

ORIGINAL

Decision No. 65257

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of the COLORADO RIVER TELEPHONE COMPANY, a California corporation, for authority to establish, maintain, and operate telephone exchanges to be known as Midland Exchange and Palo Verde Exchange; and to file, publish, and make effective rates, rules, and regulations for telephone service in said Midland and Palo Verde Exchanges.

Application No. 44984  
(Filed November 30, 1962)

Orrick, Dahlquist, Herrington & Sutcliffe by  
Warren A. Palmer, appearing for applicant.  
Eugene S. Jones, appearing for Commission staff.

O P I N I O N

By this application the Colorado River Telephone Company seeks authority to establish, maintain, and operate telephone exchanges to serve the communities of Midland, in Riverside County, and Palo Verde, in Riverside and Imperial Counties, and to make effective rates and rules necessary for the proper operation of those exchanges.

The matter was heard and submitted before Examiner Patterson in Blythe on February 26, 1963. Applicant presented testimony through 2 witnesses and 13 exhibits. No protests were entered to the granting of the application.

Applicant's present operations consist of providing dial telephone service to the Blythe Exchange area. The conversion of

the Blythe Exchange from manual to dial operation with new outside plant and central office facilities, direct distance dialing, and certain other changes, was completed in October 1962. According to the record, the establishment of the two new exchanges proposed herein constitutes a continuation of applicant's over-all plan to bring adequate modern communication service to the Palo Verde Valley.

Financing of this modernization program is being provided by Rural Electrification funds as authorized by Decision No. 61837 dated April 18, 1961, in Application No. 43198.

The proposed Midland Exchange will be located in the extreme northwest corner of the present Blythe Exchange as shown on the area map Exhibit 1. The proposed base rate and exchange area boundaries are outlined by the maps in Exhibit 2. The community of Midland is described as an unincorporated village owned and operated by the United States Gypsum Company and all residents of Midland are stated to be employees of that company. At present the only telephone service in Midland consists of facilities owned by the United States Gypsum Company which connect on a farmer line basis with facilities of applicant. It is alleged that the existing service is inadequate for the needs of the United States Gypsum Company and that no service is provided to the residents of Midland.

Applicant's general manager testified that the population in Midland is expected to remain static and there appears to be little possibility of future growth. He further testified that the apparent stability of the area makes it prudent and possible to hold construction costs to a minimum and still provide adequate modern telephone service for the area. The estimated cost of the

facilities totalling \$46,130 is detailed in Exhibit 3. The estimates are based upon a forecast of 92 stations in the Midland Exchange at cutover and 130 stations five years thereafter.

The proposed Palo Verde Exchange will be comprised of the southernmost portion of the present Blythe Exchange together with additional unfiled territory extending southward along both sides of the Colorado River as shown on Exhibit 1. Palo Verde is described as an unincorporated residential, agricultural and recreational community located approximately fifteen miles south of the town of Blythe. According to the record, it is expected that Palo Verde and the area to the south will experience considerable growth in the near future, both from an agricultural and recreational standpoint. A major highway south from Palo Verde along the Colorado River is scheduled for completion in 1963. This highway will open up a major portion of the proposed Palo Verde Exchange heretofore virtually inaccessible to agricultural and recreational development.

Present telephone service in the Palo Verde area consists of ten toll stations. In addition, subscribers in the northern end of the proposed exchange are presently receiving Blythe Exchange service. The existing service allegedly is inadequate for present and future requirements of subscribers in and around the community of Palo Verde.

The proposed base rate and exchange area boundaries of the Palo Verde Exchange are outlined in Exhibit 4. The estimated cost of the proposed facilities is \$241,448 as detailed in Exhibit 5. The estimates are based upon a forecast of 45 stations

at the time of cutover and 295 stations 5 years thereafter. The Palo Verde Exchange will include the Community of Cibola and adjacent territory in Arizona, but according to the record, the plant and station investment required to serve the Arizona portion and all other estimates incidental thereto have been excluded from this application.

Applicant has represented that there is a community of interest in the entire Palo Verde Valley and therefore proposes to offer extended area telephone service throughout its entire service area.

Identical exchange service rates, somewhat above the level of the Blythe Exchange rates, are proposed for the two new exchanges of Midland and Palo Verde as follows:

<u>Grade of Service</u>	<u>Business</u>	<u>Residence</u>
Individual	\$ 9.50	\$ 6.00
Two-party	7.85	--
Four-party	--	4.75
Multi-party	5.75	4.00
Extension	1.50	1.25

Applicant further proposes, that except for the rates for exchange service, that all of its other effective tariff schedules be made effective in operation of the new exchanges.

According to the record, a detailed outline of the proposed rates and charges was mailed to all existing and prospective subscribers of the proposed exchanges. Applicant's general manager testified that no objections were received to the proposed rates from any of the prospective subscribers, but that in the case of certain existing subscribers in the proposed Palo Verde Exchange objections were raised. These objections were made by those subscribers now located in the Blythe Exchange suburban zones 2 and 3,

and who have been receiving telephone service via the central office located in the Ripley Special Rate Area. There are 19 such subscribers, 16 of whom would receive increases under the proposed rates. Applicant requests that these 16 subscribers, who are listed on Exhibit 6, be retained on present rates as deviations from the proposed Palo Verde tariff for the duration of their present service.

As another special circumstance in the proposed Palo Verde Exchange, applicant presented in Exhibit 7 a list of 32 new subscribers who are presently being served at the Blythe Exchange rates. According to the record, service to these new subscribers was provided on an emergency or hardship basis, as the facilities for such service were available incidental to the construction of the plant for the proposed Palo Verde Exchange. The record shows that 24 of these new subscribers will experience increased charges upon establishment of the Palo Verde Exchange rates. Applicant's general manager testified that all of these subscribers were advised that application of the Blythe rates was an interim emergency arrangement and that such rates would be subject to increase when the new rates for the Palo Verde Exchange are established. Authority for such interim rate arrangements was neither sought nor obtained from the Commission.

Applicant presented exhibits showing development of estimated rates of return at cutover and after 5 years on both a separated and combined basis for the Midland Exchange, the Palo Verde Exchange and for total company operations including Blythe, in Exhibits 11, 12 and 13 respectively. The rates of return so developed may be summarized as follows:

Percent Rate of Return

	<u>Midland</u>	<u>Palo Verde</u>	<u>Total Company</u>
<u>At Cutover</u>			
Exchange	3.0	(0.7)	1.1*
Toll	7.9	7.8	7.9*
Combined	4.5	1.9	3.2*
<u>After 5 Years</u>			
Exchange	5.4	0.5	2.3
Toll	7.9	7.8	8.0
Combined	6.2	2.7	4.0

(Red Figure)

\* For estimated year 1963.

Based upon the evidence we find that:

1. The establishment of the Midland and Palo Verde Exchanges as set forth in the application will result in an improved grade of service and will be in the public interest.
2. It is reasonable for those 16 existing subscribers listed on Exhibit 6 to remain on present rates as deviations from the proposed Palo Verde Exchange tariff for the duration of their present service.
3. Such increases as will result in the charges to 24 of the customers listed on Exhibit 7 are justified.
4. The application should be granted.

O R D E R

IT IS ORDERED that:

1. Colorado River Telephone Company is authorized to establish the Midland Exchange and the Palo Verde Exchange and revise the Slythe Exchange as set forth on Exhibit 1.

2. Applicant is authorized to publish, file, and make effective the rates set forth in the application, and appropriate tariff area maps, for services in the new exchange areas authorized herein to be established, such rates to become effective upon not less than five days' notice to the public and to the Commission.

3. Applicant is authorized to revise its existing tariffs as may be appropriate to make such tariffs applicable in the new exchanges and so as to provide extended area service throughout its entire service area.

4. Applicant is authorized to continue for the duration of their present service, present charges to those 16 existing subscribers listed on Exhibit 6 as deviations from the Palo Verde Exchange tariff and is directed to file a list of such deviations with the Commission in conformity with General Order No. 96-A.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 23<sup>rd</sup> day of APRIL, 1963.

George T. Grover  
President

Frederick B. Hallock

William W. Brown  
Commissioners