

ORIGINAL

Decision No. 70268

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 Ignacio and San Rafael exchanges, and to withdraw message toll telephone service rates now in effect between said exchanges.

) Application No. 46868
) (Filed August 4, 1964,
) Amended June 22, 1965)

Application of WESTERN CALIFORNIA TELEPHONE COMPANY, a corporation, for authority to establish extended service between Novato and San Rafael Exchanges, and to withdraw message toll telephone service rates now in effect between said exchanges.

) Application No. 47256
) (Filed January 15, 1965)

In the Matter of the Investigation on the Commission's own motion into the rates, rules, regulations, charges, tolls, classifications, contracts, practices, operations, facilities and service, or any of them, of THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY and WESTERN CALIFORNIA TELEPHONE COMPANY.

) Case No. 8151
) (Filed March 23, 1965,
) Amended May 20, 1965)

Arthur T. George and Pillsbury, Madison & Sutro, by Richard W. Odgers, for The Pacific Telephone And Telegraph Company, applicant and respondent.
Bacigalupi, Elkus & Salinger, by Warren A. Palmer, with Robert C. Abrams, for Western California Telephone Company, applicant and respondent.
City of Novato, by Clark M. Palmer and Robert Carrow; California Farm Bureau Federation, by William L. Knecht; Novato Medical Clinic, by A. W. Higbee; Novato General Hospital, by Milton Scott; San Rafael City Council, by Dr. Charles W. Aby; Loma Verde Home Owners Association Inc., by Harriet A. Nelsen; Novato Chamber of Commerce, by Ross M. Tankersley; Home Owners Association of Marin Golf and Country Club Estates, by William R. Bills; L. J. Dervin Ford Company, by Laurence J. Dervin; Hamilton Air Force Base, by J. Paul Sibbitt; Medicine Chest Drugs, by Lee E. Bond; Business Men of Novato, by Frank E. Galli; Novato Unified School District, by Eugene F. DeBrecht; Jon Robert Shop, by Virginia Stratton; Novato Business & Professional Women's Club, by E. Emilie Wassett; Paul Brindel, Arlo R. Jones, George L. Tocalino and Leo J. Wassett, in propria personae; interested parties.
Hector Anninos, for the Commission staff.

INTERIM OPINION AND ORDER

By its application, The Pacific Telephone and Telegraph Company¹ proposes to increase the local service area of its San Rafael exchange to include its Ignacio exchange and to expand the local service area of the Ignacio exchange to include the San Rafael exchange, a so-called "extended-area" service agreement. Toll charges between the two exchanges would thus be eliminated.² Pacific also proposes to increase flat rate monthly charges in both exchanges in order to offset certain resulting costs and the loss of toll revenues generated by telephone messages between the two exchanges.

By its application, Western California Telephone Company³ proposes to establish extended-area service between its Novato exchange and Pacific's San Rafael exchange. Toll charges between these two exchanges would thus be eliminated.⁴ Western California proposes to increase flat rate monthly charges within its Novato exchange, the amount of such increase being dependent upon a settlement with Pacific for interexchange traffic between the two exchanges. Western California and Pacific are not in agreement as to any plan of settlement. Western California opposes Pacific's application unless its own application is granted.

Western California's Novato exchange and Pacific's Ignacio exchange now have toll-free calling between them.

In view of the above-described situation, the Commission instituted an investigation, on its own motion, generally for the purposes of determining whether the telephone services of either

¹ Hereinafter sometimes referred to as Pacific.

² The present initial-period station toll rate between San Rafael and Ignacio is 10 cents.

³ Hereinafter sometimes referred to as Western California.

⁴ The initial-period station toll rate between Novato and San Rafael is 15 cents.

Pacific or Western California are in any way inadequate or insufficient and of determining whether either of these utilities should be ordered to provide extended-area service, and, if so, on what terms and conditions. Public hearings in these matters were held before Commissioner Mitchell and Examiner Emerson on November 5, 1964, and before Commissioner Grover and Examiner Emerson on June 9, 10, 11, 17 and 21, 1965.

Pacific's San Rafael exchange serves about 30,000 subscribers within various communities in Marin County, including San Rafael. Such exchange is part of the San Francisco-East Bay extended area.

Pacific's Ignacio exchange now serves about 1,500 subscribers in a portion of the City of Novato, including Hamilton Air Force Base, and in the Marin Golf and Country Club tract, Loma Verde and Bel Marin Keys.

Western California's Novato exchange serves the major portion of the City of Novato and adjacent unincorporated areas with approximately 6,000 subscribers in two rate zones.

Interest in extended area telephone service for the northern portion of Marin County was first evidenced in 1956 when homeowners in the Ignacio exchange sought such service from Pacific. In 1961 Pacific sought authority to establish toll-free service between a number of exchanges in Marin County and one of the routes proposed was that of Ignacio-San Rafael. In denying Pacific's application for a widespread extended-area treatment as being unfeasible, the Commission pointed out, however, that the record suggested a need for such service over the Ignacio-San Rafael route.⁵

⁵ See Decision No. 62657, in Application No. 43430, issued October 10, 1961.

Much of the territory involved in the present proceedings was incorporated into the City of Novato in 1960 and there thus developed a "cross-boundary" problem within the city; that is, a toll charge was involved in calling from the northern two-thirds of the city (served by Western California) to the southern one-third of the city (served by Pacific) even though the call might only be across the street. This annoying situation was eliminated, pursuant to this Commission's authorization in 1961, by establishing extended-area service between the Novato and Ignacio exchanges in 1962.⁶

In 1964, in response to the wishes of many of its Ignacio exchange subscribers, Pacific filed its instant application to provide toll-free calling between its Ignacio and San Rafael exchanges. Enthusiastic public support for such proposal is clearly set forth in this record. Pacific's proposal, taken alone, however, would again divide the City of Novato by allowing one-third of the city to call San Rafael toll-free while two-thirds of the city would pay toll charges on every call to San Rafael. Opposition to present day creation of such a situation, as expressed by Western California and by the City of Novato, naturally results.

Western California's proposal, taken in conjunction with that of Pacific, would prevent creation of a new toll boundary within the City of Novato and it is Western California's position that either both proposals should be authorized or else neither proposal should be authorized, a position with which the Commission, because of its long experience in dealing with boundary problems throughout the State and in view of the evidence in this proceeding, is inclined to agree.

⁶ See Decision No. 62393, in Applications Nos. 43430 and 43451, issued August 8, 1961.

Any extended-area service plan will mean increased monthly flat rates if the prospective losses in toll revenues are to be offset and reasonable earnings on the telephone plant devoted to such service are to be maintained. As hereinabove noted, the amounts of increases will be dependent upon the type of settlement between the two utilities. Although not unanimous, the preponderance of the testimony of members of community clubs, service clubs, planners and business associations, as well as individuals, in the Novato and Ignacio exchanges is in support of the two extended-area proposals and indicates a willingness to pay increased exchange telephone rates for the proposed toll-free service.

The single issue of whether or not extended-area service should be authorized or directed was submitted on the last day of hearing in these matters. Other issues, including the very important matter of setting rates for each of the three exchanges, were deferred pending further hearing. We find that these issues are not separable, for to direct the establishment of this type of service is essentially an irreversible step (because of the plant construction and rearrangements attendant thereon) and the rate payers, as well as the utilities, might thereby be placed in unfair positions as to meeting presently unknown revenue and cost requirements for the service. We conclude, at this point, that public hearing in these matters should be continued for the purpose of receiving evidence respecting appropriate rates for the proposed service and that submission of the single issue should be set aside pending receipt of such evidence.

IT IS ORDERED that the aforementioned partial submission is vacated and these proceedings are reopened for further public

hearing, before Commissioner Grover and/or Examiner Emerson, at such time and place as may hereafter be set.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 18th day of JANUARY, 1966.

President

George H. Grover

Wojcik

Commissioners

I concur in the order. I suggest, however, that a more appropriate disposition of this matter would have been to authorize the proposed extended area service now, and leave for later determination the matter of reasonable rates.

Fredrick B. Hohlhoff

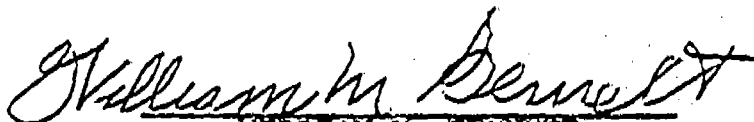
*I will file a dissent,
Carter E. Kitchell*

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DISSENT

BENNETT, William M., Commissioner, Dissenting Opinion:

Applicants and all those affected are entitled to a decision. Insofar as I am concerned we should have rendered a decision one way or another long before now. But after a history of extensive hearings in a matter so long extended as this now the majority reopens the matter for some further information. This is hardly the role of regulation which should be more responsive to public needs than this matter demonstrates. Either the improved services requested are warranted because of public demand to be furnished at reasonable rates and should be authorized or in the alternative or after so long should be denied. But here we are again setting the matter down for further hearings and ignoring all the expertise of this staff and the Commission itself which could either authorize improved service and prescribe a rate or in the alternative deny it. At least the adoption of one of these two choices would have the saving quality of finality; it would advise the applicant and the public affected of the views of the Commission upon the relief sought and it would dispose of the matter once and for all. Accordingly at this point I would render a decision and I would do it today. I disagree with today's order which merely protracts an already extended proceeding.


WILLIAM M. BENNETT
Commissioner

San Francisco, California
January 18, 1966

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COMMISSIONER PETER E. MITCHELL DISSENTING:

Application No. 46868, which is a request by Pacific for extended area service between its Ignacio exchange and its San Rafael exchange was filed on August 4, 1964. In January, 1965, after one day of hearing, I sponsored a proposed decision recommending approval of extended service between the Ignacio and San Rafael exchanges. If the proposed decision had been signed by the majority, extended area service would now be operative between Ignacio and San Rafael. The increase in rates was minimal and would have been almost exclusively borne by the business community. I do not quarrel with the majority's refusal to sign the proposed decision. But, what does concern me is that since January, 1965, no other decision has been issued by the majority in Application No. 46868, Application No. 47256, or Case No. 8151. How much longer is this to continue? When can the public expect a decision?

Application No. 47256, which was not filed until January 15, 1965, and Case No. 8151, involve the request of Western California Telephone Company to establish extended area service between its Novato exchange and Pacific's San Rafael exchange. The majority of the Commission blithely consolidated Application No. 46868 with Application No. 47256, and even added Case No. 8151 for good measure, repeatedly disregarding admonitions against such consolidation and further delay.^{1/}

^{1/} See Order Instituting Investigation, Case No. 8151, March 23, 1965.

Nevertheless, the consolidated matters were set and hearings held on June 9, June 10, June 11, June 17 and June 21, 1965. At those hearings, evidence was introduced on proposed rates for extended service and the need for such service. Even so, this order reopening the proceedings is silent on rates. Therefore, as best I may, herewith is my understanding of the spread of rates entered in these hearings:

In Application No. 46868, the proposed increase in rates would be absorbed by the business community to a large degree. Residence rates in the San Rafael exchange would remain unchanged. There would be an increase to subscribers in the Ignacio exchange of Pacific but these subscribers support the application.^{2/} The obvious conclusion is that on the record (one day of hearing in January, 1964; five days of hearing in June, 1965), Application No. 46868 should have been approved in January, 1965, and should be approved now in January, 1966.

But what about the rates in Application No. 47256 and Case No. 8151 for extended area service between Western California's Novato exchange and Pacific's San Rafael exchange? Were there no rate proposals submitted in the five days of hearing in June, 1965? Indeed, there were. Perhaps the 30,000 subscribers in the San Rafael exchange might be interested in the probable range of increases necessary to support extended toll-free calling for the San Rafael-Novato exchanges. The following illustrates what may be termed the

^{2/} Residence one-party \$12.00 per year

spread of typical rates under the various rate proposals and two settlement methods about which testimony was presented:

For subscribers in Pacific's San Rafael exchange:

A residence one-party telephone would have a minimum annual increase of \$6.60 (Satellite plan), or a maximum annual increase of \$9.00 (Roseville plan).

A business one-party flat rate telephone service would pay a minimum annual increase of \$7.80 (Satellite plan), or a maximum annual increase of \$11.40 (Roseville plan).

For subscribers in Western California's Novato exchange:

A residence one-party telephone would receive a minimum annual increase of \$18.00 (Roseville plan), or a maximum annual increase of \$41.40 (Satellite plan).

A business one-party flat rate telephone service would pay a minimum annual increase of \$45.00 (Roseville plan) or a maximum annual increase of \$99.00 (Satellite plan).

In return for the above proposed rate increases, toll-free calling would be introduced between the subscribers in Pacific's San Rafael exchange and the Novato exchange of Western California.

It is my belief that the residents in the areas involved should be informed as to the probable rate increases necessary to

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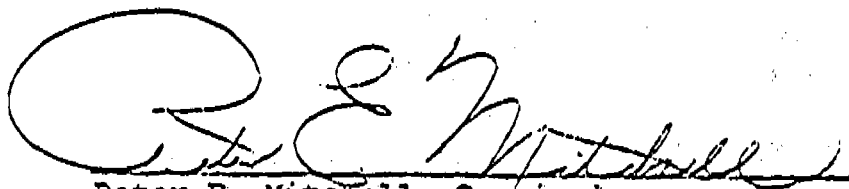
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support this toll-free calling. If the probable range of rates are to be higher or lower than I have indicated, I request the majority to advise the public.

The majority theory apparently adopts the principle that if a resident in Ignacio has a Cadillac in his garage, not only must his neighbor in Novato obtain a Cadillac at the same time, regardless of expense, but also that his neighbor in San Rafael must be given two Cadillacs, regardless of desire or cost. It may be there are some of us who drive Volkswagens and Fords who do not wish Cadillacs which we cannot afford, do not need, and will never use.

Such diuturnity in these matters by the majority cannot be justified. The public has a right to expect a decision from the Commission in any proceeding within a reasonable time.

Faith in the Commission's ability to properly protect the public interest can only be discouraged by the action of the majority herein.



Peter E. Mitchell, Commissioner

San Francisco, California

January 20, 1966