

ORIGINAL

Decision No. 67578

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY, a corporation, for authority to establish two district areas within the Suisun exchange to be designated Idlewood district area and Main district area and to establish extended area service between said Idlewood district area and Vacaville exchange and to withdraw message toll telephone service rates now in effect over said route.

Application No. 45702
Filed August 22, 1963

Arthur T. George and Richard W. Odgers,
for applicant.
California Farm Bureau Federation, by
Ralph Hubbard, interested party.
Hector Anninos and P. Popenoe, Jr., for
the Commission staff.

O P I N I O N

Public hearing in this matter was held before Examiner Emerson on March 18, 1964, at Vacaville. The matter is submitted and is now ready for decision. Included in the record herein is the complete record made in Application No. 44899.¹

Applicant is presently providing exchange telephone service in Vacaville and Suisun, Solano County. Travis Air Force Base lies within the Suisun exchange and the commercial and residential area immediately adjacent to said Base constitutes a telephone base rate area with a central office lying about 5 miles easterly of the principal Suisun base rate area. Applicant proposes to create two district areas within the Suisun exchange, the one at Travis to be

¹ Heard in Eureka on February 4, 5 and 6, 1964.

designated Idlewood and the balance of the exchange to be designated Main, and to establish extended service between the Idlewood district area and the Vacaville exchange. The Suisun and Vacaville exchanges are 9 toll route miles apart and the initial 3-minute toll charge is 15 cents over such route. By applicant's proposal, toll charges between the Main district of the Suisun exchange and the Vacaville exchange would remain as at present. The proposal would eliminate the toll charge between the Idlewood district of the Suisun exchange and the Vacaville exchange.

Applicant proposes to offset loss of toll revenue between the Idlewood district and Vacaville by increasing flat rate charges in Idlewood and in Vacaville. A comparison of proposed and existing rates is as follows:

RATE COMPARISON

Flat Rate, Monthly

	<u>Idlewood D. A.</u>		<u>Vacaville Exchange</u>	
	<u>Present</u>	<u>Proposed</u>	<u>Present</u>	<u>Proposed</u>
<u>Business</u>				
1-party	\$ 8.00	\$ 8.75	\$ 7.00	\$ 7.75
2-party	6.35	6.85	5.60	6.10
10-party	5.35	5.85	5.10	5.60
PBX trunk	12.00	13.00	10.50	11.50
Farmer line	1.85	-	1.55	2.05
<u>Residence</u>				
1-party	\$ 4.65	\$ 5.05	\$ 4.40	\$ 4.80
2-party	3.60	3.85	3.60	3.85
4-party	3.00	3.15	3.00	3.15
10-party	3.50	3.65	3.50	3.65
Farmer line	1.10	-	.90	1.05

Applicant's rate increase proposal would produce an increase of approximately \$24,300 in exchange revenues. The net new cost of telephone plant chargeable to the proposed extended serving arrangements would bring applicant's net plant devoted to exchange service in the extended area to a total of over \$4,200,000 as of June 30, 1962. Under applicant's plan, its exchange earnings would decline from the overall 4.84 percent exchange earnings before

introduction of extended service to an estimated 4.57 percent after extended service.

The record fully demonstrates the public's desire for the extended service at the rates proposed by applicant. It also clearly shows that applicant's proposed exchange rates will not produce revenue sufficient to meet the costs of the new service and maintain even the below average earnings which the area now produces. While the fundamental issue of spread of rates may not be disposed of in this proceeding but will be undertaken in Case No. 7409 and Application No. 45726, it is fair and reasonable to require that the recipients of the new and improved extended service arrangement proposed herein provide revenues sufficient to leave applicant's earnings position in no poorer condition than that presently prevailing. To do otherwise would be unfair to subscribers elsewhere who would receive no benefit from the new service but who would necessarily carry the burden of making up for the additional revenue deficiency occasioned by the establishment of applicant's plan in this area.

In view of the evidence, the Commission finds that:

1. Consummation of applicant's proposed new serving arrangements is in the public interest.
2. The increases in exchange telephone rates authorized herein are justified and that existing rates, insofar as they differ from those authorized herein, will become unjust and unreasonable on such date as extended service is provided.

The Commission concludes that the application herein should be granted, with rates for service thereunder as hereinafter set forth.

O R D E R

IT IS ORDERED as follows:

1. Applicant is authorized to file with this Commission, after the effective date of this order and in conformity with the provisions of General Order No. 96-A, tariff sheets revised to establish the Idlewood and Main district areas of the Suisun exchange and to reflect rates for extended service between said Idlewood district area and its Vacaville exchange as set forth in Appendix A attached to this order and, on not less than five days' notice to the public and to this Commission, to make said revised tariffs effective on such date as said extended service is first provided.
2. Coincident with the effective date of the revised tariffs above authorized, applicant is authorized to cancel and withdraw its present tariffs for message toll service applicable thereto.

APPENDIX A

RATES

The presently effective rates for the Suisun and Vacaville exchanges are changed to rates set forth in this appendix.

Schedule No. 4-T

Individual and Party Line Service - Northern California

Station	Individual and Party Line Service		Suburban Service		Residence Service		Business Service		Individual Line
	Rate Per Month	Rate Per Month	Rate Per Month	Rate Per Month	Rate Per Month	Rate Per Month	Rate Per Month		
Each Primary Station	Indivi- : dual : Line	Two- : Party : Line	Indivi- : dual : Line	Two- : Party : Line	Four- : Party : Line	Ten- : Party : Line	Ten- : Party : Line	Rate : Per : Month	Minimum : Charge : Per Day
Suisun, Idlewood D.A.	\$ 9.40	\$7.35	\$5.45	\$4.10	\$3.35	\$6.30	\$3.85	\$2.10	23¢
Vacaville	8.40	6.60	5.20	4.10	3.35	6.05	3.85	1.85	22¢

Schedule No. 9-T

Farmer Line Service - Northern California

Rates

Each Station:
Exchange

Exchange	Rate Per Month	
	Residence Service	Business Service
Suisun, Idlewood D.A.	\$ -	\$ -
Vacaville	1.10	2.20

Schedule No. 13-T

Private Branch Exchange Trunk Line Service - Northern California

(1) Flat Rate Service

- (a) Commercial and Hotel Manual and Dial PEX, Business Key Station Dial PEX and Order Receiving Equipment Services:

Each Trunk:

Exchange	Rate Per Month
Suisun, Idlewood D.A.	\$13.75
Vacaville	12.25

Schedule No. 34-T

Foreign Exchange Service - Northern California

Rates

Rates applicable to Foreign Exchange Service are authorized to be revised to reflect the above authorized changes.

CONCURRING OPINION OF COMMISSIONER HOLOBOFF

I concur.

The effort to maintain the same rate of return after extended area service as before, together with the fact that the extended area service routes herein considered involve only contiguous exchanges, remove much of the concern I heretofore expressed in my dissent in Decision No. 66352, dated November 19, 1963, in Application No. 44363. Furthermore, it now appears that a Commission decision on the issue of overall rate spread in Case No. 7409 could reasonably coincide with the completion of the plant changes necessary to implement this authorization. In these circumstances, I am not as apprehensive that applicant's customers elsewhere will be required to bear a possible undue burden of supplying its revenue requirements as I would be if the prospects were different.

Frederick B. Holoboff
FREDERICK B. HOLOBOFF, Commissioner

Dated July 21, 1964
San Francisco, California

I dissent as to each of the decisions issued today in the above matters.

(1) The rates are high. As I pointed out in my dissent to Decision 61868 in Application 42978 (58 C.P.U.C. 643), such rates benefit heavy users, but they are at the expense of low-income subscribers, whose monthly minimum rates are thereby increased. For example, in the Merced order the increase for one-party residence service in the Le Grand Exchange is \$1.85 per month. That increase will be borne by those who have no need for the new extended "service" as well as by those who do desire it. The results are all the more questionable in view of the fact that the new rates in all four orders are substantially higher than those proposed by the company.

(2) Rate of return is not an accurate standard for preserving the status quo with respect to the deficient earnings of the exchanges in question. Today's orders will increase the plant investment in those exchanges, so that even with the same rate of return, the dollar deficiency in earnings will be increased. The burden which may ultimately be cast upon other exchanges (for example, Los Angeles and San Francisco) is better measured in terms of dollars, for it is dollars (not percent) which they will be called upon to contribute.



GEORGE G. GROVER, Commissioner