

ORIGINALDecision No. 65884

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 THE PONDEROSA TELEPHONE CO.)

For authority to establish two new)
 exchanges to be known as the Shaver)
 exchange and the Big Creek exchange,)
 to apply its present rates to the)
 proposed exchanges, to establish base)
 rate areas, to transfer certain areas)
 from one exchange to another, to)
 establish toll rate centers in such)
 proposed exchanges and to relocate)
 its toll rate center in its O'Neals)
 exchange.)

Application No. 45538
 (Filed June 19, 1963)

INTERIM OPINION AND ORDER

The Ponderosa Telephone Co., which operates in portions of Madera and Fresno Counties, by the above-entitled application, requests authority to: (1) establish two new exchanges, Shaver and Big Creek; (2) add certain unfiled territory to its Auberry and North Fork exchanges; (3) transfer certain areas between its Auberry and North Fork exchanges and from its Auberry to the proposed Shaver exchange; (4) establish base rate areas in the proposed Shaver and Big Creek exchanges and in its O'Neals exchange; (5) establish toll rate centers in the proposed exchanges and relocate its O'Neals toll rate center; (6) apply its presently authorized rates in the proposed exchanges and in addition to its Auberry and North Fork exchanges; and (7) coincident with the conversion of the O'Neals exchange to dial operation, apply the rates in its other exchanges to the O'Neals exchange and withdraw Schedule No. A-2A, Multi-Party Service.

The Ponderosa Telephone Co., with 772 company telephones as of December 31, 1962, provides extended area service in an approximate 466 square mile foothill and mountainous sparsely settled area with its dial operated Auberry, Friant, North Fork and manually operated O'Neals exchanges in Fresno and Madera Counties. It connects with The Pacific Telephone and Telegraph Company at Clovis using an "other-line" toll rate.

Applicant states that the establishment of the Shaver exchange previously was authorized by Decision No. 58274, Application No. 40875, but that it has been unable to meet the original expiration date and subsequent time extensions to March 31, 1963. It requests that such authority be regranted.

By Decisions Nos. 62817 and 64054 this Commission authorized the applicant to issue \$1,110,000 of R.E.A. notes to finance the cost of installing the two exchanges proposed herein and of converting the O'Neals exchange to dial operation. Those decisions, however, did not authorize establishment of the Big Creek and Shaver exchanges.

Applicant now avers that all plant needed to provide exchange and toll service in its proposed Big Creek and Shaver exchanges and to provide dial service in the O'Neals exchange will be ready for service November 15, 1963. Alleging it has been advised further loans under its authorized R.E.A. financing are dependent upon a decision on this application, applicant requests an expeditious ex parte decision.

The need and economic justification for the proposed exchanges were investigated and approved by the Commission in Decisions Nos. 62817 and 64054.

Applicant states that there are 5 prospective subscribers within the proposed 9 square mile unfiled North Fork exchange area and 8 potential subscribers within the proposed 26 square mile unfiled Auberry exchange area.

Applicant further states that there are no existing subscribers in the areas proposed to be transferred between exchanges, but that the transfers proposed would make it possible more readily to provide service to potential subscribers in those areas.

The boundaries of the proposed exchanges, the proposed additions to existing exchanges, and the proposed base rate areas are shown in Exhibit D of the application. The proposed Big Creek, Shaver, and O'Neals base rate areas are also shown to a larger scale in Exhibits E, F and G, respectively, of the application.

The proposed toll rate centers are located as follows:
Big Creek exchange - NW $\frac{1}{2}$ of the SW $\frac{1}{2}$ of Section 28, Township 8 S, Range 25 E, Mt. Diablo Base and Meridian; Shaver exchange - SE $\frac{1}{2}$ of the SE $\frac{1}{2}$ of Section 35, Township 9 S, Range 24 E, Mt. Diablo Base and Meridian; O'Neals exchange after relocation - SW $\frac{1}{2}$ of the SW $\frac{1}{2}$ of Section 21, Township 9 S, Range 21 E, Mt. Diablo Base and Meridian.

With regard to applicant's rate proposal for its proposed two new exchanges and for its O'Neals exchange coincident with conversion to dial operation, the Commission takes official notice of the separated results of operation for the year 1961 submitted by applicant in response to ordering paragraph 4 of Decision No. 58274 showing a negative (4.64)% rate of return on its extended area service operations and a positive 33.10% on its interchanged toll operations. Enlarging the extended service area might increase this imbalance.

The extended area service (EAS) rates of applicant are compared below with the non-EAS exchange rates of Sierra Telephone Company to the north and of The Pacific Telephone and Telegraph Company (500-4,000 stations):

	<u>Ponderosa (EAS)</u>	<u>Sierra (Non-EAS)</u>	<u>Pacific Company (Non-EAS)</u>
1-Party Business	\$7.00	\$8.50	\$7.00
2-Party Business	5.50	7.50	5.60
Suburban Business	5.00	6.75	5.10
1-Party Residence	4.50	6.50	4.40
4-Party Residence	3.00	4.50	3.00
Suburban Residence	3.50	5.00	3.50

Applicant's other-line intrastate toll rates, on the other hand, are higher than PT&T's intrastate toll rates as they are additive for calls beyond Clovis.

Applicant has not submitted an estimated results of operation based upon completion of its construction program, upon changed operating conditions resulting therefrom, and upon its greatly changed capital structure. This appears to be a subject that requires public hearing.

Findings

The Commission has considered the above-entitled application and finds that a public hearing on the portions of the application to be authorized by this interim order is not necessary, that the granting thereof will be in the public interest, and that improved telephone service should result.

The Commission further finds that there is insufficient evidence upon which to authorize the rates requested and that public hearing should be held thereon after applicant has prepared estimates showing future operating results.

The Commission concludes that the application should be granted only to the extent set forth in the ensuing order.

IT IS ORDERED that:

1. Applicant is authorized to establish a Big Creek exchange and a Shaver exchange as delineated on Exhibit D of its application.
2. Applicant is authorized to add the unfiled areas to its Auberry and North Fork exchanges delineated on application Exhibit D.
3. Applicant is authorized to transfer those areas between its exchanges as proposed and as shown on application Exhibit D.
4. Applicant is authorized to establish the base rate areas for its Big Creek, Shaver and O'Neals exchanges shown on applications Exhibits E, F, and G, respectively, with the further condition that the establishment of the O'Neals base rate area shall be coincident with the providing of dial service in that exchange.
5. Applicant is authorized to establish the toll rate centers in its Big Creek and Shaver exchanges and to relocate its O'Neals exchange toll rate center as proposed in the application.
6. The authority herein granted will expire unless the necessary construction to render the service proposed by applicant is completed and in service within one year after the effective date of this order.
7. Applicant shall promptly prepare and file with the Commission an exhibit showing estimated results of operation to reflect its future operating conditions separated as between toll and exchange operation and expected earnings by exchanges with toll

rates on a direct rate basis. Thereafter a hearing will be scheduled for the purpose of determining the reasonableness of the requested rates.

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

Dated at San Francisco, California, this 20th day of AUGUST, 1963.

Walter B. Bennett
President

John J. [unclear]
Wendell [unclear]

George T. Hoover

Frederick B. Holshoff
Commissioners