

**ORIGINAL**Decision No. 60850

## 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 )  
 rates in an exchange to be designated )  
 Lake Berryessa, Napa County, Califor- )  
 nia. )

Application No. 42187

In the Matter of the Application of )  
 CAPAY VALLEY TELEPHONE SYSTEM INC., a )  
 California corporation, for an order )  
 authorizing it to publish, file and )  
 place in effect rates in an exchange )  
 to be designated Lake Berryessa, Napa )  
 County, California. )

Application No. 42490

Arthur T. George and Pillsbury, Madison and Sutro  
 by Denis T. Rice, for The Pacific Telephone and  
 Telegraph Company, applicant in Application  
 No. 42187.

Andrew E. Smith and G. Warren Schomaker, for Capay  
 Valley Telephone System, Inc., applicant in  
 Application No. 42490.

Neal C. Hasbrook, for California Independent Tele-  
 phone Association; Ralph Hubbard, for Califor-  
 nia Farm Bureau Federation; Crawford C. Hill,  
 for Wooden Valley and Capell Valley; Donald J.  
McFarland, for Spanish Flat Resort; Charles M.  
Fryer, Jr., and Wilton B. Fryer, for Fryer  
 Cattle Company; H. D. Adams, for Lake Berryessa  
 Park Commission; Jack Streblow, for himself;  
Francis P. Healey, for Lake Berryessa Enterprises,  
 Inc.; and Herbert Gunn, Jr., for Gunn Ranch,  
 interested parties.

John E. Brown, for the Commission staff.

O P I N I O NNature of Proceeding

The Pacific Telephone and Telegraph Company (Pacific) filed  
 the above-entitled Application No. 42187 on April 22, 1960, seeking  
 authority to (1) establish an exchange to be known as Lake Berryessa  
 in Napa County with exchange and base rate area boundaries substan-  
 tially as shown on Exhibit A of the application, (2) file and make

effective, coincident with the establishment of Lake Berryessa exchange, rates as shown on Exhibit C of the application, and (3) establish a toll rate center in said exchange.

Thereafter, on July 21, 1960, Capay Valley Telephone System (Capay) filed its Application No. 42490 seeking authority to establish an exchange to serve essentially the same area sought to be served by Pacific in the vicinity of Lake Berryessa, Napa County, and to establish a toll rate center and file rates for telephone service. Capay's proposed exchange and base rate area boundaries are shown on Exhibit D of the application while its proposed rates are set forth on Exhibit E of the application.

#### Public Hearing

After due notice, public hearing on both applications was held on a consolidated record at Napa on August 23, 1960, before Examiner William W. Dunlop. Pacific presented exhibits and testimony through two witnesses in support of its request. Capay presented testimony through three witnesses in support of its request. The Commission staff presented two exhibits comparing the two services and rate proposals and the cost estimates and cross-examined witnesses. A representative of California Independent Telephone Association and a representative of California Farm Bureau Federation also cross-examined witnesses.

Six public witnesses testified concerning the need for improved telephone service in the vicinity of Lake Berryessa, five of whom supported the application of Pacific while one supported the application of Capay.

At the conclusion of the one day hearing, both matters were submitted subject to the receipt of one late-filed exhibit within ten days. Such exhibit having been filed, the matters now are ready for decision.

### The Applicants

The Pacific Telephone and Telegraph Company is a California corporation providing general telephone service in many California communities and in other Western States. Presently, it provides toll station service on the western shore of Lake Berryessa in the vicinity of Spanish Flat and has so done since May 1957. Pacific also provides exchange service in seven exchanges lying adjacent to the proposed Lake Berryessa exchange.

Capay Valley Telephone System, Inc., is a California corporation providing public utility telephone service within the Guinda exchange in Yolo County to approximately 180 telephone stations. Guinda exchange is adjacent to the northeast boundary of the proposed Lake Berryessa exchange but is somewhat further removed from the more developed portions of the lake area than is Pacific's Napa exchange.

### Lake Berryessa Area

The area sought to be served by each applicant to the exclusion of the other surrounds Lake Berryessa, an artificial lake about 15 miles long and 3 miles wide, lying in the Monticello Valley in Napa County. No telephone exchange service presently is provided to the area, although Pacific serves 17 toll stations in the territory.

Prior to the formation of the lake an independent telephone company, Monticello Telephone Exchange, provided exchange and toll telephone service in the valley which, at that time, included the town of Monticello. The lake now covers the former townsite. In accordance with this Commission's Decision No. 53768 in Application No. 38145, the Monticello company ceased operations in October 1956. Thereafter, Pacific offered and furnished toll station service to former Monticello subscribers who relocated in the vicinity of Spanish Flat on the southwest side of the lake.

The evidence reveals that extensive resort building programs have been started on the southern and western sides of Lake Berryessa; that these resorts cater to between 15,000 and 20,000 people on week ends; and that homesites are also being planned, with the first subdivision of some 100 lots now under development near Pope Creek. Present population in the area is stated to approximate 225 with 1,300 expected within five years.

Service by Pacific

To meet present and future demands for telephone service, Pacific proposes to establish an exchange to be designated Lake Berryessa. The exchange area as proposed by Pacific includes about 260 square miles, of which about 40 are lake surface. Pacific's proposed base rate area includes the community of Spanish Flat and has a total area of about six tenths of a square mile. It is shown by the testimony that Pacific canvassed the proposed exchange area and obtained 18 business and 27 residence service applications. Pacific expects, however, to serve 108 main telephones the first year of exchange operation and about 250 by 1965.

Pacific proposes to construct a dial central office in leased quarters within the proposed exchange. Such central office is proposed to be equipped for full selective ringing on 4-party lines and semiselective ringing on 8-party lines. It is further proposed that traffic requiring the assistance of an operator will be handled at Pacific's Napa operator office. Pacific also proposes initially about 43-route miles of outside plant to serve exchange subscribers. Necessary construction, according to Pacific, can be completed in May 1961.

Service by Capay

Capay proposes establishment of an exchange at Lake Berryessa containing approximately 215 square miles, with a base rate

area of about five tenths of a square mile in and around the community of Spanish Flat. Capay's canvass of the area resulted in its obtaining 29 applications for business and 22 applications for residence service. It is anticipated by Capay that by the time it can provide the proposed exchange service, there will be a requirement for about 55 business and 40 residence services.

Construction of a central office building, installation of Stromberg-Carlson "XY" dial central office equipment with full selective ringing on all lines, and construction of some 26-route miles of outside plant are proposed by Capay. The initial outside plant construction proposed by Capay is some 17 route miles less than that proposed by Pacific and does not provide facilities for service to the east side of the lake. Traffic requiring the assistance of an operator is proposed to be automatically routed to Pacific's Napa operator office.

Capay further proposes that one maintenance employee be permanently located within the proposed exchange. Pacific, on the other hand, proposed to provide maintenance service to the proposed exchange from its Napa office.

Financing of Capay's proposed plant construction is planned by means of a 6 per cent loan from Stromberg-Carlson Credit Corporation, secured by a mortgage on existing and proposed plant. However, in Application No. 42490 Capay does not seek authorization for such financing. Necessary construction, according to Capay, could be completed in May 1961.

Comparison of Proposed Rates

A comparison of the basic exchange rates proposed by each applicant for Lake Berryessa follows:

<u>Service</u>	<u>Rate per Month</u>	
	<u>Pacific</u>	<u>Capay</u>
Business:		
1-party	\$7.00	\$9.00
2-party	5.60	7.50
Suburban 10-party	5.10	6.90
Residence:		
1-party	4.40	5.80
2-party	3.60	4.65
4-party	3.00	4.30
Suburban 10-party	3.50	4.55

Both applicants propose the establishment of a toll rate center within the proposed exchange at the same location.<sup>1</sup>

Accordingly, the same toll rates would apply under either of the two plans. Pacific further proposes to discontinue all existing toll stations within its proposed base rate area when exchange service becomes available in the area. Toll station subscribers located outside the base rate area would have the option of continuing such service or of subscribing to exchange service, under Pacific's plan.

With the establishment of a new toll rate center for the proposed exchange, increases in toll rates over certain routes and decreases over other routes would result. The over-all effect of such changes is expected to be a decrease in charges of a nominal amount.

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<sup>1</sup> Southwest one-quarter of Section 17, Township 8 North, Range 3 West, Mount Diablo Base and Meridian.

Cost to Serve

The following tabulation will serve to summarize the evidence on estimates of cost to serve the area presented by each of the applicants under their respective plans.

	First Year of Operation Estimated Cost to Serve	
	<u>Pacific</u>	<u>Capay</u>
Exchange Plant Investment .....	\$ 90,985	\$76,225
Toll Plant Investment .....	25,615	-
Total Plant Investment .....	116,600	76,225
Annual Cost to Serve, Including 7% Rate of Return .....	31,500	20,335
Annual Revenue at Proposed Rates		
Exchange .....	5,700	10,535
Toll .....	7,800	9,750
Total .....	13,500	20,335
Annual Revenue Less Annual Cost Including 7% Rate of Return .....	(18,000)	-

(Red Figure)

The above data are not directly comparable in several respects. Under either plan, Pacific would be required to spend \$25,615 for the toll plant. Further, Pacific's costs include construction of over 17-route miles of exchange outside plant more than Capay's proposal. This additional exchange plant, Pacific estimates at \$25,000 in order to serve additional subscribers, particularly on the east side of Lake Berryessa, not initially contemplated to be served by Capay. Another difference in the above costs results from Capay's proposal to own the land and central office building and Pacific's proposal to lease such facilities. Capay's estimate of annual costs includes \$5,640 for return and income taxes

compared with more than \$11,000 in Pacific's estimate for these items.

If Pacific's cost estimates are adjusted to reflect the less extensive service under Capay's proposal, or if Capay's estimates are adjusted to reflect the more extensive service under Pacific's proposal, there appears to be no appreciable difference in cost to serve.

It is apparent, however, from the above comparison that the rates for exchange service proposed by Capay are designed to fully offset its estimate of the cost initially to serve the territory while the rates proposed by Pacific fail to offset its estimate of the cost initially to serve the territory. Pacific expects, however, that future growth of the territory will reduce the indicated difference between cost and revenues.

#### Findings and Conclusions

Based upon the evidence of record, the Commission finds and concludes as follows:

1. Public convenience and necessity require and will require the provision of exchange telephone service adjacent to Lake Berryessa.

2. Pacific has been providing telephone service to the area on a toll station basis since May 1957.

3. Pacific filed its application to provide exchange service to the territory approximately three months prior to the application of Capay.

4. For comparable extent of service there appears to be no appreciable difference in cost to serve.

5. Pacific's proposed rates, while lower than Capay's, do not provide sufficient revenues to offset the estimated costs of first year operations. However, future growth of the territory should tend to bring Pacific's revenues more in line with costs.



6. Five public witnesses urged the granting of Pacific's application and one public witness urged the granting of Capay's application.

7. Pacific's application should be granted and Capay's application should be denied.

8. Such increases in rates or charges as result from a granting of Pacific's application are justified and present rates and charges upon the establishment of Lake Berryessa exchange are 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 June 1, 1961, establish an exchange to be known as Lake Berryessa served by dial central office equipment with exchange and base rate area boundaries substantially as shown on Exhibit A of Application No. 42187, with rates as shown in Exhibit C of said application, and with a toll rate center as set forth in said application and as discussed above.

2. The Pacific Telephone and Telegraph Company is authorized to discontinue all toll stations within the base rate area of Lake Berryessa exchange 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. Application No. 42490 be and it hereby is denied.

5. The Pacific Telephone and Telegraph Company shall file with this Commission quarterly reports of progress in providing exchange telephone service to the Lake Berryessa area. Such reports shall be filed within thirty days following the close of each quarter, commencing with the quarter ending December 31, 1960, and continue thereafter until exchange telephone service is established at Lake Berryessa.

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

Dated at San Francisco, California, this 11th day of October, 1960.

*W. L. ...* President  
*W. L. ...*  
*E. ...*  
*Theodore ...* Commissioners

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