

ORIGINAL

Decision No. 62657

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 the local service areas of
its Belvedere, Ignacio, San Rafael and
Sausalito exchanges and to cancel and
withdraw message toll telephone service
rates and message unit service rates
now in effect between certain exchanges
in Marin County.

Application No. 43430
(Filed May 22, 1961)

Arthur T. George and Pillsbury, Madison & Sutro, by
Alexander R. Imlay and Denis T. Rice, for The
Pacific Telephone and Telegraph Company, applicant.
Orrick, Dahlquist, Herrington & Sutcliffe, by
Warren A. Palmer, for Western California Telephone
Company.
Wayne Womack, for the City of Novato; Thomas S.
Diugos, for Loma Verde Home Owners Association;
William R. Bills, for Home Owners Association of
Marin Golf and Country Estates; and Ralph Hubbard,
for California Farm Bureau Federation; interested
parties.
Paul Popenoe and Ermet Macario, for the Commission
staff.

O P I N I O N

Nature of Proceeding

This application was heard before Commissioner Frederick B. Holoboff and Examiner William W. Dunlop on June 12, 1961, in Novato and on August 30, 1961, in San Rafael. The hearing on June 12 related to Ignacio-Novato extended service and was heard on a consolidated record with Application No. 43451 of Western California Telephone Company. That phase of the proceeding was taken under submission on June 12 and subsequently was decided on August 8, 1961, by Decision No. 62393.

The August hearing related to the request of The Pacific Telephone and Telegraph Company¹ to establish nonoptional extended

¹ Hereinafter sometimes called Pacific.

service between Belvedere and San Rafael, between Sausalito and San Rafael and between Ignacio and San Rafael. This latter phase of the proceeding was submitted on September 8, 1961, upon receipt of one late-filed exhibit.

Specifically, the issue to be decided herein is Pacific's request for authorization to (1) expand the local service area of the San Rafael exchange to include the exchanges of Belvedere, Ignacio and Sausalito, (2) expand the local service area of Belvedere, Ignacio and Sausalito exchanges to include San Rafael exchange, (3) file and make effective increased exchange rates for extended service, (4) cancel and withdraw multi-message unit service rates in effect between San Rafael and Sausalito and between San Rafael and Belvedere, and (5) cancel and withdraw message toll telephone rates in effect between San Rafael and Ignacio, San Rafael and Belvedere and San Rafael and Sausalito.

Present Service

Pacific provides telephone service in five exchanges in Marin County which are within the San Francisco-East Bay extended area. These are, respectively, Belvedere, Corte Madera, Mill Valley, San Rafael and Sausalito. Extended service now is provided between all of these exchanges except between Belvedere and San Rafael and between Sausalito and San Rafael. Belvedere and Sausalito exchanges are not contiguous to the San Rafael exchange.

Belvedere subscribers presently may dial without the payment of multi-message unit or toll charges all telephones served from the Belvedere, Corte Madera, Mill Valley and Sausalito exchanges. Calls made from Belvedere to San Rafael are on a multi-message unit or toll basis and are placed with the operator located in Mill Valley. Pacific plans to change the method of handling calls placed from Belvedere during the third quarter of

1962 with the introduction of customer distance dialing whether or not extended service is provided between Belvedere and San Rafael. There are no foreign exchange services over the Belvedere-San Rafael route.

San Rafael subscribers presently may dial without the payment of multi-message unit or toll charges all telephones served from the San Rafael, Corte Madera and Mill Valley exchanges. Calls made from San Rafael to other points are placed with the operator located in San Rafael, or San Rafael subscribers on one- or two-party lines may dial such calls directly. Billing details on directly dialed calls are handled by local automatic message accounting equipment in San Rafael.

Sausalito subscribers presently may dial without the payment of multi-message unit or toll charges all telephones served from Sausalito, Belvedere, Corte Madera and Mill Valley exchanges. Calls made from Sausalito to other points are placed with the operator at San Rafael, or Sausalito subscribers on one- or two-party lines may dial such calls directly. Billing details on directly dialed calls are handled by local automatic message accounting equipment in Sausalito. There are no foreign exchange services over the Sausalito-San Rafael route.

Pacific's Ignacio exchange in Marin County is not within the San Francisco-East Bay extended area but is contiguous to the north boundary of the San Rafael exchange. Ignacio subscribers presently may dial without the payment of toll charges only those telephones served from Ignacio exchange. Recently, by Decision No. 62393, the Commission authorized the establishment of extended service between Ignacio and Novato exchanges. It is anticipated that such service will be placed into effect when necessary construction is completed in the first quarter of 1962. Calls presently made from Ignacio to San Rafael generally are on a toll basis and are

placed with the operator at San Rafael. Pacific plans a change in the method of handling calls made from Ignacio during the third quarter of 1962 with the introduction of customer distance dialing. This change is planned whether or not extended service is provided between the Ignacio and San Rafael exchanges. Presently there are 35 foreign exchange services over the Ignacio-San Rafael route.

In the following tabulation are shown the interexchange rate mileage, initial period rate and traffic over the several routes involved.

<u>Route</u>	<u>Inter-exchange Rate Miles</u>	<u>Initial Period Station Toll Rate</u>	<u>Messages Per Month ϕ</u>	<u>Messages Per Main Station Per Month ϕ</u>
Belvedere to San Rafael	8	10¢ *	20,500	10.84
San Rafael to Belvedere	8	10 *	18,000	.81
Sausalito to San Rafael	9	15 #	31,000	9.90
San Rafael to Sausalito	9	15 #	28,700	1.26
Ignacio to San Rafael	7	10	10,500	11.76
San Rafael to Ignacio	7	10	17,000	.75

* 2 Message Units

3 Message Units

ϕ Based on 1959 Data

The estimated population and the number of telephone stations in each of the four exchanges are as follows:

<u>Exchange</u>	<u>Estimated Population</u>	<u>Number of Telephone Stations</u>		
		<u>Within Exchange</u>	<u>Within Local Service Area Present or Authorized</u>	<u>Company Proposed</u>
Belvedere	5,600	3,508	24,750	64,915
Ignacio	3,000	4,721 *	9,918	50,083
Sausalito	11,800	4,834	24,750	64,915
San Rafael	66,000	40,165	56,573	69,636

* 3,320 stations are owned by the U. S. Government and located at Hamilton Air Force Base, and 1,401 stations are owned by Pacific.

Rates - Present and Company Proposed

Upon the establishment of extended service, Pacific proposes to increase basic exchange rates and to cancel present toll and multi-message unit rates between San Rafael and Belvedere and

between San Rafael and Sausalito and to cancel present toll rates between San Rafael and Ignacio.

A comparison of present exchange rates with those proposed by Pacific for extended service is shown on Exhibit 7. For the principal service classifications such rates are summarized as follows:

RATE PER MONTH						
Classification	Present	Proposed	Increase	Present	Proposed	Increase
	BELVEDERE			IGNACIO		
Business						
1-Party	\$ 9.25	\$11.95	\$2.70	\$ 7.50	\$11.95	\$4.45
2-Party	7.10	9.25	2.15	6.10	9.25	3.15
PBX Trunks	13.75	17.75	4.00	11.25	17.75	6.50
Suburban	5.60	7.00	1.40	-	-	-
Semi Public						
Monthly	.75	2.00	1.25	1.25	2.00	.75
Daily						
Guarantee	.22	.26	.04	.21	.26	.05
Residence						
1-Party	4.55	5.65	1.10	4.65	5.65	1.00
2-Party Flat	3.75	4.30	.55	3.85	4.30	.45
2-Party Msg.	3.00(60)	3.55(60)	.55	-	-	-
4-Party	-	-	-	3.25	3.70	.45
Suburban	3.70	4.35	.65	-	-	-
	SAN RAFAEL			SAUSALITO		
Business	#	#				
1-Party	\$10.25	\$11.45	\$1.20	\$ 9.25	\$12.45	\$3.20
2-Party	7.85	8.75	.90	7.10	9.75	2.65
PBX Trunks	15.25	17.00	1.75	13.75	18.50	4.75
Suburban	5.85	6.50	.65	5.60	7.50	.90
Semi Public						
Monthly	1.00	1.50	.50	.75	2.50	1.75
Daily						
Guarantee	.23	.26	.03	.22	.26	.04
Residence						
1-Party	4.80	5.40	.60	4.55	5.90	1.35
2-Party Flat	3.75	4.05	.30	3.75	4.55	.80
2-Party Msg.	3.00(60)	3.30(60)	.30	3.00(60)	3.80(60)	.80
4-Party	3.20	3.45	.25	-	-	-
Suburban	3.70	4.10	.40	3.70	4.60	.90

* Authorized by Decision No. 62393 upon establishment of Ignacio-Novato extended service.

Higher rates generally apply within the special rate area in San Rafael exchange.

Plant, Expense and Revenue Effects

Compared with a continuation of the present toll and multi-message unit rate arrangements, applicant showed in Exhibit 8 that its extended service plan if made effective would result in an increase in annual net investment of \$333,000, an increase in annual charges on investment and amortization of certain nonrecurring costs of \$78,000, and a reduction in annual expenses of \$57,000. Thus, the furnishing of telephone service under applicant's proposed extended service plan is more costly by \$21,000 on an annual basis than is the furnishing of service under present rate arrangements.

Pacific's cost study reflects a stimulation in annual volume of messages from the present 1,648,800 messages to 5,229,600 if toll and multi-message unit rates are canceled over the three proposed extended service routes.

The record reveals a wide variation in usage among customers over the proposed extended service routes. Accordingly, under applicant's proposed extended service plan a substantial redistribution of charges would result. While \$262,600 of annual toll and multi-message unit charges would be eliminated with the provision of extended service, basic exchange rates are proposed by applicant to be increased by \$261,400 a year.

Under applicant's proposed rates for extended service, subscribers in San Rafael exchange would pay \$41,350 more for telephone service than they now pay while subscribers in the other three exchanges would pay less than under present rate arrangements as summarized in the tabulation below:

<u>Exchange</u>	<u>Reduction Toll and MMU Charges</u>	<u>Increase Basic Exchange Rates</u>	<u>Difference</u>
San Rafael	\$124,250	\$165,600	\$41,350
Belvedere	31,550	24,800	(6,750)
Ignacio	29,850	15,800	(14,050)
Sausalito	69,850	55,200	(14,650)

() - Indicates net reduction.

Subscriber Participation

At the hearing on August 30, 1961, a total of 11 subscribers presented testimony. Six were subscribers to San Rafael exchange service, two were subscribers to Ignacio exchange service, two to Belvedere exchange service and one to Sausalito exchange service. The six San Rafael subscribers expressed opposition to the granting of the application generally on the grounds they had little or no need to call Ignacio, Belvedere and Sausalito; that the increases requested in exchange rates for San Rafael exchange were greater than the benefits to be derived; and that they were willing to pay multi-message unit and toll charges when they did have a need to call Ignacio, Belvedere or Sausalito exchanges.

Two of the San Rafael subscribers who presented testimony were members of the San Rafael City Council. They referred to Resolution No. 2518 adopted by the San Rafael City Council on August 7, 1961, opposing extended service as proposed by Pacific.

The five subscribers to Ignacio, Belvedere and Sausalito exchange service who presented testimony urged a granting of the application. One of the subscribers to Ignacio service who testified in favor of applicant's plan was a representative of Hamilton Air Force Base. He was particularly interested in obtaining improved service through subscriber dialing of calls, both outgoing and incoming to the base, and in doing away with the need for keeping a record of individual calls to San Rafael for billing purposes.

The other subscriber to Ignacio service testified that she made frequent calls to San Rafael for essential services including calls to her doctor; that these essential services were not available to Ignacio; that there was no high school in Ignacio, making it necessary to send Ignacio high school age students to

San Rafael; and that under extended service she would make more frequent use of service to San Rafael and at the same time pay less for telephone service.

It was the general testimony of the two subscribers to Belvedere exchange service and the one subscriber to Sausalito service that they made frequent necessary calls to San Rafael; that under extended service they would make even more frequent use of the service and at the same time pay less for their telephone service.

The record also discloses that applicant's extended service request was supported by the Chambers of Commerce of San Rafael, San Anselmo, Sausalito, and Tiburon; by the Home Owners Association of Marin Golf and Country Estates in Ignacio; by the Marin Industrial Development Foundation, Inc., of San Rafael; and by a subscriber to Belvedere service.

In addition to those witnesses who testified in opposition to applicant's request, the record discloses that applicant's extended service plan was also opposed by the San Geronimo Valley Association of Forest Knolls in San Rafael exchange; by three subscribers to San Rafael exchange service; by three subscribers to Belvedere exchange service; and, as previously indicated, by the City Council of San Rafael.

Staff Analysis

The Commission staff showed in Exhibit 9 that during one study month in 1961 there was a wide range in usage among customers. In one month 33.5 percent of the Belvedere business subscribers and 24.6 percent of the Belvedere residence subscribers, 25.4 percent of the Sausalito business subscribers and 22.0 percent of the Sausalito residence subscribers, and 40.3 percent of the Ignacio business subscribers and 21.9 percent of the Ignacio residence subscribers made no calls to San Rafael. On the other hand, one Belvedere

business subscriber in June 1961 placed 235 messages to San Rafael the charges for which amounted to \$26.

A witness of the Commission staff recommended that, if the Commission should authorize extended service, optional flat and message rates as set forth in Exhibit 12 be established in the Belvedere, San Rafael and Sausalito exchanges in lieu of applicant's proposed rates for business service. In this connection the staff showed in Exhibit 11 that an additional annual cost of \$18,900 over and above the cost of extended service is involved in placing into effect optional business message rates. This witness also recommended that the rate for residence two-party message rate service within the base rate area be maintained at \$3.00 per month with a message unit allowance of 60.

It was Pacific's position that the block usage studies presented by the staff in Exhibit 9 for traffic from Belvedere to San Rafael, from Sausalito to San Rafael, and from Ignacio to San Rafael compared favorably with block usage studies made over 18 other routes in California where the Commission had already authorized extended service to be introduced. These results are shown in Exhibits 14, 15, 16, and 17. Only one of the 18 studies used by Pacific for comparative purposes (Blue Lake-Eureka) involved a noncontiguous exchange extended service route.

Findings and Conclusions

We have carefully reviewed the evidence and, while we find a desire on the part of some groups and individual subscribers for extended service as proposed by applicant, we find that other of applicant's subscribers oppose the plan. Applicant has presented its extended service plan as a package for the three routes. The evidence is not convincing that a majority of the telephone subscribers affected would be better served or obtain their telephone

service at a reduction in charges under applicant's extended service package plan, or that a majority of affected subscribers even desire the proposed change. While the record seems to suggest there may be a desire for extended service on the part of business customers and that there may be a need for extended service between the contiguous exchanges of Ignacio and San Rafael, we are unable from this record to determine either the costs to the applicant or the effects on customer rates and charges of such alternate extended service possibilities.

We find, therefore, that applicant's package request to establish nonoptional extended service between San Rafael and Belvedere, San Rafael and Sausalito, and between San Rafael and Ignacio is not in the public interest and should be denied, without prejudice however, to applicant's filing a new application for further consideration regarding the contiguous Ignacio-San Rafael route or some form of optional extended service.

O R D E R

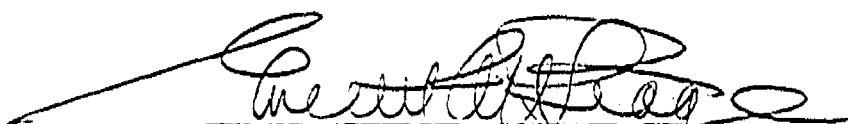

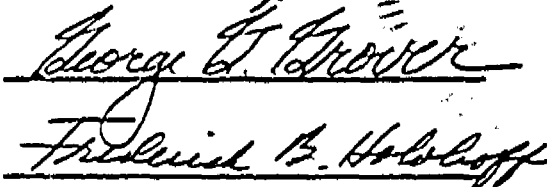
Public hearing having been held upon the above-entitled proceeding, the matter having been submitted for decision and the Commission being informed thereon,

IT IS ORDERED that the request of The Pacific Telephone and Telegraph Company relating to the establishment of rates for nonoptional extended service between Belvedere and San Rafael, Ignacio and San Rafael, and between Sausalito and San Rafael be and it hereby is denied, without prejudice however, to applicant's

filing a new application for further consideration regarding the contiguous Ignacio-San Rafael route or some form of optional extended service.

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

Dated at San Francisco, California, this 10th day of October, 1961.


President

George E. Grover

Franklin B. Holloff

Commissioners

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.