

ORIGINAL

Decision No. 67883

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 Petaluma exchange to be designated Swift district area and Main district area and to establish extended area service between certain of its exchanges in the Santa Rosa area of Sonoma County, and to withdraw message toll telephone service rates now in effect over said routes.

Application No. 45934
(Filed November 5, 1963)

Arthur T. George and Richard W. Odgers, for applicant.
The Redwood Empire Telephone System, by Joseph S. Ray, protestant.
California Farm Bureau Federation, by Ralph Hubbard; Western California Telephone Company, by Robert C. Abrams; California Independent Telephone Association, by Neal C. Hasbrook, interested parties.
Hector Anninos and Paul Popenoe, Jr., for the Commission staff.

O P I N I O N

After due notice, public hearing in this matter was held before Commissioner Mitchell and Examiner Emerson on March 19, 1964, at Santa Rosa. The record herein contains the complete record made in Application No. 44899^{1/}. The matter is submitted and is ready for decision.

Applicant is presently providing exchange telephone service in Forestville, Geyserville, Healdsburg, Petaluma, Sebastopol, Windsor and Santa Rosa exchanges in Sonoma County. Applicant proposes to provide "extended area service" among

^{1/} Heard in Eureka on February 4, 5, and 6, 1964.

these exchanges and to eliminate toll charges over certain of the routes between the exchanges. Specifically, applicant proposes to create a Swift district area within the Petaluma exchange and to provide toll-free calling from such district area to Santa Rosa; to eliminate tolls between Geyserville and Healdsburg, between Healdsburg and Windsor, between Healdsburg and Santa Rosa, between Windsor and Santa Rosa, between Forestville and Santa Rosa, between Forestville and Sebastopol and between Sebastopol and Santa Rosa.

The present toll routes involved, with initial 3-minute charges therefor, are as follows:

<u>Toll Route</u>	<u>Route Miles</u>	<u>3-Minute Charge</u>
Healdsburg - Santa Rosa	14	20c
Petaluma - Santa Rosa	16	20c
Forestville - Santa Rosa	10	15c
Windsor - Santa Rosa	9	15c
Forestville - Sebastopol	7	10c
Geyserville - Healdsburg	7	10c
Windsor - Healdsburg	6	10c
Sebastopol - Santa Rosa	7	10c

Applicant proposes to offset its loss in toll revenues by increasing rates for exchange service. Its rate increase proposal is summarized as follows:

<u>Type of Service</u>	<u>Rate Increases Proposed - Per Month</u>					
	<u>Santa Rosa</u>	<u>Petaluma - Swift D.A.</u>	<u>Geyserville</u>	<u>Healdsburg</u>	<u>Forestville and Windsor</u>	<u>Sebastopol</u>
Business						
1-party	\$.75	\$1.25	\$1.75	\$4.00	\$4.00	\$3.50
2-party	.40	1.15	1.40	3.15	3.15	2.65
10-party	.40	1.15	1.15	2.15	1.90	1.65
PBX trunk	1.25	2.00	2.50	6.00	6.00	5.25
Farmer Line	-	-	1.15	2.40	2.15	-
Residence						
1-party	.35	.85	.85	1.35	1.35	1.10
2-party	.25	.75	.75	1.00	1.00	.75
4-party	.15	.65	.65	.90	.90	.65
10-party	.15	.65	.65	.90	.90	.65
Farmer Line	-	-	.50	1.20	1.05	-

Applicant's basic premise for rate determination is that its revenue position before and after extended service should be unaltered; that is, the new rates for extended service should neither provide it with additional profit nor saddle it with monetary penalties. Applicant's rate proposal would increase its exchange revenues by approximately \$238,400. Its net plant chargeable to the proposed serving arrangement would increase by over \$1,205,000, to reach a total net plant of about \$13,777,000.

On a separated earnings basis, applicant's rate proposal would reduce combined exchange earnings of 2.15 percent before extended service to 2.04 percent after introduction of extended service. Its revenue increase proposal is deficient by \$31,800. The proposed rates will not maintain even the below-average earnings which the area now produces; however, when the revenue deficiency is related to the 31,395 main telephone stations involved, the deficiency would amount to less than 10¢ per main station per month.

A subscriber survey, conducted by applicant at the direction of the Commission, shows substantial support for applicant's proposal. Questionnaires were mailed to 34,618 subscribers. Of those responding, an overall average of 61.2 percent were in favor of applicant's plan and rate proposal, with favorable responses running as high as 95 percent outside of the core exchange of Santa Rosa. Of the 16 public witnesses who testified at the hearing, all but one unreservedly supported applicant.

The fundamental issue of rate spread may not be disposed of in this proceeding but will be undertaken in Case No. 7409 and Application No. 45726; however, it is fair and reasonable to require that the recipients of extended service provide revenues

sufficient to leave applicant's earnings position in no poorer condition than that presently prevailing. To do otherwise would be unfair to telephone subscribers elsewhere who would receive no benefit from the new serving arrangement but who would necessarily carry the burden of making up the revenue deficiency occasioned by the establishment of applicant's plan in this area. Rates for the new extended service will be established at such level as will make up the additional \$31,800 deficiency necessary to maintain an average earnings ratio of 2.15 percent in the combined exchanges.

Applicant estimates that 18 months will pass before extended service may be established. In view of the evidence respecting the existing division of the City of Rohnert Park by the common Santa Rosa-Petaluma exchange boundary, applicant is urged to expedite its program for establishment of the Swift district area to the end that the new serving arrangements between Swift and Santa Rosa may be made effective at the earliest practicable date.

In view of the evidence, the Commission finds that:

1. Consummation of applicant's proposed new serving arrangement 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 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 establish Swift and Main district areas within the Petaluma exchange and 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 reflect rates for extended service, between the telephone exchanges and the district areas specified in the foregoing opinion, 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 the date when extended service is provided in said exchanges and district area.

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.

3. The authorizations hereinabove granted will lapse if applicant shall not have extended service in the aforesaid exchanges and district area prior to January 1, 1966.

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.

President
[Signature]

Commissioner
[Signature]

Commissioner
[Signature]

I dissent.
Fredrick B. Hohlhoff

I dissent.
George G. Trover

Commissioners

APPENDIX A

RATES

The presently effective rates are changed to the rates set forth in this appendix.

Schedule No. 4-T

Individual and Party Line Service - Northern California

Each Primary Station	Individual and Party Line Service				Suburban Service		Semipublic Service		Rate Per Month	Minimum Charge Per Day
	Business	Residence	Business	Residence	Business	Residence	Business	Residence		
Line	Indivi- dual	Two- Party	Indivi- dual	Two- Party	Four- Party	Ten- Party	Ten- Party	Individual Line	Rate	Minimum
Forestville	\$10.80	\$8.40	\$5.60	\$4.50	\$3.65	\$6.85	\$4.15	\$3.10	23¢	
Geyserville	8.55	6.65	5.10	4.25	3.40	6.10	3.90	2.35	21¢	
Healdsburg	11.30	8.90	5.85	4.75	3.90	7.35	4.40	3.60	23¢	
Petaluma:										
Main Dist. Area:										
Local	9.25	7.10	4.65	3.60	3.00	5.60	3.50	1.00	24¢	
Swift Dist. Area:										
Extended	10.80	8.40	5.60	4.50	3.65	6.85	4.15	3.10	23¢	
Santa Rosa	9.80	7.40	5.10	4.00	3.15	5.85	3.65	2.10	23¢	
Sebastopol	10.30	7.90	5.35	4.25	3.40	6.35	3.90	2.60	23¢	
Windsor	10.80	8.40	5.60	4.50	3.65	6.85	4.15	3.10	23¢	

Schedule No. 9-T

Farmer Line Service - Northern California

Rates Each Station: Exchange	Rate Per Month	
	Business Service	Residence Service
Forestville	\$3.30	\$1.75
Geyserville	2.30	1.20
Healdsburg	3.80	2.00
Petaluma-Swift D.A.	-	-
Santa Rosa	-	-
Sebastopol	-	-
Windsor	3.30	1.75

Schedule No. 13-T

Private Branch Exchange Trunk Line Service - Northern California

- (1) Flat Rate Service.
(a) Commercial and Hotel Manual and Dial PBX, Business Key Station Dial PBX and Order Receiving Equipment Services:

Each Trunk:

Exchange	Rate Per Month
Forestville	\$16.25
Geyserville	12.75
Healdsburg	17.00
Petaluma:	
Swift Dist. Area:	
Extended	16.25
Santa Rosa	14.75
Sebastopol	15.50
Windsor	16.25

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 in this appendix.