

ORIGINAL

Decision No. 65116

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

San Diego County Chapter,  
National Electrical Contractors  
Association, Inc., a corporation,

Complainant,

vs.

Case No. 7311

Pacific Telephone and Telegraph  
Company, a corporation,

Defendant.

Aaron W. Reese, for complainant.  
Arthur T. George and Maurice D. L. Fuller, Jr.,  
by Maurice D. L. Fuller, Jr., for defendant.  
Neal J. Mangin, for Santa Clara-San Benito  
Chapter, National Electrical Contractors  
Association; Robert G. Coleman, for San  
Mateo County Chapter, N.E.C.A., Inc.;  
Kenneth W. Carlson, for Sacramento Valley  
Chapter, N.E.C.A., Inc.; Neal C. Hasbrook,  
for California Independent Telephone  
Association, interveners.  
Sheldon Rosenthal and James G. Shields, for the  
Commission's staff.

O P I N I O N

Complainant alleges that defendant is now engaged in the practice of rewiring homes, apartment buildings and motels during the construction of said structures and that defendant intends to and will expand its rewiring operations to new construction of all types, including office buildings, schools, commercial and industrial structures; that such rewiring is done prior to the subscription of telephone service for the premises involved without

cost to the builder, future occupant, or subsequent subscriber of telephone service and without obligation on the part of builder, owner, or future occupant of the premises to subscribe to or utilize the services of defendant at any time; that the material and labor costs incurred by defendant in the rewiring of new construction are not related to the amount, quality, or type of telephone service the future occupants of the rewired structures may require or utilize, with the consequence that the quantity of wire installed is in excess of the wiring necessary to provide telephone service to the future occupants of the rewired premises; that the costs incurred in rewiring increase defendant's operating expenses, inflate the rate base without providing commensurate revenues, are discriminatory and will impose undue, unwarranted, and unlawful burdens upon present subscribers and customers of defendant, including the complainant; that the wiring so installed can be, and has been utilized by occupants for purposes other than to provide telephone service; and that such rewiring operations of the defendant constitute a violation of defendant's rules, as set forth in Rule 16, Schedule Cal. P.U.C. No. 36-T.

Complainant requests an order of the Commission requiring, among other things, that defendant cease and desist from such rewiring practices.

Leave to intervene was granted to the Santa Clara-San Benito County Chapter, the San Mateo County Chapter, and the Sacramento Valley Chapter of the National Electrical Contractors Association, Inc., and to the California Independent Telephone Association.

Public hearing on the complaint was held before Commissioner Mitchell and Examiner Patterson in San Diego on October 17 and 18, 1962, and the matter was submitted, subject to the receipt of a late-filed exhibit, and receipt of concurrent briefs on November 15, 1962. Said exhibit and briefs have been received and the matter is now ready for decision.

Testimony for complainant was presented by the Secretary-Manager of the San Diego County Chapter of the National Electrical Contractors Association. He estimated the cost of rewiring an average residential home to be \$29.95 as compared with \$6.23 for postwiring. He testified that his estimates were based upon his own observations of various structures which had been rewired as well as reports from individuals who had made similar observations in San Diego County. He also presented a series of photographs of rewiring in various structures, Exhibits 4 through 9. Witnesses for the other chapters of the Electrical Contractors Association, who intervened, testified in substance that defendant rewires structures in their respective areas in a manner similar to that for San Diego County. They did not present any estimates of rewiring costs but generally their testimony tended to support complainant's estimates.

A witness for defendant described rewiring as the installation of wire in a building during its construction in anticipation of possible future needs for telephone service. This practice was compared with the usual practice of postwiring in which the wiring is not installed until after construction of the building and after the customer has placed an order for the service desired.

He testified in detail to a multitude of factors which must be considered in a comparison of rewiring and postwiring. In summary, his testimony indicated that changes in construction practices and design of modern dwellings, coupled with the changes of patterns in telephone usage, and subscribers' increasing preference for concealed wiring have all combined to persuade defendant to seek a solution which would enable the rendering of better telephone service either at reduced cost or at a cost not disproportionate to the improvement in telephone service.

The record shows that approximately in the middle of 1961 defendant embarked upon a two-year experimental program of rewiring dwellings on a large scale. According to the testimony, each of the defendant's operating areas was asked to develop a rewiring program designed to meet the problems with which the particular area was confronted. The testimony reveals that during this period, various methods and combinations of methods of rewiring were tried. In August 1962, defendant issued a company practice on preinstallation of interior wiring, Exhibit 25, to be used as a guide by the various operating areas in the rewiring of dwellings. Under this practice, the serviceman wires a residential dwelling by running six pairs of unsheathed wire through the attic space of the building, dropping a loop in the wall space in each room at the location where it is believed telephone service will most likely be desired. The serviceman attaches an outlet to the loop in the kitchen and the master bedroom as defendant's studies indicate that most people desire

telephones in either of those two rooms. If the subscriber, or any subsequent subscriber, desires service in any of the other rooms, the location of the loop in the wall of the structure is ascertained by a toning device, and the outlet then can be attached at the location of such loop. The testimony indicates that apartment units and motels are wired in the same manner as individual dwellings, except the concealed loops are not provided as extensively as in the individual dwelling units. Defendant's witness testified that commercial structures generally are not prewired, except for a few selected types such as medical-dental buildings, and that defendant has no present intention of expanding the types of buildings it prewires.

Defendant asserted that it had not accumulated precise cost figures to indicate the difference between prewiring and postwiring costs. However, it presented the results of studies it had made in the San Diego area to compare such costs. Such a comparison for a single-unit dwelling is contained in Exhibit 31, which shows an estimated cost of prewiring as \$15.34 per unit as compared with \$12.00 for postwiring. The figures in this study were stated to be based upon an analysis of 500 jobs in the San Diego area for prewiring and 60 jobs for postwiring. Exhibit 32 presents a similar study for multiple-unit dwellings in the San Diego area based upon 20 jobs, and shows an estimated prewiring cost of \$16.19 per unit as compared with a postwiring cost of \$19.34.

Defendant asserted that it had no books or records from which the precise investment in interior wiring in prewired dwellings could be determined, but it presented by late-filed Exhibit 33

an engineering estimate that such investment in its California operations during the period from January 1, 1961, to June 30, 1962, was approximately \$2,000,000. Such investment is recorded in Account 232, Station Connections, and defendant reported that as of June 30, 1962, the total of this account was recorded as \$245,249,579. Total net telephone plant and working capital of defendant as of said date was reported to be \$2,505,408,154.

It was defendant's position that although Exhibit 31 shows an estimated investment of \$3.34 more in each prewired home than in a postwired home, such comparison is for the service initially ordered and defendant's witness testified that this estimated difference in initial investment would be more than offset by savings on future installations by the initial subscriber or future subscribers in the dwelling. He testified that defendant's experience to date indicates that a home will be occupied on the average by more than ten different families. According to late-filed Exhibit 33, 40% of installations involving later occupants require a change in the location of the telephone.

The secretary-treasurer of California Independent Telephone Association presented testimony in support of defendant's position. He stated that the independent telephone companies have experienced the same unfavorable customer reaction in installation problems associated with postwiring as indicated by defendant's testimony. He stated that of the 35 independent companies responding to his survey, 33 prewire dwellings and 24 also prewire commercial buildings and on the average these companies have prewired buildings for approximately 10 years. In addition, he testified

that the independent companies also have on file with the Commission the same rule governing the installation of their facilities on customers' premises as does the defendant and any change in defendant's rule, or its interpretation as urged by complainant, would adversely affect the independents. He stated the opinion that the independent companies generally believe that prewiring structures for telephone service will result in lower long-term costs than postwiring.

The two principal issues which are presented by this complaint are whether or not the prewiring practice (1) violates defendant's filed tariffs and (2) constitutes an unreasonable burden on defendant's subscribers.

Turning first to the alleged violation of defendant's tariffs, the pertinent tariff sections are:

Rule 16(A), which provides:

"Except as otherwise provided in these Rules and Regulations, the Company will, at its own expense, furnish, install and maintain all wiring necessary to serve applicants or subscribers in accordance with its lawful rates, rules and regulations, and in accordance with its established construction standards. The Company will determine the specific type of construction and route to be used in each particular case."

Rule 16(D), which provides:

"The interior wiring in buildings necessary to provide telephone service to the occupants thereof will be furnished, installed and maintained by the Company. . . ."

It is clear from these rules that wiring necessary to serve applicants, subscribers, or occupants will be furnished,

installed and maintained by defendant, and further, that defendant may determine the specific type of construction and route to be used in each particular case.

Defendant's general commercial engineer, who has a broad area of responsibility involving rates, tariffs and conditions under which service is furnished, testified that in his opinion no violation of the tariffs is involved as applicants or subscribers include future as well as present individuals. He further testified that the prewiring practice is no different than many other phases of defendant's operations such as laying of cable and constructing a central office where the size or capacity of the installation is determined by the anticipated future needs, not just the service that has been ordered.

Complainant and the other chapters of the Electrical Contractors Association, who intervened, contended that the rules limit the furnishing and installation of wiring by defendant to wiring that is necessary to serve applicants or subscribers and that the prewiring practices are not within such limitations. They maintained that only a few subscribers have a need for or utilize all of the six pairs of wires provided and, therefore, the universal installation of six-pair cable exceeds the wiring necessary to serve applicants or subscribers. They contended that applicants or subscribers must be construed to mean only present applicants or subscribers and that to extend the application of Rule 16(A) to include such wiring as may be necessary to serve future applicants or subscribers would permit defendant extreme

latitude which would result in conditions detrimental to all future subscribers and rate payers.

It is our opinion, after considering all the evidence on this matter, that rewiring does not constitute a violation of defendant's tariffs.

Turning now to the matter of the economic impact of the rewiring practice on defendant's subscribers, it is apparent from the testimony that complainant's witness, who had been associated with the San Diego County Chapter of the National Electrical Contractors Association as Secretary-Manager for less than two months, did not have sufficient detailed knowledge of defendant's material, labor and overhead costs to develop reliable estimates of rewiring or postwiring costs. Defendant admittedly did not possess actual cost records of rewiring and postwiring jobs and so relied upon engineering estimates for costs per dwelling unit as well as for total investment in rewiring.

The evidence presented by both complainant and defendant, as to costs and as to whether or not there is a resulting installation of plant which is not used and useful and which may create an unreasonable burden upon defendant's subscribers, is not conclusive and will not be ruled upon at this early stage of the program. It is a matter, however, which will be kept under the Commission's surveillance and the order herein will require defendant to file periodic reports of actual wiring costs which will permit evaluation of the economic impact of the program.

Upon consideration of the evidence, the Commission finds that:

(1) Complainant has not shown that the rewiring practice constitutes a violation of defendant's filed tariffs.

(2) Complainant has not shown that the rewiring practice constitutes an unreasonable burden on defendant's subscribers.

(3) The relief sought should be denied and the complaint should be dismissed.

(4) Defendant should be required to submit to the Commission quarterly reports for a one year period of actual rewiring and postwiring costs based upon the same items included in Exhibits 31 and 32.

O R D E R

IT IS ORDERED that:

1. The relief sought by complainant is denied and the complaint is dismissed.

2. Pacific Telephone and Telegraph Company shall submit to the Commission four quarterly reports commencing with the third quarter of 1963 which will contain the following information for its entire operations in California segregated between single-family dwellings, multiple-unit dwellings and other than dwelling units, (a) number of units rewired, (b) cost of rewiring, (c) cost of rewiring per unit, (d) number of units postwired,

(e) cost of postwiring, (f) cost of postwiring per unit, and  
(g) such other detail or explanation as will facilitate evaluation of the data.

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

Dated at San Francisco, California, this 19th day of MARCH, 1963.

George G. Grover  
President  
Robert E. Mitchell  
Robert W. Long  
William W. Bennett

Commissioners

Commissioner Frederick B. Holoboff did not participate in the disposition of this proceeding.