

ORIGINAL

Decision No. 67267

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY for authority to publish, file, and place in effect rates in a new exchange in Sonoma County, California, to be designated the Timber Cove exchange.

Application No. 45673  
(Filed August 13, 1963)

In the Matter of the Suspension and Investigation on the Commission's own motion of tariffs covering exchange area expansion of the Cazadero exchange of the Redwood Empire Telephone System.

Case No. 7706  
(Filed September 10, 1963)

The Redwood Empire Telephone System, a corporation,

Complainant,

vs.

The Pacific Telephone and Telegraph Company, a corporation,

Defendant.

Case No. 7716  
(Filed September 16, 1963)

Arthur T. George and Maurice D. L. Fuller, Jr., for The Pacific Telephone and Telegraph Company, applicant and defendant;

Bacigalupi, Elkus & Salinger, by William G. Fleckles, for Redwood Empire Telephone System, protestant, respondent and complainant;

California Independent Telephone Association, by Paul Fey and Neal C. Hasbrook; and California Farm Bureau Federation, by Ralph Hubbard, interested parties;

Ermet Macario and Milton J. DeBarr, for the Commission staff.

O P I N I O N

By filing (Application No. 45673) made on August 13, 1963, The Pacific Telephone and Telegraph Company seeks the authority of this Commission to establish a new telephone exchange to be known as Timber Cove exchange, to file rates for service therein and to establish a toll rate center therefor.

By filing (Advice Letter No. 6) made on August 14, 1963, The Redwood Empire Telephone System seeks to expand the boundaries of its Cazadero exchange in order to add thereto approximately 98 square miles of territory, a major portion thereof constituting the area of Pacific's proposed Timber Cove exchange. This filing stands suspended pending disposition of an investigation on the Commission's own motion (Case No. 7706).

On September 16, 1963, The Redwood Empire Telephone System filed a complaint (Case No. 7716) against The Pacific Telephone and Telegraph Company requesting an immediate order restraining Pacific from further constructing telephone plant in the area in which the two utilities seek authority to provide exchange service. By Decision No. 66040, dated September 18, 1963, the Commission issued an interim cease and desist order. By Decision No. 66143, issued October 15, 1963, after hearing, Pacific was permitted to complete certain toll line construction within the disputed area, the cease and desist order being continued in effect for all but the specifically described toll line construction.

Thereafter, on November 4, 5 and 6, 1963 and on January 9, 13 and 20, 1964, public hearing of the three matters was held on a consolidated record before Examiner Emerson at San Francisco. The matters are submitted and ready for decision.

The territory involved in these matters is bounded on the west by the Pacific Ocean; extends from approximately the Russian River on the south to about two miles north of Stewart's Point on the north, a distance of about 20 miles; and extends irregularly inland as much as eight miles from the coast. Included in the area are such communities or points of interest as Fort Ross, Kruse Rhododendron Reserve State Park, Plantation and Timber Cove. Timber Cove lies approximately midway between Stewart's Point and the mouth of

the Russian River. A portion of the northern boundary is common with the Annapolis exchange of Pacific Telephone; a portion of the eastern boundary is common with the Cazadero exchange of Redwood Empire and the southern end of the area meets the Monte Rio exchange of Pacific Telephone.

Forty or more years ago there were extensive lumbering and ranching operations in the general area and the territory was divided into a number of telephone exchanges, some of which were the Gualala exchange, established in 1899; the Fort Ross exchange, established in 1907; the Seaview exchange, established in 1910; the Rules Ranch exchange, established in 1906; the Duncans Mills exchange, established in 1898; and the Stewart's Point exchange, established in 1925. All of these exchanges were served by Pacific Telephone. Activities in the area declined through the years and when there were two or less subscribers remaining in each exchange, exchange service was discontinued, discontinuance in the Seaview and Rules Ranch exchanges occurring in 1929, in the Fort Ross exchange in 1931, in the Duncans Mills exchange in 1937 and in the Stewart's Point exchange in 1941. Since discontinuance of the exchanges, Pacific Telephone has provided only toll station service in the area.

At the present time, the basic economic activities in the area are sheep ranching, some lumber mill operations and tourist trade. An inn and restaurant have been built at Timber Cove. There is a motel and restaurant at Ocean Cove. A subdivision of about 50 lots is located near Timber Cove and construction of a few homes is reported to be under way. In the total area of about 100 square miles, there are 43 semipublic toll telephone stations and 10 public toll telephone stations, all served by Pacific Telephone.

Pacific Telephone received requests to re-establish exchange service in the area in 1953 but decided that there was not sufficient development in the area to warrant providing such service. In 1957,

Pacific Telephone again received requests that a new exchange be established, this time by 18 persons living on the Seaview-Plantation-Meyers Grade roads. As a result of the business recession in that year, economic conditions in the area became depressed, a lumber mill closed and a number of the persons, who had petitioned for exchange service, left the area. At the beginning of 1961 there were 29 toll stations in the 100 square mile area. Today, as above noted, there are 53, ten of them being public toll stations. Pacific Telephone canvassed the area in August 1963 and obtained 73 signed applications for exchange service, five of which were later withdrawn.

Pacific Telephone's proposed Timber Cove exchange plant is designed to serve 56 lines and 85 main stations initially. The proposed 1.81 square mile base rate area, at Timber Cove, is estimated to encompass 9 future business subscribers and 21 future residence subscribers and to have included therein 4 coin public telephones. An estimated 33 residence subscribers and 4 business subscribers would be outside of the base rate area and 25 of these would be on 8-party suburban lines. Pacific Telephone's forecast respecting suburban service is for 25 main stations on five lines as of January 1964, 26 main stations on six lines as of January 1967 and 31 main stations on seven lines by January 1972. For the proposed service within the exchange, Pacific Telephone estimates that its required total investment will be \$227,180. Of such sum, \$89,100 represents new facilities.

Pacific Telephone has had a history of service outages in the area. The open-wire leads through the area run through heavily wooded terrain, are vulnerable to damage from falling limbs, trees, other debris and heavy winds. The salt fogs along the coast cause electrical failures, particularly on carrier circuits. Complaints

about poor service have been numerous.<sup>1/</sup> Pacific Telephone's witness characterized its service as very poor, as confusing, as unpleasant and as annoying to its customers. He further testified that the existing toll service "was worse than we had realized," that the utility was remiss in not watching it more closely and that the complaints made by many customers demanded corrective action. One toll station subscriber testified that there hadn't been a week in the last two or three years during which he had continuous service. At a public meeting in the area<sup>2/</sup> a representative of Pacific Telephone admitted that area needs had been neglected.

Redwood Empire presently operates a single exchange, known as the Cazadero exchange, covering an area of about 100 square miles, with its central office and base rate area at the community of Cazadero. This utility was formed in 1957 in order to provide exchange service in an area in which Pacific Telephone had provided only toll station service.<sup>3/</sup> It now provides exchange telephone service to approximately 142 subscribers. Its eastern exchange boundary abuts Pacific Telephone's Guerneville exchange and its southern boundary abuts Pacific Telephone's Monte Rio exchange. To the north and to the west of the Cazadero exchange lies unfiled territory; that is, territory in which no exchange service is offered by any telephone utility.

Redwood Empire's interest in the area was manifested in 1961 when the then management of this utility informed Pacific Telephone of its interest in expanding the Cazadero exchange to the north and west. The ownership and management of Redwood Empire

---

<sup>1/</sup> For example, Pacific Telephone's witness testified that 77 complaints were made by 51 subscribers during a 90-day period in 1963.

<sup>2/</sup> Held at the Fort Ross School on August 8, 1963.

<sup>3/</sup> See Decision No. 55779, issued November 5, 1957, of which official notice is taken.

changed in January 1962 and the new owners determined, in February 1962, that the Cazadero exchange should be expanded westward to the ocean as soon as necessary toll line and central office improvement work at Cazadero might be completed. The dial office work was completed in September 1962 and the new toll facilities were completed in July 1963. A preliminary survey of the expanded area, made in early 1962, indicated the possibility that as many as 100 persons might take service in the area. In May 1963, area canvass and engineering work was started and signed applications for exchange telephone service were obtained. The area coverage survey disclosed a potential of 126 subscribers.

Redwood Empire basically proposes to enlarge its Cazadero exchange by moving its westerly boundary to the Pacific Ocean, to create a detached base rate area to include the communities of Fort Ross and Timber Cove and surrounding territory and to charge therein the same rates presently effective in the Cazadero exchange. It is a "package" proposal, in that Redwood Empire also seeks permission to waive the collection of line extension charges within the added territory. In order to provide a dependable service, Redwood Empire has designed its proposed system primarily for underground installation of its cables, using the method of direct burial by plowing. Although its original system design may require some modification of wire sizes and repeater installations, a fully adequate and relatively trouble-free telephone service would be provided the public throughout the area. Its anticipated over-all cost for the project is approximately \$160,000 for which it would use interim financing through demand notes to Stromberg-Carlson<sup>4/</sup> and which it would permanently finance through a long-term loan from the Rural Electrification Administration. Based upon the assumed REA financing, Redwood Empire's accountant testified that its financial condition would be adequate and not require increases in telephone rates for the

---

<sup>4/</sup> Stromberg-Carlson, a division of General Dynamics, is a telephone equipment supplier to the independent telephone industry.

foreseeable future.

With respect to Redwood Empire's proposal, a Commission staff witness recommended that the proposed detached base rate area be established as a "special rate area" with the rates therein determined by adding 3 one-quarter mile suburban mileage charges to the Cazadero base rate area rates. He also recommended that line extension charges be applied equally to all subscribers receiving service from the extended facilities and paid for on a monthly basis over a period of five years.

As heretofore pointed out,<sup>5/</sup> Pacific Telephone has undertaken work in the area in order to improve toll service to its Annapolis exchange and to provide diversified facilities for existing and future toll and special service development north of the disputed Timber Cove area. It maintains, and the testimony of its witnesses corroborates the fact, that such improvement and expansion work must be completed no matter which utility may provide exchange telephone service in the disputed area. In the light of Pacific Telephone's acknowledged service deficiencies, it is apparent that its project should indeed be completed and that this Commission's cease and desist order respecting such work may be terminated.

With respect to the choice between Pacific Telephone and Redwood Empire for the provision of exchange telephone service in the disputed area, the evidence clearly favors Redwood Empire. Pacific Telephone has patently waited until competition was at its door before it took any steps to improve its service or to provide the exchange service which people in the area desire. Redwood Empire, albeit a small utility, has provided its customers with good service, has made improvements in its facilities on its own volition, provides a superior service insofar as party-line service is concerned and has the confidence of its existing and prospective subscribers.

---

<sup>5/</sup> In Decision No. 66143, issued October 15, 1963, in Case No. 7716.

By Advice Letter No. 8627, filed October 24, 1963, Pacific Telephone sought to expand its Monte Rio exchange boundary to the northwest of Jenner in order to include one toll station subscriber who has applied for Monte Rio exchange service. The filing was withdrawn and by stipulation of the parties the problem is to be disposed of in these proceedings. The evidence is convincing that this minor expansion of the Monte Rio exchange is in the public interest and that Pacific Telephone should again make such filing.

In view of the evidence, the more important aspects of which are hereinabove discussed, the Commission makes the following findings:

1. Redwood Empire and Pacific Telephone have sought authority from this Commission to provide exchange service in essentially the same area.
2. The public interest will best be served if Redwood Empire is authorized to establish exchange telephone service in the disputed area.
3. It is fair and reasonable to establish rates for service therein based upon a Special Rate Area, generally covering Timber Cove and Fort Ross, with basic rates predicated on 3 one-quarter mile suburban mileage charges being added to the rates effective in the Cazadero exchange.
4. It is fair and reasonable to authorize and require a pooling of all line extension charges for extension of lines from the existing Cazadero outside plant and to prorate the payment thereof by means of monthly charges spread over a five-year period.
5. Exchange boundaries in the general area should be so delineated that neither overlapping nor area exclusion will occur and to such end the respective boundaries should be slightly expanded so as to include all of the presently settled portions of the area.



6. Pacific Telephone's project to correct toll service deficiencies should be completed.

7. It is fair and reasonable to require that Pacific Telephone discontinue its toll stations within the expanded Cazadero exchange as exchange service becomes available therein.

The Commission concludes as follows:

1. The application of Pacific Telephone should be denied.
2. Redwood Empire should be authorized to establish exchange telephone service in the disputed area, as hereinafter ordered.
3. The outstanding cease and desist order against Pacific Telephone should be terminated.
4. Pacific Telephone should be authorized to expand its Monte Rio exchange as hereinafter ordered.

O R D E R

IT IS ORDERED as follows:

1. The Redwood Empire Telephone System is authorized to expand its Cazadero exchange to include the areas described or set forth in Appendix A attached to this order and to establish within such expanded exchange a Special Rate Area with boundaries described in Appendix B attached to this order.

2. The Redwood Empire Telephone System is authorized to file with this Commission, on or after the effective date of this order and in conformity with the provisions of General Order No. 96-A, tariffs revised so as to include therein the rates and charges set forth in Appendix C attached to this order. Such rates shall become effective on the date on which exchange service is first rendered in the expanded exchange area, and the line extension charges shall become effective on the effective date of this order.

3. The authorizations hereinabove granted to The Redwood Empire Telephone System will expire if not exercised prior to July 1, 1965.

4. The Pacific Telephone and Telegraph Company is authorized to file with this Commission revised tariffs by which the boundaries of its Monte Rio exchange are expanded to those boundaries set forth on the Sixth Revised Sheet 229 of Cal. P.U.C. Schedule 37-T, originally filed with this Commission on October 24, 1963.

5. The authority sought by The Pacific Telephone and Telegraph Company in Application No. 45673 is hereby denied and the application is hereby dismissed.

6. The cease and desist order issued by Decision No. 66040, as modified by Decision No. 66143, issued in Case No. 7716 is hereby terminated and is of no further force and effect.

7. The Pacific Telephone and Telegraph Company shall discontinue its toll stations within the Cazadero exchange on such date or dates as exchange service is made available in said exchange by the Redwood Empire Telephone System.

8. The suspension of revised Cal. P.U.C. Sheets Nos. 98-T and 99-T filed by Redwood Empire Telephone System by Advice Letter No. 6 is hereby made permanent.

9. The investigation in Case No. 7706 is hereby discontinued.

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

Dated at San Francisco, California, this 26th day of May, 1964.

William U. Brundage  
President  
George T. Thayer  
Fredrick B. Holdrege  
Commissioners

APPENDIX A

Exchange Area

The following described sections, ranges and townships of Mount Diablo Base and Meridian are authorized to be included in the Cazadero exchange:

Sections 34, 35 and 36 of Township 10 North,  
Range 14 West;

Sections 1, 2, 3, 10, 11, 12, 13, 14, 24 and 25  
of Township 9 North, Range 14 West;

All of Township 9 North, Range 13 West, excluding  
Sections 1 and 12;

All of Township 8 North, Range 13 West;

Sections 15, 16, 17, 18, 19, 20, 21, 22, 27, 28,  
29, 30, 31, 32, 33 and 34 of Township 9 North,  
Range 12 West;

Sections 4, 5, 6, 7, 8, 9, 16, 17, 18, 19, 20,  
21, 27, 28, 29, 30, 31, 32, 33, 34 and 35 of  
Township 8 North, Range 12 West;

Sections 2, 3, 4, 10 and 11 of Township 7 North,  
Range 12 West, excluding those portions of  
Sections 2 and 11 located within the extended  
Monte Rio exchange of The Pacific Telephone and  
Telegraph Company as authorized in ordering  
paragraph 4 herein.

APPENDIX B

Special Rate Area

The Special Rate Area within the Cazadero exchange shall include the following described territory:

Sections 2, 9, 10, 11, 12, 13, 14, 15, 23, 24  
and 25 of Township 8 North, Range 13 West;

The Northwest 1/4 and the Southwest 1/4 of  
Section 19 of Township 8 North, Range 12 West;

The Northwest 1/4 and the Southwest 1/4 of  
Section 30 of Township 8 North, Range 12 West.

APPENDIX C  
Page 1 of 2

RATES

The presently effective rates, charges and conditions changed in the manner or to the levels set forth in

- Schedule No. A-1, Individual Line and Party Line Service;
- Schedule No. A-3, Semipublic Coin-Box Service;
- Schedule No. A-4, Mileage Rates;

For service within the Timber Cove Special Rate Area:

Business Service	Rate Per Month
1-Party	\$7.00
2-Party	5.55
Semipublic	2.25
Residential	.19
1-Party	6.00
2-Party	4.65
4-Party	3.85

Revise conditions provide as follows:

Urban grades of service will be furnished outside the base rate area and the special rate area at either special rate area rates plus suburban mileage charges to the nearest point on the special rate area boundary, or at base rate area rates plus suburban mileage charges to the nearest point on the base rate area boundary, whichever results in the lower charge to the subscriber.

Schedule No. A-31, Line Extension Charges

Modify RATES 1 and 2 by adding the following note:  
"Except as provided under RATES 3."

*CORRECTION*

# CORRECTION

THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY

APPENDIX C  
Page 1 of 2RATES

The presently effective rates, charges and conditions are changed in the manner or to the levels set forth in this appendix.

Schedule No. A-1, Individual Line and Party Line Service:

Schedule No. A-3, Semipublic Coin-Box Service:

Schedule No. A-4, Mileage Rates:

For service within the Timber Cove Special Rate Area:

	<u>Rate Per Month</u>
Business Service:	
1-Party Flat	\$7.00
2-Party Flat	5.55
Semipublic Coin-Box	
Per Month	2.25
Minimum Charge Per Day	.19
Residence Service:	
1-Party Flat	6.00
2-Party Flat	4.65
4-Party Flat	3.85

Revise conditions of Schedules Nos. A-1, A-3, and A-4 to provide as follows:

Urban grades of service will be furnished outside the base rate area and the special rate area at either special rate area rates plus suburban mileage charges to the nearest point on the special rate area boundary, or at base rate area rates plus suburban mileage charges to the nearest point on the base rate area boundary, whichever results in the lower charge to the subscriber.

Schedule No. A-31, Line Extension Charges

Modify RATES 1 and 2 by adding the following note:

"Except as provided under RATES 3."

APPENDIX C  
Page 2 of 2

Add the following under RATES:

3. Special Line Extension Charges in Expanded Exchange Area
  - a. All subscribers to service within the expanded portion of Cazadero exchange, authorized by Decision No. \_\_\_\_\_\*, shall be charged \$1.25 per month in lieu of the line extension charges set forth under RATES 1 and 2 above. Said monthly charge (in addition to any other applicable charges) shall be applied to all subscribers in said area and shall be discontinued on January 1, 1970.
  - b. Applicants for service within the expanded portion of the Cazadero exchange, authorized by Decision No. \_\_\_\_\_\*, who apply for service on or after January 1, 1965 shall be subject to line extension charges under RATES 1 and 2 above in addition to the charges applicable under RATES 3a above.

\* Utility to insert decision number at time of filing.