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ORIGINAL

Decision No. 67877

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY, a corporation, for authority to establish extended service between its Placerville and Georgetown exchanges; and between its Placerville and Shingle Springs exchanges, and to withdraw message toll telephone service rates now in effect between said exchanges.	Application No. 45810 (Filed September 26, 1963)

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

OPINION

After due notice, public hearing in this matter was held before Commissioner Mitchell and Examiner Emerson on April 15, 1964, at Placerville. The record herein contains the complete record made in Application No. 44899.[1/] The matter was submitted on receipt of two exhibits late filed on April 21, 1964, and is now ready for decision.

Applicant is presently providing exchange telephone service in Placerville, Georgetown and Shingle Springs exchanges in El Dorado County. Intercommunication between said exchanges is at message toll rates; the 13-mile route of Placerville to Georgetown having a basic 3-minute initial toll charge of 20 cents, and the 8-mile route of Placerville to Shingle Springs having an initial 3-minute toll charge of 10 cents.

1/ Heard February 4, 5 and 6, 1964, at Eureka.

Applicant proposes to provide extended area service, whereby calling over the Georgetown-Placerville route and over the Shingle Springs-Placerville route would be toll-free. In order to offset the loss of toll revenue over these routes, applicant proposes to increase exchange rates in all three exchanges. The present and proposed rates are as follows:

Type of Service	Georgetown		Placerville		Shingle Springs	
	Present	Proposed	Present	Proposed	Present	Proposed
Business:						
1-party	$6.50	$ 9.25	$ 7.00	$ 7.25	$6.50	$ 8.25
2-party	5.10	7.85	5.60	5.85	5.10	6.85
10-party	4.85	7.35	5.10	5.35	4.85	6.35
PBX trunk	9.75	13.75	10.50	10.75	9.75	12.25
Farmer line	-	-	1.55	1.80	1.30	2.80
Residence:						
1-party	4.15	5.45	4.40	4.45	4.15	4.95
2-party	3.35	4.60	3.60	3.60	3.35	4.10
4-party	2.75	4.00	3.00	3.00	2.75	3.50
10-party	3.25	4.50	3.50	3.50	3.25	4.00
Farmer line	-	-	.90	.90	.80	1.40

Applicant's basic premise for rate determination is that its revenue position before and after extended service should be unaltered. It intends that the introduction of extended service will provide it with neither additional profit nor revenue losses. Its proposed rates are designed to increase its exchange revenues by approximately $12,400 annually. Applicant's net exchange plant in the three exchanges totals about $2,957,000. After introduction of extended service, net plant chargeable to combined exchange operations would be about $3,067,000, an increase of approximately $110,000.

On the basis of separated exchange earnings, the combined earnings of the three exchanges show an operating loss (balance net revenue) of approximately $27,854 annually. Under applicant's rate proposal, such net revenue <u>loss</u> would increase to approximately $30,729. Applicant's rate proposal is therefore insufficient to maintain even the existing loss relationship of these exchanges. It is worthy of note that if these three exchanges were to earn the statewide average earnings ratio of 6.1 percent, 2/ revenues under existing rates would be deficient by approximately $466,300 annually and that if local subscribers were to provide applicant with average earnings, subscribers' bills would have to be increased by approximately $70 annually or about $5.83 per month.

Prior to hearing this matter, each subscriber in the three exchanges was sent a questionnaire which set forth applicant's rate proposal. The response from Placerville subscribers was 43 percent; from Georgetown, 68 percent; from Shingle Springs, 70 percent. Favorable support for applicant's plan, at the rates applicant proffered, was indicated by 73 percent of the business subscribers and by 67 percent of the residence subscribers responding.

Numerous persons testified in support of applicant's proposal. Indeed, lack of such public support would be most unusual in any area where a metropolitan type of service at a tremendous bargain might be offered by applicant.

The evidence shows that for the 12 months ending June 30, 1962 (the test period) the Placerville exchange produced a net revenue <u>loss</u> of $20,945; the Georgetown exchange produced a net revenue <u>loss</u> of $2,333; the Shingle Springs exchange produced a net revenue <u>loss</u> of $4,576. As above mentioned, applicant's proposal would produce from these three exchanges a combined net revenue <u>loss</u> of $30,729 annually. It should be self-evident that

2/ Applicable to the test year 1962 data relied upon by applicant in this proceeding.

under such earnings situation, telephone users elsewhere in California are presently "carrying" these three exchanges. To place an even greater burden upon them in order to make up the increased deficiency of applicant's proposal for extended area toll-free calling for Placerville, Georgetown and Shingle Springs would be unfair.

Applicant's witnesses testified to the effect that its proposal is in response to an insistent public demand. Except for the removal of some minor inconveniences, such as toll-call identification of the calling party by an operator, or of placing toll calls through an operator, no new telephone service is proposed; yet, applicant's plan would increase its net exchange plant by more than $110,000, would entail more than $15,700 of additional exchange operating expenses and would have applicant conducting its exchange operations at an even greater deficit than that already prevailing. One might reasonably expect that some urgent situation, some cross-boundary calling problem, or some real public necessity would be the premise for such an uneconomic proposal. The record discloses none of these things.

Reduced to its fundamentals, applicant's proposal herein is one which would do little more than shift the cost burden from those presently making toll calls between the three exchanges to other telephone users. While the local public desire for such toll-free service is substantial, there is no indication in this record that the public would support a proposal which would pay its way. Applicant has at no time informed the local telephone users of the true costs of the proposed serving arrangement. To the contrary, the public has been led to believe that it could have its desires at a very small increase in rates, while applicant should have known that economic realities could not justify its proposal and that only a complete subsidy by other telephone users could make good its seemingly generous response to the requests of Georgetown, Shingle Springs and Placerville subscribers.

This Commission is obligated to view and protect the whole public interest statewide and without favor or discrimination between areas or classes of utility customers. In view of the evidence, the Commission finds that applicant's proposal is economically unfeasible. The Commission concludes that the application herein should be denied.

O R D E R

IT IS ORDERED that Application No. 45810 be and it is hereby denied.

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

Dated at San Francisco, California, this 22nd day of SEPTEMBER, 1964.

Frederick B. Holoboff
President

Peter E. Mitchell

Everett C. McKeage

George G. Grover

William M. Bennett
Commissioners