

ORIGINALDecision No. 61868

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
 service in its Martinez exchange and
 to cancel and withdraw message toll
 telephone service rates now in effect
 between Martinez and Concord and be-
 tween Martinez and Walnut Creek.

Application No. 42978

Arthur T. George and Pillsbury, Madison & Sutro, by
Denis T. Rice, for applicant.

Tom Coll, for Board of Supervisors of Contra Costa
 County and in person; Francis Hoey, for City of
 Martinez; F. A. Stewart, for City of Concord;
Cecil G. Runyon and Samuel Conti, for Concord
 Area Chamber of Commerce; William M. Francis, for
 Walnut Creek Area Chamber of Commerce; Sidney S.
 Lippow, for Martinez Chamber of Commerce and
 Lippow Development Company; Mrs. Iona M. Booth,
 for Contra Costa County Development Association;
Edward W. Keller, for Forest Hills Improvement
 Club; Margaret Grilli, for Mt. View Improvement
 Association; Mrs. Nancy Bartolmei, for Ladies
 Eagles Auxiliary; Viola E. Roadley, for Martinez
 Housewives League; A. J. Johnson, for Contra
 Costa County Real Estate Board; Hugh Caudel, for
 Central Labor Council AFL-CIO; L. E. Mullen, for
 Western Title Guaranty Co., and in person; Mrs.
 Martha Knapp and Mrs. H. F. Botsford, in person;
 interested parties.

Beatrice W. Wultz, in person, protestant.
Ermet J. Macario, for the Commission staff.

O P I N I O NNature of the Proceedings

The Pacific Telephone and Telegraph Company filed this application on December 20, 1960, requesting authorization to establish rates for extended service in its Martinez exchange and to cancel and withdraw toll rates between Martinez and Concord and between Martinez and Walnut Creek. Public hearing in the matter was held before Examiner James F. Haley at Martinez on March 8, 1961.

Exchanges Involved

Applicant's Martinez, Concord and Walnut Creek exchanges are located in Contra Costa County and are contiguous to each other. Concord and Walnut Creek are 7 and 9 toll-rate miles southeast and south, respectively, of Martinez exchange.

Martinez is the county seat of Contra Costa County. Its major industry is comprised of two oil refineries and two large chemical plants. Applicant estimated that the population of its Martinez exchange was 20,000 as of January 1, 1960, up by 39% over January 1, 1950.

Concord and Walnut Creek are primarily residential communities for people commuting to San Francisco, East Bay cities and nearby localities in Contra Costa County. Both cities have controlled areas for light industry. Applicant estimates that the population of its Concord exchange is 58,000, an increase of 179% in the last ten years, and that the population of its Walnut Creek exchange is 45,000, an increase of 153% in the same period. According to applicant, much of this growth has occurred along their common boundaries with Martinez exchange.

Telephone service in all three exchanges is furnished by means of dial central office equipment. As of December 31, 1960, Martinez exchange served 8,786 telephones, Concord exchange 26,020 telephones and Walnut Creek exchange 22,224 telephones.

According to estimates made by applicant on the basis of 1960 traffic data, there originate in Martinez during an average month about 34,100 messages for Concord and about 15,900 messages for Walnut Creek. The estimates show that there are about 42,100 and 22,200 messages per month, respectively, from Concord and Walnut Creek to Martinez. These traffic volumes indicate community of interest

factors of 5.8 from Martinez to Concord, 2.7 from Martinez to Walnut Creek, 2.3 from Concord to Martinez and 1.5 from Walnut Creek to Martinez.

Extended service is now in effect between Concord and Walnut Creek. In addition Walnut Creek now has extended service to Lafayette, Moraga and Danville. Concord and Walnut Creek are included in the San Francisco-East Bay extended area; Martinez is not.

Present and Proposed Rates

Toll charges now apply over the proposed extended service routes. The day station initial period toll rate presently in effect between Martinez and Concord is 10¢ and between Martinez and Walnut Creek such rate is 15¢. Under applicant's proposal toll rates for messages over these two routes would be canceled and withdrawn at the time extended service is established.

The tabulation below compares present and proposed exchange rates for principal classifications of exchange service.

Business	Rate Per Month					
	Concord & Walnut Creek			Martinez		
	Present	Proposed	Increase	Present	Proposed	Increase
1-Party Flat Rate	\$ 9.25	\$10.50	\$1.25	\$ 7.75	\$11.00	\$3.25
2-Party Flat Rate	7.10	7.50	.40	6.10	8.00	1.90
Subn. Flat Rate	5.60	5.85	.25	5.35	6.35	1.00
PBX Trunks	13.75	15.75	2.00	11.50	16.50	5.00
<u>Residence</u>						
1-Party Flat Rate	4.55	4.90	.35	4.65	5.15	.50
2-Party Flat Rate	3.75	3.80	.05	3.60	4.05	.45
2-Party Msg. Rate	3.00 (60)	3.00 (60)	-	-	-	-
4-Party Flat Rate	-	-	-	3.00	3.45	.45
Subn. Flat Rate	3.70	3.70	-	3.50	3.95	.45

- Not offered.

() Message Unit Allowance.

Economic Feasibility

Applicant represents that, since conversion of Martinez exchange to dial operation in 1959, extended service between Martinez and Concord and between Martinez and Walnut Creek has become economically feasible. To support this representation, applicant presented the results of its study of the estimated differential plant, annual expense and revenue effects of the proposed extended service arrangements based on June 30, 1953 development. The study shows that extended service would result in a reduction in applicant's total costs of \$10,700 per year. This reduction in costs would be offset by a \$10,700 per year reduction in charges to telephone users which would result from the establishment of extended service. The \$10,700 reduction in charges represents the net revenue effect of an estimated \$173,500 reduction in toll revenues and an estimated \$162,800 over-all increase in exchange revenues, the latter resulting principally from the increased exchange rates proposed herein.

Public Requirement for Proposed Service

Applicant states that it has received numerous requests for enlarged calling areas in all three exchanges from individuals and civic groups. Applicant represents that it has received endorsements of the proposed extended service arrangement from the Contra Costa Board of Supervisors; the City Councils of Martinez, Concord and Walnut Creek; the Chambers of Commerce of Martinez, Concord and Walnut Creek; the Contra Costa Taxpayers Association, Inc.; the Apartment House and Rental Owners Association of Contra Costa County, Inc.; the Mountain View Improvement Association; and the Forest Hills Improvement Association.

Of the appearances listed hereinabove, only one spoke forth in opposition to applicant's proposal. All other parties who testified or stated their position at the hearing endorsed applicant's proposal.

Findings and Conclusions

Based upon the record, the Commission finds and concludes that the establishment of rates for the proposed extended service and the withdrawal of the toll rates now in effect between Martinez and Concord and between Martinez and Walnut Creek would be in the public interest and that the specific proposal is reasonable. The Commission further finds that the increases in rates and charges authorized herein are justified and that present rates and charges, insofar as they differ from those herein authorized, will become unjust and unreasonable upon the establishment of extended service between Martinez and Concord and between Martinez and Walnut Creek.

O R D E R

Public hearing having been held, evidence having been received, and the matter having been submitted for decision,

IT IS HEREBY ORDERED that:

1. The Pacific Telephone and Telegraph Company is authorized and directed to file in quadruplicate with this Commission, after the effective date of this order, on or before March 31, 1963, and in conformity with the provisions of General Order No. 96, tariff sheets revised to reflect rates and charges for extended telephone service in its Martinez, Concord and Walnut Creek exchanges as set forth in Appendix A attached to this order, and, on not less than five days' notice to the public and to this Commission, to make said revised tariffs effective coincident with the introduction of extended service between Martinez and Concord exchanges and between Martinez and Walnut Creek exchanges.

2. Coincident with the effective date of the revised tariffs above authorized, applicant is authorized to do the following:

- (a) Cancel and withdraw message toll telephone service rates between Martinez and Concord exchanges and between Martinez and Walnut Creek exchanges.
- (b) Expand the local service area of Martinez exchange to include Concord and Walnut Creek exchanges.
- (c) Expand the local service areas of Concord and Walnut Creek exchanges to include Martinez exchange.

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

Dated at San Francisco, California, this 19th day of April, 1961.

[Signature]
 President
[Signature]
[Signature]

Commissioners

Commissioner Frederick B. Krolehoff, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

RATES

The presently effective rates in Martinez, Concord and Walnut Creek are authorized to be changed to the levels set forth in this appendix.

	<u>Extended Service - Rate Per Month</u>	
	<u>Concord & Walnut Creek</u>	<u>Martinez</u>
Business Service		
Each Primary Station		
1-Party Flat	\$10.50	\$11.00
2-Party Flat	7.50	8.00
Suburban Flat	5.85	6.35
Semi-public Coin Box	.95 ^{1/}	1.45 ^{1/}
PBX Trunk	15.75	16.50
Farmer Line	2.30	2.80
Residence Service		
Each Primary Station		
1-Party Flat	4.90	5.15
2-Party Flat	3.80	4.05
2-Party Message	3.00 (60) ^{2/}	^{3/}
4-Party Flat	^{3/}	3.45
Suburban Flat	3.70	3.95
Farmer Line	1.25	1.50

^{1/} Plus 23¢ daily guarantee.

^{2/} Message unit allowance 60, 4 $\frac{1}{2}$ ¢ for each additional message unit.

^{3/} Not offered.

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DISSENTING OPINION
OF
COMMISSIONER GEORGE G. GROVER

I dissent.

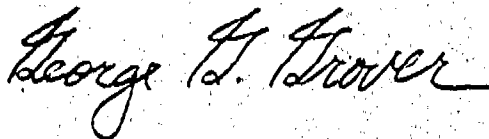
The evidence shows that a significant number of subscribers will now be forced to pay for service which they do not wish to buy. For example, during a test month selected by the company, one-fifth of the business subscribers in Martinez made no calls to Concord. Clearly they did not find such calls sufficiently valuable to spend any money on them, and yet, under this decision, they will incur a substantial increase in monthly telephone expense for just that service. The fact that they may make such calls now that they have been forced to pay for them is beside the point. In contrast to the small use by some subscribers, the company's study shows that, during the test month, 70% of the business calls from Martinez to Concord were made by only 12% of the business subscribers. The effect of the decision will be to reduce the cost to these heavy users, who will henceforth be subsidized by those who have previously made little or no use of the service. The distribution of business calls from Martinez to Walnut Creek is even more one-sided. In the test month, one-third of the business

subscribers made no calls to Walnut Creek, whereas 69% of such calls were made by only 8% of the subscribers. And the residence figures are perhaps the most striking of all; in the test month, 38% of the residence subscribers in Martinez made no calls to Concord.

There is evidence in the record indicating substantial popular support for the application, and I concede that we may properly give consideration to the legitimate preferences of the persons affected by any of our decisions. But we should be careful in our evaluation of such representations. In this case, some of the civic and business groups who appeared in favor of the proposal are themselves heavy telephone users. Moreover, even if their concern has been solely for the general convenience and advancement of their communities, we are obliged to consider who will pay for such community benefits. Many sincere and public-spirited citizens favoring so-called "extended service" do not realize that the term is a misnomer and that it involves no real change in service at all; this application seeks rather to shift the burden of paying for service that is already provided. Indeed, a strong protest was made in this case on behalf of subscribers who would prefer to pay only for the calls they make -- or, to put it another way, on behalf of subscribers who would prefer to make only the calls they can afford. We must be mindful of the fact that many citizens lack the time, the money, and even the ability to articulate their point of view; one of our principal responsibilities is to see that the rights of such persons are not overlooked. And even if it were clearly established that a majority of the subscribers concerned are in favor of the change, they cannot, as a matter of right, require the minority to help pay for it.

I do not wish to be understood as opposing all applications for extended service. On the contrary, there may be cases in which operational economies, community convenience, public support, business stimulation, company stability, and other advantages justify a finding that it is truly "in the public interest." I disagree with the majority of the Commission in this proceeding simply because the evidence of such advantages, in my opinion, was insufficient to overcome my concern for the very large number of subscribers who, when given the right to choose, chose not to buy this service. When this decision goes into effect, the monthly telephone charge to every subscriber in Martinez will be increased by a minimum of 45¢. Although wealthy as a nation, we cannot forget that, to many of our citizens, 45¢ a month is important.

I have nothing but admiration for the electronic marvels that continue to extend the range and quality of telephone service, and I am grateful that so many of our people can afford to enjoy them. But minimum telephone service is another matter. Especially in these times of high living costs and high unemployment, we should not move in the direction of pricing such minimum service at the luxury level.



George G. Grover, Commissioner

San Francisco, California
April 21, 1961