

**ORIGINAL**

Decision No. 60914

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 establish rates for extended serv-  
ice in its Benicia and Vallejo exchanges )  
in lieu of present exchange rates and )  
to cancel and withdraw message toll )  
telephone service rates now in effect )  
between Benicia and Vallejo. )

Application No. 42065

Arthur T. George and Pillsbury, Madison & Sutro, by  
Denis T. Rice, for applicant.  
G. Wilfred Hewitt, for City of Vallejo; Robert Demmon,  
for Downtown Association of Vallejo; Melvin L. Dykes,  
for Vallejo Chamber of Commerce; R. P. Heffernan, for  
Tennessee Street District Association, Inc.; John H.  
Bohn, for City of Benicia; Mrs. L. D. Turner, for  
Benicia Women's Club; Quentin W. Babcock, for Benicia  
Chamber of Commerce; and Frank Passalacqua, for Benicia  
Kiwanis Club; interested parties.  
Mary Moran Pajalich, for the Commission staff.

O P I N I O N

Applicant's Request

The Pacific Telephone and Telegraph Company filed the above-entitled application on March 22, 1960, seeking authorization to:  
(1) file and make effective rates for extended service in Benicia and Vallejo exchanges, (2) expand the local service area of Benicia exchange to include Vallejo, (3) expand the local service area of Vallejo to include Benicia, (4) cancel and withdraw message toll telephone service rates between Benicia and Vallejo, and (5) cancel and withdraw from its tariff schedules foreign exchange service applicable to Vallejo service in Benicia.

Public Hearing

After due notice, public hearing was held on this application before Examiner William W. Dunlop on September 20, 1960 in

Vallejo. Applicant presented four exhibits and testimony through two witnesses in support of its request. The Commission staff cross-examined witnesses and presented two exhibits and testimony by one witness analyzing a business message rate plan for the information of the Commission.

Representatives appearing on behalf of the Vallejo Chamber of Commerce, the City Council of Benicia, the Planning Commission of Benicia, the Kiwanis Club of Benicia, the Benicia Chamber of Commerce, the City Council of Vallejo, the Tennessee Street District Association, Inc., the Downtown Association of Vallejo, and the Springstowne Merchants Association presented testimony, resolutions, and communications favoring applicant's request and opposing the message rate plan presented by the Commission staff. The record also contains a communication from Senator Luther E. Gibson of Solano County urging that the application as filed be granted. No public witness stated a preference for message rate service.

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

#### Present Service

This application involves applicant's Vallejo and Benicia exchanges located in Solano County. Vallejo exchange serves an area of about 80 square miles with a population of about 100,000. Telephone service in Vallejo exchange is furnished to approximately 30,500 telephones by means of dial central office equipment. Benicia exchange encompasses an area of 20 square miles, has a population of 9,100, and serves about 2,700 telephones by means of an eight position manual central office switchboard.

The town of Benicia is located about 9 miles southeast from downtown Vallejo. Telephone calls between the two exchanges presently are subject to toll charges. For a three-minute station day message,

the toll rate is 10 cents. Applicant estimates that about 15,800 toll messages monthly originate in Benicia for Vallejo; that about 11,000 toll messages per month originate in Vallejo for Benicia; that the annual toll charges on traffic from Benicia to Vallejo approximate \$29,500; and that the annual toll charges on traffic from Vallejo to Benicia approximate \$20,700.

According to applicant, growth in Benicia exchange is such that the present manual equipment will be exhausted in the near future and, when this occurs the existing manual facilities will be replaced with dial equipment.

#### Desire for Change in Service Arrangements

The testimony reveals that the Benicia Chamber of Commerce, the Benicia City Council and the Board of Directors of Benicia Kiwanis Club have, for the past several years, urged applicant to replace the present Benicia manual service with dial and to provide extended service between Benicia and Vallejo. Provision of extended service between the two exchanges is also favored by the City of Vallejo, Vallejo Chamber of Commerce and several other business organizations of Vallejo.

#### Applicant's Proposed Service and Rate Arrangements

Applicant states that based upon its studies it would be practicable to establish extended service between Vallejo and Benicia coincident with the conversion of the Benicia exchange from manual to dial operation now scheduled during May 1962. Upon the establishment of extended service, applicant proposes to increase exchange rates, cancel present message toll telephone rates between Vallejo and Benicia, and also proposes to withdraw the offering of Vallejo foreign exchange service in Benicia. It appears from the testimony that there are presently two Vallejo business foreign exchange service customers in Benicia. While it was the view of applicant's witness there would

be no further requirement for such foreign exchange service upon the introduction of the proposed extended service, he acknowledged that the two customers affected had not been specifically advised of applicant's plan to discontinue such foreign exchange service, and that the customers affected had not indicated to applicant they would have no further requirement for foreign exchange service upon establishment of extended service. Applicant's witness further testified that foreign exchange service would be offered if there was a requirement for the service.

#### Staff Investigation

The Commission staff witness concluded that extended service between Benicia and Vallejo appears feasible and desirable and that foreign exchange service between Benicia and Vallejo should continue to be provided upon request of subscribers. He showed the effect of establishing nonoptional business individual line message rate service and PBX trunk message rate service in lieu of business individual line, two-party line and PBX trunk flat rate services proposed by applicant. The staff's trial rates include a 5-cent per month greater increase for residence subscribers than proposed by applicant. It was the staff's view that message rate treatment would provide a greater equity in the distribution of charges as between the user who placed many calls and the user who placed but few calls.

#### Rates - Present and Proposed

A comparison of present exchange rates with those proposed by applicant and by the staff for extended service are summarized in the tabulation following for principal classifications of service.

Rate Per Month						
Benicia			Vallejo			
Extended Service			Extended Service			
Company Staff			Company Staff			
Present	Proposed	Trial	Present	Proposed	Trial	

Business

1-Party Flat	\$ 7.00	\$10.30	\$ -	\$ 9.75	\$ 9.80	\$ -
1-Party Message*	-	-	7.00(75)	-	-	6.50(75)
2-Party Flat	5.60	7.90	-	7.35	7.40	-
PBX Trunk Flat	10.50	15.25	-	14.50	14.50	-
PBX Trunk Msg.*						
Com'l 1st 2 Tks.	-	-	7.00(0)	-	-	6.50(0)
Ea. Add'l Tk.	-	-	3.50(0)	-	-	3.25(0)
Suburban Flat	5.10	6.15	6.20	5.60	5.65	5.70

Residence

1-Party Flat	4.40	5.20	5.25	4.90	4.95	5.00
2-Party Flat	3.60	3.90	3.95	3.60	3.65	3.70
4-Party Flat	3.00	3.30	3.35	3.00	3.05	3.10
Suburban Flat	3.50	3.80	3.85	3.50	3.55	3.60

\* A message rate of 5 cents for each message over the allowance indicated is proposed by the staff.

The somewhat higher proposed extended service rates for Benicia than for Vallejo, according to applicant, are in recognition of the distance between the developed portions of the two exchanges.

Plant, Expense and Revenue Effects

Compared to a continuation of the present serving arrangement of toll calling between Vallejo and Benicia, applicant's extended service plan results in a reduction in annual costs of \$12,100, increases in exchange revenues of \$37,200 and a reduction in toll revenues of \$50,200. Thus, under applicant's plan subscriber charges in the aggregate are reduced by \$13,000 based upon the estimated level of business as of June 30, 1961.

The message rate plan, according to the staff's analysis, requires \$85,800 more plant, \$24,500 more in annual costs to the utility, and \$23,400 more in charges to telephone users than applicant's plan. Applicant represents the staff's cost estimates are understated in that they do not include the amortization of certain nonrecurring expenses over a five-year period.

Message rate service was opposed by the applicant, and as previously indicated, by all public witnesses at the hearing herein.

Findings and Conclusions

Based upon a careful review of the evidence, we find that the introduction of extended service between Vallejo and Benicia in accordance with the request contained in the application will result in cost savings to the applicant and at the same time will result in an over-all reduction in total charges for telephone service to users in the area and is in the public interest. Message rate service, while providing an equitable basis of charges for large and small business users, will not be ordered under the circumstances herein.

In authorizing the withdrawal of 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.

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

ORDER

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

IT IS ORDERED that:

1. The Pacific Telephone and Telegraph Company, after the effective date of this order and on or before September 30, 1962, is authorized and directed to (a) establish rates for extended service in Vallejo and in Benicia exchanges as set forth in Exhibit B of

the application in lieu of present exchange rates; (b) expand the local service area of Benicia to include Vallejo; (c) expand the local service area of Vallejo to include Benicia; (d) cancel and withdraw message toll telephone service rates between Vallejo and Benicia; and (e) cancel and withdraw foreign exchange service rates for Vallejo service in Benicia.

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 furnishing of extended service as set forth in ordering paragraph 1 hereof.

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

Dated at San Francisco, California, this 18<sup>th</sup> day of October, 1960.

[Signature]  
President

[Signature]

[Signature]

[Signature]  
Commissioners