

ORIGINALDecision No. 67930

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 CITIZENS UTILITIES COMPANY OF)
 CALIFORNIA, a corporation, for)
 authority (1) to establish a new)
 exchange to be known as Paynes Creek)
 Exchange, Tehama County, California,)
 and (2) to establish rates, charges,)
 rules and regulations for telephone)
 exchange service therein.)

Application No. 46209
 (Filed February 19, 1964)

Bacigalupi, Elkus & Salinger, by Warren A. Palmer,
 for applicant.

Ralph Hubbard, for California Farm Bureau Federation;
John R. Wise, president and Norman W. Mills, for
 Tuolumne Telephone Co., interested parties.

John E. Brown, for the Commission staff.

O P I N I O N

Applicant requests authority to establish an exchange and base rate area and provide dial urban and suburban exchange service at Paynes Creek and adjacent areas in Tehama County, in lieu of its present toll station service which now serves 28 customers in the area. At present, operator functions in the area are performed by personnel of The Pacific Telephone and Telegraph Company's Red Bluff Exchange; under applicant's proposal toll traffic will be handled by Pacific's Red Bluff operators.

The application was submitted, without opposition, at the conclusion of a public hearing held April 29, 1964 at Red Bluff before Examiner Gregory.

The record shows that the Paynes Creek area is growing due to installation of a State Conservation Camp (Department of Correction) and subdivision of a large tract of land (Ponderosa Sky Ranch) and that present and potential customers desire exchange service. The proposed exchange area, measuring about 124 square miles, is located on both sides of State Highway 36 between Red Bluff and applicant's Mineral Exchange and is bounded on the west and part of the south by Pacific's Red Bluff Exchange, on the north by Tuolumne Telephone Company's Shingletown Exchange and on the east by the Mineral Exchange. The proposed base rate area includes the community of Paynes Creek. Applicant has received 17 additional requests for main station service and estimates that about four potential customers, ranchers in the Lane Valley area north of Paynes Creek, will require line extensions. Four pay stations will be located within the area.

Nine classes and grades of service will be offered at basic exchange rates identical with those currently in effect in the Mineral Exchange and which are at the same level as those in effect in applicant's small dial exchanges.^{1/}

1/ These basic exchange rates are as follows:

<u>Business:</u>	<u>Rate Per Month</u>	<u>Minimum Charge Per Day</u>
Individual Line	\$8.00	
Two-Party Line	6.50	
Suburban Ten-Party Line	6.50	
Extension	1.75	
<u>Residence:</u>		
Individual Line	5.00	
Four-Party Line	4.25	
Suburban Ten-Party Line	4.50	
Extension	1.25	
Semipublic Telephone Service		\$0.28

Applicant's estimates of plant investment and operating results for a first full year's operation of the Paynes Creek Exchange (Exhibit 6), show net plant (land, building, central office equipment, proposed and existing poles and wire, stations and station installations) amounting to \$53,340; revenue (exchange, toll and uncollectibles) totaling \$14,240, and expense (maintenance, traffic commercial, administrative and general, and taxes) amounting to \$11,610, with a resulting estimated operating income of \$2,630 for the assumed first year.

Applicant proposes to maintain service with personnel from its Mineral Exchange and, if necessary, from its headquarters at Susarville. The evidence shows that the existing plant, with the proposed improvements and additions, including current reconstruction of toll line facilities, is adequate for good service in the proposed exchange area and that the facilities are comparable with others in applicant's system located in mountainous terrain in portions of Northern California.

Applicant's proposal was supported by some 65 residents in the area, comprising about 90 percent of the total population, and by the representative of the California Farm Bureau Federation, who noted the lack of opposition by Tuolumne Telephone Company and of service complaints by present customers.

The Commission's staff representative took the position, in a statement at the conclusion of the hearing that the granting of this application would be in the public interest and that the proposed dial service would remove many of the service problems inherent to a manually operated system. He expressed some doubt, however, as to whether the evidence indicated that the proposed

service would be self-supporting, would be available in all grades of service to customers outside the Paynes Creek base rate area, or would be reliable unless cable plant were substituted for open wire plant for both toll and exchange purposes at Paynes Creek.

The record reveals, in connection with the foregoing points raised by the staff representative, that:

1. Net operating income for the estimated first full year of operation would produce a return of about 5 percent on the depreciated plant investment involved.

2. Urban grades of service will be offered to all subscribers in the proposed exchange area under applicant's rates and regulations, which include mileage charges; moreover, additional base rate areas or exchanges will be established if required by population shift or growth.

3. Although the record indicates that cable plant is replacing open wire plant in many parts of California, there is no evidence in this record of what the staff representative described as "current industry standards" in that respect. There is, however, uncontroverted evidence that use of an open wire secondary toll lead with 10 to 15 circuits, serving a dual purpose as a major exchange lead as proposed here, would be both customary and adequate under the circumstances disclosed by this record and would also be less expensive to install than buried cable plant.

We find that to the extent that the establishment by applicant of the Paynes Creek Exchange and Paynes Creek Rate Base Area, as proposed here, will result in increases in rates and charges for telephone service, such increases are justified.

ORDER

IT IS ORDERED that:

1. Applicant is authorized, after the effective date of this order, to establish the Paynes Creek Exchange Area and Paynes Creek Base Rate Area, in Tehama County, substantially as proposed in the application herein.

2. Applicant is authorized to apply the rates, charges, and rules currently in effect for its Mineral Exchange to the service to be rendered at and through the Paynes Creek Exchange Area and Paynes Creek Base Rate Area.

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

Dated at Los Angeles, California, this 30th day of SEPTEMBER, 1964.

Fredrick B. Halaloff
President

John E. Smith

George T. Brown

William L. Bennett

Commissioners

Commissioner Everett C. McKeage, being necessarily absent, did not participate in the disposition of this proceeding.