Applicant shall prepare studies, on comparable basis that develop the separated exchange rates of return of the area, consisting of Antioch and East Contra Costa exchanges, on the following two bases: (1) exchanges not consolidated and extended service not introduced, (2) exchanges consolidated and extended service in effect. The results of these studies shall be filed with the Commission no later than March 31, 1963.

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

Dated at San Francisco, California, this 20th day of June, 1960.

[Signature]
 President

[Signature]

[Signature]

[Signature]

[Signature]
 Commissioners

APPENDIX A

RATES

The presently effective rates, charges and conditions are changed as set forth in Exhibit No. 4, except that:

1. District Area 1 and District Area 2 of the East Contra Costa exchange shall be identified as Zone 1 and Zone 2, respectively.
2. The following rates for the principal classifications of residence flat rate service in East Contra Costa exchange are authorized:

<u>Residence Flat Rate Service</u>	<u>Rate per Month</u>	
	<u>East Contra Costa Exchange Zone 1</u>	<u>Zone 2</u>
Individual Line	\$5.25	\$5.50
Two-Party Line	4.15	4.40
Four-Party Line	3.55	3.80
Suburban Line	4.00	4.25
Farmer Line	1.65	1.90

APPENDIX B

LIST OF APPEARANCES

For Applicant: Arthur T. George and Pillsbury, Madison & Sutro, by Denis T. Rice and Charles B. Renfrew.

Interested Parties: Joe S. Silva, for Board of Supervisors of Contra Costa County; B. J. Callaghan, for Liberty Union High School District; Charles C. Duffy, for Lone Tree Medical Center; J. D. Hoell, for Byron Committee and Byron Fire Protection District; Del Mark, for Credit Bureau of Diablo Valley; A. C. Christensen, for City of Brentwood; Wesley D. Bush, for Antioch Chamber of Commerce; Thomas L. Henninger, for Brentwood Irrigated Farms Co.; Samuel G. Somerholder, for Knightsen Fire Station, Oakley Fire Protection District; Paul E. Barnes, for Brentwood Chamber of Commerce; Harry A. Hobbs, for Liberty Union High School; Tom Sawyer, for Bethel Isle Chamber of Commerce; Ralph Hubbard, for California Farm Bureau Federation; Mrs. Eunice Castoro, for herself; C. J. Smith, for himself.

Commission staff: J. B. Balcomb.