

60325

ORIGINAL

Decision No. _____

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 expand its Monte Rio exchange and)
 to establish a special rate area)
 therein.)

Application No. 41927

In the Matter of the Suspension and)
 Investigation on the Commission's)
 own motion of tariffs covering)
 establishment of new telephone)
 exchange at Jenner filed by Advice)
 Letter No. 3 of THE REDWOOD EMPIRE)
 TELEPHONE SYSTEM.)

Case No. 6450

Arthur T. George and Pillsbury, Madison & Sutro, by
Denis T. Rice and Charles B. Renfrew, for The
 Pacific Telephone and Telegraph Company, appli-
 cant in Application No. 41927 and interested party
 in Case No. 6450.

M. H. Morgan, for The Redwood Empire Telephone System,
 protestant in Application No. 41927 and respondent
 in Case No. 6450.

Neal C. Hasbrook, for California Independent Telephone
 Association; and Ralph Hubbard, for California Farm
 Bureau Federation, interested parties in both
 proceedings.

E. A. Hosmer, for E. A. Hosmer & Co. and for Independ-
 ent Telephone Company, interested party in Case
 No. 6450.

Paul Popenoe, Jr. and E. C. Crawford, for the
 Commission staff.

O P I N I O NNature of Proceeding

The Pacific Telephone and Telegraph Company^{1/} filed the
 above-entitled application on February 5, 1960 seeking authority under
 Section 454 of the Public Utilities Code to (1) expand its Monte Rio
 exchange in Sonoma County and to establish a special rate area therein

^{1/} Hereinafter sometimes referred to as Pacific.

at Jenner substantially as indicated on Exhibit A of the application; (2) file and make effective, coincident with the establishment of the special rate area, rates as shown in Exhibit B of the application; and (3) discontinue all toll stations within the special rate area. Thereafter, on March 25, 1960, Redwood Empire Telephone System^{2/} filed its Advice Letter No. 3 covering establishment of rates for a new telephone exchange and base rate area at Jenner. The major developed portion of the territory Redwood desires to serve is sought by Pacific in its application herein to be included within its Monte Rio exchange. Accordingly, on April 12, 1960, the Commission issued its order of suspension and investigation in the above Case No. 6450, suspending the tariff sheets filed by Redwood under its Advice Letter No. 3 until August 22, 1960, unless otherwise hereafter ordered.

Public Hearing

After due notice, one day of public hearing on Pacific's application was held before Examiner William W. Dunlop on April 5, 1960 at Santa Rosa. At that hearing Pacific presented three exhibits and testimony through two witnesses in support of its request. Two residents of Jenner testified concerning the requirement for improved telephone service in the area and outlined the growth being experienced in the community. A petition containing the signatures of some 70 people desiring improved telephone service was presented. In addition, a representative of the California Farm Bureau Federation testified that in his opinion it was highly important that telephone service in Jenner be improved and that nothing should be done to preclude improvement of service up Highway 1 to Gualala. Also, Redwood presented as an exhibit its tariff filing made under its Advice Letter No. 3.

^{2/} Hereinafter sometimes referred to as Redwood.

Hearing on Pacific's application was continued to May 17, 1960 at which time the Commission's investigation under Case No. 6450 was consolidated with said application for hearing. Redwood presented two exhibits and testimony through one witness supporting its plan to serve the area. Following cross-examination, rebuttal evidence by Pacific, and oral closing statements by the parties both matters were taken under submission subject to the receipt of one late-filed exhibit. Both matters now are ready for decision.

The Applicant

The Pacific Telephone and Telegraph Company is a California corporation providing general telephone service in many California communities and in other western states. It presently provides toll station service in the Jenner area and has so done for some 50 years. Pacific also provides exchange service (Monte Rio and Guerneville exchanges) in adjacent or nearby areas.

The Respondent

The Redwood Empire Telephone System is a California corporation providing public utility telephone service within the Cazadero exchange in Sonoma County. Cazadero exchange is adjacent to the Jenner area but is somewhat further removed from the community of Jenner than is Pacific's Monte Rio exchange.

Nature of Evidence

The community of Jenner is located near the mouth of the Russian River in Sonoma County approximately six miles west of the town of Monte Rio. Present telephone service at Jenner consists of 14 toll stations served by Pacific from its Santa Rosa toll office. These toll stations are connected to open wire circuits which extend westward from Monte Rio along State Highway 12 on the north side of the Russian River to Jenner and then north along State Highway 1 to Pacific's Gualala exchange. Applicant estimated the permanent population of Jenner at about 200 inhabitants.

In 1957 both Redwood and Pacific filed applications with this Commission seeking authority to establish an exchange at Jenner to the exclusion of the other company.^{3/} After hearing, the Commission by Decision No. 55779 dated November 5, 1957, concluded that the Jenner area was then adequately served by toll stations and that the establishment of exchange service was not then warranted, and denied the request of both utilities pertaining to the Jenner area.

Pacific now states that there is a requirement for the offering of exchange service in Jenner and that it can best be met by extending Monte Rio exchange facilities to serve the area. Accordingly Pacific proposes to expand its Monte Rio exchange to include about 21.3 square miles of territory now located outside the boundaries of any exchange areas and to establish a special rate area therein to include the community of Jenner.

A primary consideration in Pacific's request at this time to provide exchange service at Jenner appears to be its plan to replace certain open wire facilities with cable along Moscow Road from Monte Rio to Duncan Mills. According to Pacific, it has studied the future requirement for cable pairs along this route and has concluded it would be warranted in placing a cable of sufficient size to accomplish the following objectives:

1. Substitute cable facilities for open wire facilities along State Highway 12 which now serve the toll stations in Jenner and the area to the north.
2. Provide additional facilities which will soon be required to meet growing demands for service in the area north of Jenner.

^{3/} Application No. 39204 of Redwood Empire Telephone System, filed on July 3, 1957, and Application No. 39254 of The Pacific Telephone and Telegraph Company, filed on July 23, 1957.

3. Provide facilities to enable the furnishing of exchange telephone service in lieu of toll station service in Jenner and vicinity.

Pacific expects that during the next several years a considerable portion of its open wire toll lead along State Highway 12 will need to be moved or replaced in conjunction with anticipated realignment of that highway. Moreover Pacific asserts that by initially installing a cable along Moscow Road of sufficient size to care for the three requirements enumerated above, a more economical basis of service would result than would be the case were Pacific to initially place a small size cable along Moscow Road and make subsequent reinforcements on a piece-meal basis.

Redwood proposes to serve Jenner by the establishment of a separate exchange comprising some 93.5 square miles of territory contiguous to its Cazadero exchange as shown on Exhibit No. 4. A base rate area is proposed by Redwood to be established at Jenner. Redwood also proposes that its presently effective rates for its Cazadero exchange be made effective in its proposed Jenner exchange. Under Redwood's plan toll rates would apply on calls between Jenner and Monte Rio, which for a station day initial period message would be 10 cents. Under Pacific's plan no toll rates would apply on calls between Jenner and Monte Rio and the toll rate for calls between Jenner and Santa Rosa and between Jenner and Sebastopol would be reduced by 10 cents compared with Redwood's plan.

Redwood estimates a potential development of 125 telephones in the 93.5 square miles of territory it proposes to serve. Necessary construction, according to Redwood, could be completed and service available by the third quarter of 1961. Redwood proposes financing through a Rural Electrification Administration loan but has made no commitments or applications for such financing. Redwood claims it

could provide service on a temporary basis at Jenner in less than a year through a used dial central office which it has available.

In the area proposed for inclusion in the Monte Rio exchange, Pacific forecasts that by January 1, 1961, there will be a requirement for 36 lines and 46 main stations and that necessary construction to provide Monte Rio exchange service in Jenner and vicinity can be completed within approximately one year.

The rates which Pacific proposes for primary service in the proposed Jenner special rate area are Monte Rio base rates plus an incremental amount equivalent to a 2/4 mile suburban mileage charge in recognition of the distance between the special rate area and the Monte Rio base rate area. Pacific's proposed rates for principal grades of service within the special rate area compared with Redwood's proposed base rates are as follows:

	<u>Flat Rate per Month</u>	
	<u>Pacific</u>	<u>Redwood</u>
Business		
Individual line	\$ 7.50	\$5.50
Two-Party	5.80	4.50
PBX Trunk	10.75	-
Residence		
Individual line	5.15	4.50
Two-Party	4.05	3.60
Four-Party	3.25	3.10

Rates proposed for ten-party suburban service by Pacific are \$4.85 for business and \$3.25 for residence compared with \$4.50 and \$3.60, respectively, proposed by Redwood.

With respect to telephone service north of Jenner, Pacific proposes to provide by July of this year five additional toll circuits and augment by 2 the existing 21 toll stations now served by Pacific from Jenner north to Gualala. Redwood saw a potential of approximately 48 exchange telephones in the area north of Jenner.

Pacific estimated the gross construction for its proposed cable extension to Jenner, station equipment, and distribution plant within the Jenner area, at \$33,000. Redwood, on the other hand, estimated its plan of service would require some \$78,900 of construction.

Findings and Conclusions

In view of the evidence we find and conclude the facts to be, that:

1. Residents of Jenner have a greater community of interest with Monte Rio, Sebastopol, and Santa Rosa than they do with areas either to the north or south of Jenner along Highway 1.
2. Public convenience and necessity require and will require the provision of exchange telephone service at Jenner, and Pacific should be authorized to expand its Monte Rio exchange and establish a special rate area at Jenner as proposed by Pacific.
3. Exchange service to the balance of the area proposed in Exhibit No. 4. by Redwood is not now warranted.
4. The tariff filing made by Redwood under its Advice Letter No. 3 should be permanently suspended.
5. Such increases in rates or charges as will result from a granting of Application No. 41927 are justified and present rates in so far as they differ from those hereinafter authorized upon the provision of exchange telephone service in the Jenner area are for the future unjust and unreasonable.

O R D E R

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

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 31, 1961, expand its Monte Rio exchange to include the Jenner area and establish a special rate area substantially as delineated on Exhibit No. 1 and provide exchange and toll telephone service in accordance with the rates set forth on Exhibit No. 2.

2. The Pacific Telephone and Telegraph Company is authorized to discontinue all toll stations within the Jenner special rate area coincident with the establishment of exchange service therein.

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

4. The suspension of the tariff filing made by The Redwood Empire Telephone System under Advice Letter No. 3 on March 25, 1960, shall be and hereby is made permanent.

5. The Pacific Telephone and Telegraph Company shall file with this Commission quarterly reports of progress in providing exchange telephone service to Jenner. Such reports shall be filed within thirty days following the close of each quarter, commencing with the quarter ending September 30, 1960 and continue thereafter until exchange telephone service is established at Jenner.

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

Dated at San Francisco, California, this 28th day of June, 1960.

[Signature] President
[Signature]
[Signature]
[Signature]
Theodore Deane Commissioners

Commissioner Everett C. McKeage being necessarily absent, did not participate in the disposition of this proceeding.