

ORIGINALDecision No. 62892

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 CALIFORNIA INTERSTATE TELEPHONE
 COMPANY, a corporation, for authority
 to establish, maintain and operate a
 telephone exchange at California City,
 Kern County, California, to provide
 telephone exchange service in the
 California City Exchange Area, and to
 file and make effective rates for
 telephone service in said Exchange
 Area.

Application No. 43371
 (Filed May 3, 1961; Amended
 August 13, 1961)

In the Matter of the Application of
 COMMUNITY TELEPHONE COMPANY, a corpo-
 ration, for authority to establish,
 maintain and operate a telephone
 exchange at California City, Kern
 County, California, to provide tele-
 phone exchange service in the
 California City Exchange Area, and to
 file, establish and make effective
 rates for telephone service in said
 Exchange Area, and for permission to
 issue stock.

Application No. 43702
 (Filed August 23, 1961)

Best, Best & Krieger, by Glen E. Stephens, for
 California Interstate Telephone Company,
 applicant in Application No. 43371 and
 protestant in Application No. 43702.
 Helm & Budinger, by Jerome M. Budinger, for
 California City Chamber of Commerce as
 protestant in Application No. 43371 and for
 Community Telephone Company as applicant
 in Application No. 43702.
 California Independent Telephone Association, by
Neal C. Hasbrook, interested party.
James G. Shields, for the Commission staff.

O P I N I O N

California Interstate Telephone Company ^{1/} has been
 providing toll station service in the community of California City

1/ Hereinafter sometimes referred to as California Interstate.

since December 20, 1959. It seeks authority to establish and provide dial automatic telephone exchange service for such community. Public hearing in the matter was held before Examiner F. Everett Emerson on May 23 and 24, 1961, at California City. At such hearing, the California City Chamber of Commerce protested the granting of the requested authority and sought a continuance for a period of time sufficient to enable the citizens of the community to bring to completion and present to the Commission a proposal by which they would establish a new telephone company for providing exchange telephone service to the community. During the course of these two days of hearing, it developed that California Interstate's rate proposals were different from those set out in its application. In view of such situation, California Interstate was directed to file an appropriate amendment to its application. Adjournment was taken to a date by which the protestant would be fully prepared to proceed with its showing respecting service by the proposed new telephone company.

In due time, Community Telephone Company,^{2/} a California corporation formed on July 1, 1961, filed its application for authority to establish and provide dial automatic telephone exchange service for California City. In accordance with an understanding between the parties, reached during the hearings in May, copies of all exhibits on which the parties would rely were to be exchanged not less than 14 days prior to the next day of hearing.

The two applications were consolidated for hearing and public hearing thereon was held before Examiner Emerson on September 19, 1961, at California City. At such hearing, California Interstate completed its presentation and its witnesses were fully

^{2/} Hereinafter sometimes referred to as Community Telephone.

cross-examined and excused. Community Telephone began its showing by introducing one of a number of exhibits prepared in the two- or three-day period immediately preceding the hearing. This exhibit and the direct examination thereon were at substantial variance with Community Telephone's application. It quickly became apparent that Community Telephone was relying on information theretofore wholly undisclosed and was, in fact, proposing financing, management, construction and servicing arrangements as well as earnings estimates diametrically opposed to those to which it had previously adhered or which it had set forth in its application. California Interstate moved for dismissal of the application of Community Telephone and offered submission of its own application for decision. The matters were adjourned for ruling on such motion.

California City is a real estate development covering several square miles of desert lands some 15 miles to the northeast of Mojave. Its business district, at the present time, lies along the Randsburg-Mojave Road about 3 miles east of U.S. Highway No. 6. The majority of the development presently is in an area of about 4 square miles, lying to the south of the Randsburg-Mojave Road, in which there are 152 residences and 13 business establishments. A portion of the development contains a recreational area, including an artificial lake and a golf course, about one mile to the northeast of the business district. An aircraft landing strip is to the north of the business district. Residences are widely separated, averaging fewer than 40 per square mile.

Telephone service in the area was first established on December 20, 1959 when California Interstate installed the first of the presently existing 21 toll stations. Such stations, being

located in business establishments or in out-of-doors telephone booths, provide no residential telephone service. With growth of the community, such telephone service quickly became inadequate.

Based upon the real estate developer's plans and estimate that some 1100 homes would be built and would require telephone service during the first year of development (commencing about the summer of 1959) California Interstate looked to negotiation with the developer in order to provide advance construction funds for a complete telephone plant to supply the needs of such a number of subscribers. The estimated telephone plant costs for such a system were on the order of \$400,000. Area development, however, has been very substantially less than first anticipated by the developer and has necessitated complete revision of telephone system design. Costs for an exchange telephone system adequate to serve the present community development and provide for a reasonable margin of growth are estimated by California Interstate to be approximately \$121,731. It now stands ready to make such an expenditure from its treasury, thereby installing the system without obtaining advance funds from the developer or potential subscribers. The rates which it proposes to charge for exchange service are those rates applicable to all its exchanges of similar size and characteristics.

The residents of California City as represented by the Chamber of Commerce, as well as individually, have informally and repeatedly sought improved telephone service from California Interstate.^{3/} The latter, being uncertain as to development of the area and viewing it as a speculative venture of uncertain prospects for

^{3/} In passing, we feel constrained to point out that formal complaint to this Commission might have resulted in obtaining adequate telephone service without the lengthy delays, community frustration and animosity, and the costs involved in the present proceedings.

either permanency or growth was hesitant to proceed with costly construction of exchange telephone facilities. Its attitude seems to have been one of "wait and see". The result has been one of delay and an increasing public antagonism toward it. Public patience became exhausted and public opinion reached a point where some residents became insistent that service from California Interstate should be refused and a new telephone company should be formed to serve the community. The professional services of a telephone consultant were obtained, telephone equipment suppliers were contacted, preliminary application for R.E.A. financing was made, legal counsel was obtained, a new telephone corporation was formed and pledges for stock subscription were sought.

The application of Community Telephone sets forth a proposed construction program at an initial cost of \$139,900 and an estimate that first-year operations would be conducted at a loss of approximately \$15,000. Proposed financing included the borrowing of \$250,000 from the Rural Electrification Administration, the sale of \$100,000 of capital stock and the assumption of a conditional sale contract of \$100,000 for a 7-year term at an interest rate of 6 percent. It proposed that its telephone consultant would supervise construction and subsequent operation of the telephone facilities.

The record shows that Community Telephone sought a portion of its financing through stock subscription agreements with homeowners in California City and that by such means it obtained pledges totalling no more than \$15,000. Apparently such disappointing response led it to seek other professional assistance and approximately three days before the hearing of September 19th it sought the services of Central Western Company, an organization which provides

engineering, technical, accounting, management, financial and other services to, and controls the operations of, a number of independent telephone companies.

It is clearly apparent from the record that Community Telephone has had to abandon its basic premises that its operations were to be strictly a community effort with local control and management of operations. As laudable as its original aspirations may have been, the plain fact seems to be that it has of itself neither the technical, financial nor operational capabilities requisite to the successful operation of a public utility telephone service. On the other hand, California Interstate is a going concern, well experienced in all phases of the telephone business, with the requisite engineering, traffic, management and operational departments and adequate financial resources to provide both the type and quality of exchange telephone service which the residents and businesses of California City are demanding. It already has long distance lines in the area.

In view of the evidence and having clearly in mind the expressions of public opinion respecting a choice between the two applicants as contained in the record, the Commission finds and concludes that the motion to dismiss should be granted and that the present and prospective telephone users in California City as well as the general public interest will be better served if the application of California Interstate Telephone Company is granted.

The record shows that California Interstate will be able to convert presently existing toll stations to exchange service within three days of receiving this Commission's authorization so to do. Further, the record shows that exchange telephone service

may be established to all of those residences and businesses for which California Interstate now holds signed applications within approximately 45 days. California Interstate will be directed to meet such scheduling.

The tariffs which California Interstate has proposed for exchange telephone service in California City, and which the Commission finds to be fair and reasonable for such service, are those which are applicable to its other exchanges of comparable size and characteristics. The basic rates are as follows:

Base Rate Area Service

Business	
1-Party	\$8.45 per month
2-Party	7.05 per month
Residence	
1-Party	\$5.50 per month
2-Party	4.75 per month
4-Party	3.70 per month

Suburban Service

0-4½ Mile Zone	
Business, 3-Party	\$5.90 per month
Residence, 3-Party	3.70 per month
4½-14½ Mile Zone	
Business, 3-Party	\$6.65 per month
Residence, 3-Party	4.75 per month

California Interstate tariffs contain provisions whereby an applicant for service is required to pay line extension charges for extension beyond a "free" length. As the name implies, line extension charges are made for the extension of lines. An existing line is presupposed, else there could be no extension of it. In California City there are no existing lines devoted to exchange service, thus a problem arises as to when and for whom line extension charges may be applicable. California Interstate has

proposed that the line extension provisions of its tariffs not be made applicable in California City until 30 days after receiving authorization to establish the new exchange. In view of the record, the Commission finds and concludes that it is fair and reasonable to apply the line extension provisions of the tariffs only to those applications for exchange service in California City received by California Interstate 60 days or more after the effective date of this order.

California Interstate's proposed base rate area, encompassing the prospective high-density business district, was protested as being of too limited an area. Under the existing situation, where prospective telephone subscribers are so widely separated, a larger base rate area is not warranted at this time.

O R D E R

Based upon the evidence and the findings and conclusions set forth in the foregoing opinion,

IT IS ORDERED as follows:

1. California Interstate Telephone Company is hereby authorized:

(a) To establish an exchange to be known as California City exchange with exchange and base rate areas as shown on Exhibit E, attached to the original application and Exhibit No. 4 in these proceedings.

(b) To establish the toll rate center for said California City exchange in the NE $\frac{1}{4}$ of the NW $\frac{1}{4}$ of Section 26, T32S, R37E, Monte Diablo Base and Meridian.

(c) To file and make effective, coincident with the establishment of said California City exchange and on not less than five days'

notice to the public and to this Commission, revised tariff sheets which shall reflect the "present rates" set forth in Exhibit E attached to the amendment to Application No. 43371; except, that line extension charges shall not be applicable within Sections Nos. 25, 26, 35 and 36 of T32S, R37E, M.D.B.&M., until the 60th day following the establishment of said exchange service.

2. California Interstate Telephone Company shall file monthly written reports with this Commission, for a period of 12 months and with the first such report being due not later than ten days after the last day of the first full calendar month following establishment of the California City exchange, in which shall be set forth:

(a) A statement of the number of subscribers served in said exchange as of the end of the reporting period.

(b) A statement as to the plant facilities and the costs thereof (estimated if the applicable accounting has not been completed) added during the monthly period.

(c) A summary of all trouble reports and subscriber complaints, pertaining to either exchange or toll service within said exchange, and the disposition thereof, for the monthly period.

3. The authorizations hereinabove granted California Interstate Telephone Company will expire if not exercised prior to April 30, 1962. If said authorizations are exercised, California Interstate Telephone Company shall notify this Commission in writing of the date on which the California City exchange is established within five days thereafter.

4. If the authorizations hereinabove granted are exercised, California Interstate Telephone Company shall:

(a) Convert California City toll stations to exchange stations, where so requested, within ten days after the effective date of this order, and

(b) Establish exchange telephone service to each of those residences and businesses for which it has signed applications as of the effective date of this order, within sixty days after said date.

5. The relief requested by Community Telephone Company in Application No. 43702 is hereby denied and the application is dismissed.

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

Dated at Los Angeles, California, this 5th day of December, 1961.

Robert E. Mitchell
President

L. J. Lator

George L. Grover

Frederick B. Hilchoff

Commissioners

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