

ORIGINALDecision No. 62689

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 two district areas and
an additional toll rate center in the
Danville exchange.

Application No. 43151

CITY OF PLEASANTON, a municipal
corporation,

Complainant,

vs.

Case No. 7047

THE PACIFIC TELEPHONE AND TELEGRAPH
COMPANY,

Defendant.

In the Matter of the Investigation on
the Commission's own motion into the
reasonableness, adequacy, or sufficiency
of the telephone rates and service of
The Pacific Telephone and Telegraph
Company, being rendered in San Ramon
Village or its vicinity in Alameda and
Contra Costa Counties.

Case No. 7092

Arthur T. George and Pillsbury, Madison & Sutro, by
Denis T. Rice and Alexander R. Imlay, for The
Pacific Telephone and Telegraph Company, appli-
cant in Application No. 43151, defendant in
Case No. 7047 and respondent in Case No. 7092.
Wm. A. Struthers, Jr., for complainant in Case No.
7047.

William M. Francis, for Walnut Creek Chamber of
Commerce; J. F. Coakley, by John A. Lewis, for
County of Alameda; Ralph Hubbard, for California
Farm Bureau Federation; George A. Walser, Walter
F. Martin and Jerry Martin, in their own behalves,
interested parties.
Paul Popenoe, Jr., for the Commission staff.

O P I N I O NSummary of Proceedings

These proceedings arose following the filing by The Pacific
Telephone and Telegraph Company (Pacific) of Advice Letter 7791,

dated October 23, 1960. By this advice letter Pacific requested authority to transfer from Pleasanton exchange to Danville exchange 3.7 square miles of suburban area encompassing part of a large development known as San Ramon Village. By Resolution No. T-4603, dated November 7, 1960, the Commission authorized the transfer.

On January 16, 1961, the City of Pleasanton filed its complaint, Case No. 7047, against Pacific requesting that the 3.7 square miles be restored to the Pleasanton exchange and that the Commission undertake to determine the requirements of the public for extended service between all exchanges in the eastern portion of Alameda County.

On February 10, 1961, Pacific filed Application No. 43151, seeking authority to divide Danville exchange into two district areas, Main district area and Valley district area, each with its own toll rate center. Under Pacific's proposal, the 3.7 square miles in question would be included in the Valley district area. The principal effect of this proposal on subscribers in San Ramon Village would be to reduce toll between the Village and Pleasanton from 20¢ to 10¢ for the initial period on paid station calls.

On April 11, 1961, the Commission issued an order instituting investigation, designated as Case No. 7092, to determine whether the telephone rates and service in the disputed area or its vicinity in Alameda and Contra Costa Counties are in any way unreasonable, inadequate or insufficient.

Consolidated public hearings were held in the above matters before Examiner James F. Haley at Pleasanton on April 13, May 24, June 21, and July 11, 1961. The matters were taken under submission upon receipt of late-filed Exhibit No. 22 on July 20, 1961.

San Ramon Village

Volk-McLain Company is developing a tract of approximately 4,500 acres of land in the San Ramon Valley within Alameda and Contra Costa Counties. The disputed 3.7 square miles, or some 2,400 ✓ acres, is the portion of the Volk-McLain tract lying in Alameda County, south of the Alameda-Contra Costa boundary. The tract, which the developers call San Ramon Village, lies along the east side of Highway 21, north of U.S. Highway 50 and west of the Alamo Canal. The master plan for San Ramon Village provides for a community of about 1,000 medium-priced homes, 8,500 higher-priced homes, 110 apartment buildings, commercial centers and light industrial development. Land has been allocated for schools, hospitals, libraries, churches and golf courses. When completed, an estimated 30,000 to 35,000 people are expected to reside in San Ramon Village. As of April 16, 1961, 475 houses, as well as a number of commercial units, had been completed or were nearing completion in the southern part of the tract. About 655 had been sold and 367 were occupied.

When initial development in San Ramon Village commenced in the southern part of the tract, the Volk-McLain property was divided by the Pleasanton-Danville exchange boundary. The developer's current and future plans will progress in a northerly direction toward Danville. It is Pacific's position that it effected the transfer of the disputed 3.7 square miles to Danville exchange in order that the residential portion of the planned community would be located within one exchange.

The density of development in the portion of San Ramon Village where construction is under way is greater than that in the present Danville base rate area. So that San Ramon Village residents would be afforded, pending final decision in these matters, the urban

rate treatment that is warranted, Pacific, on May 5, 1961, filed its Advice Letter No. 7929, requesting authority to establish San Ramon Village as an island base rate area in the Danville exchange. By Resolution No. T-4714, the Commission authorized Pacific to make this proposal effective on June 5, 1961.

Public Requirement for Extended Service

Through a well-organized and comprehensive presentation of some 30 public witnesses, including a number of public and civic personages of considerable responsibility in area planning, the City of Pleasanton conclusively demonstrated that a public requirement exists for extended telephone service between certain of the communities in the San Ramon-Livermore-Amador Valley area in eastern Alameda and Contra Costa Counties. In addition to the witnesses produced by the City of Pleasanton, a number of public witnesses appeared under their own auspices. Altogether, a broad cross section of the area's telephone users, both business and residence, presented testimony during the four days of hearing.

Pacific, in connection with its studies of the telephone calling requirements of the area, conducted a survey of the residents of the initial development in San Ramon Village; of 300 questionnaires sent out, 164 postcard replies were received, and of these 148 indicated a desire for extended service to Pleasanton, Livermore and Walnut Creek. Another survey was made by a group of residents of San Ramon Village, and the results were introduced in evidence as Exhibit No. 13. Their survey indicates that the residents of San Ramon Village have a substantial community of interest throughout the San Ramon-Livermore-Amador Valley area.

The following tabulation shows the community of interest factors (toll calls per main station per month) between exchanges in the area based on traffic levels occurring in 1960:

<u>From:</u>	<u>To:</u>			
	<u>Danville</u>	<u>Livermore</u>	<u>Pleasanton</u>	<u>Sunol</u>
Danville	-	0.4	0.2	Negl.
Livermore	0.2	-	2.0	0.1
Pleasanton	.5	6.3	-	.6
Sunol	.1	4.9	6.0	-

The preceding tabulation indicates moderate community of interest factors for the routes Sunol-Pleasanton, Sunol-Livermore and Pleasanton-Livermore. The relatively low community of interest factors for the Danville exchange are not significant in evaluating the calling needs of the area for the reasons that (1) they include the entire Danville exchange, not just the proposed Danville Valley district area and (2) San Ramon Village did not exist in 1960. There was testimony to the effect that within a two-year period, San Ramon Village will have become a fair-sized city, greatly increasing the related community of interest factors shown above.

The true measure of the common interests of the residents of the San Ramon-Livermore-Amador Valley area can best be judged by the many directions, as brought out by the public testimony, in which these interests indiscriminately cut across community lines in such vital fields as employment, shopping, banking, medicine, church, civic and social activities, fire and police protection, and public utility and community services.

Pacific's Extended Service Proposal

Following the presentation on previous days of the greater part of the public testimony offered herein, Pacific on the last day of hearing proposed a plan designed to meet the public requirement for extended service indicated by such testimony. The extended

service routes included in Pacific's proposal are as follows:

Danville Valley-Pleasanton; Danville Valley-Livermore;

Pleasanton-Livermore; Pleasanton-Sunol and Livermore-Sunol.

Pacific's witnesses testified that the plan could be implemented within 18 months following authorization by this Commission.

Pacific's extended service plan retains its proposal to divide Danville exchange into two district areas. Under the plan subscribers in the Danville Valley district area, containing San Ramon Village, would continue to have extended calling to Walnut Creek. Subscribers in the Danville-Main District area would not be affected, either as to rates or service, by Pacific's proposal.

Present and Proposed Rates

Toll charges now apply over the proposed extended service routes. The day station initial period toll rates presently in effect over the respective routes are as follows: Danville Valley-Pleasanton, 20¢; Danville Valley-Livermore, 20¢; Pleasanton-Livermore, 10¢; Pleasanton-Sunol, 10¢; Livermore-Sunol, 15¢. Under Pacific's proposal, toll rates for messages over these routes would be canceled and withdrawn at the time extended service is established.

The following tabulation, taken from Pacific's Exhibit No. 13, compares present and proposed exchange rates for principal classifications of exchange service:

Grade of Service	Rate Per Month					
	Danville (Valley)		Livermore & Pleasanton		Sunol	
	<u>Pres.</u>	<u>Prop.</u>	<u>Pres.</u>	<u>Prop.</u>	<u>Pres.</u>	<u>Prop.</u>
<u>Business</u>						
Flat Rate						
1-Party	\$ 9.25	\$10.75	\$ 7.00	\$10.75	\$6.50	\$10.75
2-Party	7.10	7.75	5.60	7.75	5.10	7.75
PBX Tks.	13.75	16.00	10.50	16.00	9.75	16.00
Suburban	5.60	7.10	5.10	7.10	4.35	7.10
Farmer Line	2.05	3.00	1.55	3.00	-	-
Semipublic*	.75/.22	2.25/.22	.75/.21	2.25/.22	.75/.20	2.25/.22
<u>Residence</u>						
Flat Rate						
1-Party	\$ 4.55	\$ 5.00	\$ 4.40	\$ 5.00	\$4.15	\$ 5.00
2-Party	3.75	4.00	3.60	4.00	3.35	4.00
4-Party	-	-	3.00	3.40	2.75	3.40
Suburban	3.70	3.90	3.50	3.90	3.25	3.90
Farmer Line	1.15	1.25	.90	1.25	-	-
Message Rate						
2-Party	3.00 (60)	3.15 (60)	-	-	-	-

- Not offered.

* Figure before diagonal indicates monthly rate; figure after diagonal, daily guarantee.

The proposed rates appear to be reasonable and in proper relationship, with the exception of the rate for residence message rate 2-party service for Danville Valley. We find that this rate should remain at \$3.00 because (1) Pacific will realize increased revenues from this class of service through stimulation of message usage resulting from the greatly increased calling area available and (2) this service where offered in the Bay Area is uniformly at the \$3.00 level.

Public Reaction to Pacific's Proposal

No appearance or witness opposed the company's specific extended service proposal except the Commission staff and one member of the public. The latter witness (a resident of San Ramon Village) opposed only that portion of the proposal relating to the division

of Danville exchange into two district areas. This witness stated that the change of toll rate center would increase his toll charges. For the residents of San Ramon Village as a whole, however, the establishment of the two district areas would be desirable because, pending the introduction of extended service, it would result in a 10¢ reduction in initial period toll charges on calls to adjacent Pleasanton.

The City of Pleasanton took the position that the authorization of Pacific's extended service proposal would fully satisfy its complaint, and the city so amended its complaint upon the record.

Economic Feasibility

Pacific represents that, in view of the development now occurring in the San Ramon-Livermore-Amador Valley area, its extended service plan is economically feasible. To support this position, Pacific presented the results of its study of the differential plant and annual expense and revenue effects of the proposed extended service arrangements based on estimated June 30, 1963 development. The study, on a differential basis, shows that the proposed extended service plan would result in an estimated increase in Pacific's total cost of service in the annual amount of \$6,600. This would be approximately offset by an increase of \$5,800 per year in revenues. The \$5,800 increase represents the net revenue effect of an estimated \$135,600 reduction in toll charges and an estimated \$141,400 increase in exchange revenues which would be derived principally from the proposed exchange rates shown above.

Position of the Commission Staff

The Commission staff recommends that Pacific be authorized to establish the two district areas in Danville exchange. It also recommends that Pacific now be authorized to establish extended

service between Danville Valley and Pleasanton and that, coincident therewith, extended service be discontinued between Danville Valley and Walnut Creek. The staff suggests that Pacific canvass its subscribers in Danville Valley, Livermore and Sunol to determine their preference as to the following alternatives, each of which excludes Danville Valley-Walnut Creek extended service:

1. Pacific's proposed extended service arrangements and rates, except that present exchange rates would be applicable to Danville Valley.
2. Extended service between Pleasanton and Livermore and between Pleasanton and Sunol with present exchange rates for Danville Valley and the following exchange rates for Pleasanton, Livermore and Sunol:

<u>Grade of Service</u>	<u>Rate Per Month</u>	
	<u>Business</u>	<u>Residence</u>
Flat Rate		
1-Party	\$ 9.50	\$ 4.65
2-Party	7.35	3.85
4-Party	-	3.20
PBX Tks.*	14.25	-
Suburban	5.85	3.70
Farmer Line#	2.05	1.15
Semipublic	1.00/.22	-

- Not offered

* Figure before diagonal indicates monthly rate; after diagonal, daily guarantee.

Not offered in Sunol.

The Commission has considered the alternative plans submitted by the staff and its proposal for another public survey. However, in view of the over-all acceptability of Pacific's final plan, such a survey will not be required.

The Commission observes that Pacific's proposed extended service plan was evolved upon a piecemeal basis during the course of these proceedings. It was not until the last day of hearing that Pacific's final plan was fully disclosed upon the record. Little opportunity was afforded the Commission staff or other interested

parties to properly evaluate Pacific's proposal as finally made. It does appear in the public interest for Pacific, as a matter of regular procedure, to cooperate fully with the Commission staff, prior to making formal filing, in the formulation and development of extended service plans. Such a regular procedure would enable the public to be fully apprised of the utility's plans at the beginning of a proceeding rather than at the end and it would expedite the processing of such proceedings by the Commission.

Findings and Conclusions

Based upon the record, the Commission finds and concludes that the public interest requires that:

1. Present exchange area boundaries remain unchanged.
2. The proposed Main and Valley district areas, each with its own toll rate center, be established within Danville exchange.
3. The exchange rates for extended service over the routes proposed by Pacific be authorized except that the rate for Danville Valley 2-party message rate service should remain at \$3.00 per month.
4. Toll rates now in effect over the proposed extended service routes be withdrawn.

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 the proposed extended service. Any motions not heretofore ruled upon are denied.

O R D E R

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

IT IS 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 and in conformity with the provisions of General Order No. 96, the following tariff revisions:

(a) On or before December 31, 1961, revised tariff sheets to reflect the establishment as proposed, of Main and Valley district areas, each with its own toll rate center, within Danville exchange, and on not less than five days' notice to the public and to this Commission, to make such revised tariffs, including revised toll rates, effective coincident with the establishment of said Valley district area.

(b) On or before December 31, 1963, revised tariff sheets for extended telephone service in Valley district area of Danville exchange and in Pleasanton, Livermore and Sunol exchanges with rates as set forth in Exhibit No. 18, except that Danville Valley 2-party message rate service remain at \$3.00 per month, and, on not less than five days' notice to the public and to this Commission, to make such revised tariffs effective coincident with the introduction of the extended service authorized herein.

2. On the effective date of the revised tariffs authorized by paragraph 1(b) of this order, The Pacific Telephone and Telegraph Company is directed to do the following:

(a) Cancel and withdraw message toll telephone service rates between the following: Danville Valley and Pleasanton; Danville Valley and Livermore; Pleasanton and Livermore; Pleasanton and Sunol; and Livermore and Sunol.

(b) Expand local service areas as follows: Danville Valley district area to include Pleasanton and Livermore exchanges; Pleasanton exchange to include Danville Valley district area and Livermore and Sunol exchanges; Livermore exchange to include Danville Valley district area and Pleasanton and Sunol exchanges; Sunol exchange to include Pleasanton and Livermore exchanges.

3. The investigation instituted under Case No. 7092 be and it hereby is discontinued.

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

Dated at San Francisco, California, this 17th day of October 1961.

[Signature]
 President

[Signature]

[Signature]

[Signature]

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 Commissioners