

ORIGINAL

Decision No. 73036

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
CALIFORNIA WATER & TELEPHONE COMPANY,)
a corporation, for Authority to)
Establish the Palm Desert Exchange,)
Encompassing the present Thousand)
Palms Exchange and certain portions)
of the present Indio and Palm Springs)
Exchanges, and to establish Extended)
Area Service between the proposed)
Palm Desert Exchange and the Palm)
Springs and Indio Exchanges.)

Application No. 49123
(Filed February 2, 1967)

Bacigalupi, Elkus, Salinger & Rosenberg,
by Claude N. Rosenberg, for applicant.
C. P. La Rowe, for Home Owners Association
of Tri-Palm Estates, interested party.
Andrew Tokmakoff, for the Commission staff.

O P I N I O N

California Water & Telephone Company seeks authority to make the following changes in existing telephone service arrangements, which affect principally the Palm Springs, Thousand Palms and Indio Exchanges, in two steps: (1) Expansion of the Palm Desert Office Service Area of the Indio Exchange to the east and north to encompass the community of Bermuda Dunes and surrounding area as shown on Exhibit B attached to the application (Step I); (2) establishment of a new exchange, the Palm Desert Exchange, which would encompass the present Thousand Palms Exchange, the enlarged Palm Desert Office Service Area resulting from Step I, and a portion of the Palm Springs Exchange containing the community of Rancho Mirage as shown on Exhibit C attached to the application (Step II); (3) establishment

of non-optional extended area service between the proposed Palm Desert Exchange and the Palm Springs and Indio Exchanges, with the applicant providing all necessary facilities (Step II); (4) abandonment of the existing toll rate point at Thousand Palms and the establishment of a new toll rate point located at Palm Desert for purposes of determining toll charges for toll messages originating and terminating in the Palm Desert Exchange (Step II); (5) continuation, in the proposed larger Palm Desert Office Service Area (Step I) and in the proposed Palm Desert Exchange (Step II), of the rates presently in effect for the Palm Desert Office Service Area; and (6) deviation from the present applicable tariff provision so that the present Indio Classified Directory rates will not be affected by the proposed changes (Step II).

Applicant further requests that the proposed changes under Step I and under Step II become effective on or about January 1, 1968 and on or about January 1, 1969, respectively, to coincide with the publication dates of telephone directories serving the affected exchanges. Applicant estimates that it can make the service rearrangements as proposed within four months after Commission approval for Step I and within twelve months after Commission approval for Step II.

After due notice public hearing in this matter was held before Examiner Main on June 21, 1967 at Thousand Palms. No protests were entered and statements were made by several of applicant's subscribers supporting the application. The matter was submitted at the conclusion of the hearing.

Applicant is a California corporation rendering telephone service as a public utility in various areas of the Counties of Los Angeles, Orange, Riverside, San Bernardino, San Diego and Imperial. Recently, applicant was granted authority to merge into General Telephone Company of California (Decision No. 72665 dated June 27, 1967 in Application No. 49356).

The telephone service area affected by the instant application is located in the western portion of the Coachella Valley primarily in Riverside County. Message toll telephone service there is presently handled as follows: Applicant operates toll traffic centers at Palm Springs and Indio. Toll messages originating in the Palm Springs and Palm Desert Exchanges and terminating in the Thousand Palms, Indio, Pinyon, Salton and Eagle Mountain Exchanges are handled on a manual basis at the combined dial service assistance-toll switchboard located at Palm Springs. Toll messages originating in the Palm Springs and Desert Hot Springs Exchanges which terminate at other points are handled on a manual basis at The Pacific Telephone and Telegraph Company's toll switchboard located in San Bernardino. All toll messages originating in the Indio, Thousand Palms, Pinyon, Salton and Eagle Mountain Exchanges are operated at the Indio toll center through use of direct distance dialing facilities or on a manual basis.

Toll connecting points with The Pacific Telephone and Telegraph Company's toll facilities for the Palm Springs, Desert Hot Springs, Indio, Thousand Palms, Pinyon and Salton Exchanges are at the Palm Springs and Indio toll centers. Interexchange facilities connecting the served exchanges to the serving toll centers are owned and operated by applicant. Toll facilities connecting the Palm Springs and Indio toll centers are provided by The Pacific Telephone and Telegraph Company.

At present there is extended area service between the Palm Desert Office Service Area of the Indio Exchange and the Palm Springs Exchange. Said service area is served from the Palm Desert Central Office and the new Washington Street Central Office, which was established in May, 1967. Bermuda Dunes and surrounding area to the east and north of the Palm Desert Office Service Area also lie within the Indio Exchange Area and are served by the Indio Central Office. For stations in Bermuda Dunes and surrounding area, the Indio Exchange including the Palm Desert Office Service Area comprises the local service area. The local service area for the Thousand Palms Exchange is the exchange area and there is a central office at Thousand Palms. Rancho Mirage is a special rate area within the Palm Springs Exchange and is served by the Cathedral City Central Office. In addition to the extended area service between the Palm Springs Exchange and the Palm Desert Office Service Area mentioned above, there is extended area service between the Palm Springs and Desert Hot Springs Exchanges.

Under the service arrangements proposed, subscribers in the Bermuda Dunes and Rancho Mirage areas and in the Thousand Palms Exchange would be provided service which is substantially the same as that now provided to subscribers in the Palm Desert Office Service Area. Applicant therefore proposes that the present Palm Desert Office Service Area rates for basic exchange service be applied throughout the proposed Palm Desert Exchange. These rates, the increases or decreases over existing rates, and certain annual subscriber charge effects, together with main station availability and subscriber data, are summarized as follows:

Item	Proposed Palm Desert Exchange	Areas in Proposed Palm Desert Exchange			
		Palm Desert Area	Bermuda Dunes Area	Thousand Palms Exchange	Rancho Mirage Area
Type of Service	Proposed Rates	Rate Increases/Decreases Proposed - Per Month			
<u>Business:</u>					
1-Party	\$16.05	\$ 0	\$ 3.55	\$ 3.55	\$ 3.15
2-Party	12.80	0	3.00	3.00	2.35
Suburban	7.10	0	1.15	1.15	(0.90)
PEX-PAEX Trunks	24.00	0	5.25	5.25	4.75
<u>Semi-Public Coin</u>					
Monthly Rate	2.55	0	0	0	(2.35)
Daily Guarantee	0.34	0	0.10	0.10	0.03
<u>Residence</u>					
1-Party	6.45	0	.85	.85	(.30)
2-Party	5.20	0	.60	.60	-
4-Party	4.30	0	.30	.30	.10
Suburban	4.65	0	.30	.30	.40
<u>Annual Subscriber Charge Effects*</u>					
Basic Exchange Service		\$ 0	\$2,439	\$2,683	\$3,814
Total	\$8,936				
Message Toll Service		(5,178)	(4,257)	(7,428)	59
Total	(16,804)				
<u>Increase in Toll-free Main Stations*</u>					
Basic Exchange Service	-	258	18,588	34,298	7,874
<u>Number of Main Stations*</u>					
Basic Exchange Service		6,453	296	253	668
Total	7,670				

* Based on data projected to 1-1-68.

() Denotes decrease.

From the above tabulation it can be seen that the Palm Desert Office Service Area would provide most of the subscribers for the proposed Palm Desert Exchange and retain its basic exchange service rates. In addition it would experience a reduction in message toll service charges and its toll-free calling area would be extended to include Thousand Palms.

The Bermuda Dunes area would experience rate increases for basic exchange service, under which an estimated additional 18,000-plus toll-free main stations would become available, and a reduction in message toll service charges. A survey of the Bermuda Dunes customers' reaction to the proposed service arrangements was conducted by applicant. For this purpose the basic exchange service charge for each of the 206 customers affected was recomputed and it was determined that 95 customers would receive an increase in monthly charges and 111 would receive a decrease. About 90 percent of the 206 customers support applicant's proposal. Regardless of the outcome of this application, the Bermuda Dunes area will be served from the new Washington Street Central Office which lies about midway between the Palm Desert and Indio Central Offices. This change will release a part of the serving capacity of the Indio Central Office to meet growth requirements elsewhere within the Indio Exchange and effect economies in outside distribution plant facilities.

The Thousand Palms Exchange quite clearly derives major benefits under the proposal. Applicant states that there have been almost constant demands upon it by individuals and civic organizations in the Thousand Palms Exchange for the establishment of extended area service to the Palm Springs and Indio Exchanges.

In Case No. 8577 filed January 3, 1967, Home Owners Property Association of Tri-Palm Estates vs. California Water & Telephone Company, complainants seek, among other things, an expansion of the present local calling area of the Thousand Palms Exchange. This complaint contains a petition with 217 signatures.

The Rancho Mirage area appears on the whole to derive relatively less benefit than either the Bermuda Dunes area or the Thousand Palms Exchange under the proposed service arrangements, since, in gaining toll-free calling beyond the Palm Desert Office Service Area to the rest of the present Indio Exchange and to the Thousand Palms Exchange, it would lose toll-free access to the Desert Hot Springs Exchange. Its net increase in main station availability would be 7,874 stations.

For Rancho Mirage the net increase in the basic exchange service charges of \$3,814 shown in the tabulation represents about \$1,700 in reductions and \$5,500 in increases with the major portion of the increases to be borne by business customers. At present there are 52 such customers who would receive an increase in basic monthly charges. Applicant was able to contact 42 of these customers and of those contacted, 28 were for and 13 against applicant's proposal. Most of the 13 stated they had very little calling into the Indio Exchange and several of them objected to the increase in rates. The basic exchange service rates for a one-party line in business use would increase from \$12.90 to \$16.05 per month, an increase of \$3.15 per month.

The base rate area proposed for the Palm Desert Exchange includes Rancho Mirage, which would then be served from the Palm Desert Central Office. An analysis of the effects on the Rancho Mirage area residential customers indicates that approximately

80 percent would receive a decrease in monthly charges as a result of applicant's proposal. The amount of the monthly increase for the remaining 20 percent of the residential customers would be only 10 cents per month.

The present initial period day station rate for a toll message between Rancho Mirage and the Indio Exchange, excluding the Palm Desert Office Service Area, is \$0.30. With Rancho Mirage part of the Palm Desert Exchange, the initial period day station rate for a toll message between Rancho Mirage and the Desert Hot Springs Exchange would be \$0.25.

The total annual billing effects on subscribers located within the Desert Hot Springs, Palm Springs, Thousand Palms, Indio, Salton and Pinyon Exchanges, listed below as the "Affected Exchanges," and the portion of such effects corresponding to the proposed Palm Desert Exchange are estimated by applicant as follows:

<u>Item</u>	<u>Affected Exchanges*</u>	<u>Proposed Palm Desert Exchange*</u>
Message Toll Service charges	\$ (28,699)	\$ (16,804)
Coin Telephone Service local charges	3,476	1,958
Foreign Exchange Service charges	(3,556)	(3,436)
Basic Exchange Service charges	<u>8,936</u>	<u>8,936</u>
Total	\$ (19,843)	\$ (9,346)

() Denotes reduction.

* Based on data projected to 1-1-68.

The net annual reduction in message toll service charges of \$28,699 reflects the effects of extended area service and the proposed new toll point for the Palm Desert Exchange. While there would be increases in toll charges over some routes and decreases over other routes with reference to the proposed new toll rate point, applicant estimates that customers' toll billing would be reduced approximately \$4,600 per year.

In Exhibit 8, Summary of Estimated Annual Differential Plant, Expense and Revenue Effects on Company, applicant shows a decrease in annual charges of \$7,488 on net plant investment and a decrease in annual expenses of \$19,547 which slightly more than offset a decrease in annual non-interchanged and interchanged toll revenues and exchange revenues totaling \$26,925. According to this study, the effect on applicant of implementing the service arrangement and rate changes proposed in this application would therefore be minimal. The decrease in net plant investment involved would result from serving the Rancho Mirage area from the Palm Desert Central Office as proposed.

The telephone numbers assigned to subscribers within the Bermuda Dunes and Rancho Mirage areas and the Thousand Palms Exchange would necessarily be changed under the proposed service arrangements. The subscribers within the present Palm Desert Office Service Area would retain the numbers now assigned.

Classified Directories

Under the present service arrangements two separate classified directory sections are published. One section, in the Palm Springs directory, contains the listings and advertisements for the Desert Hot Springs and Palm Springs Exchanges and the other

section, in the Indio directory, contains listings and advertisements for the Thousand Palms, Indio, Pinyon, Salton, and Eagle Mountain Exchanges. Under the proposed service arrangement the exchange groupings for the two classified directories would generally be unchanged with the Palm Desert Exchange listings and advertisements being contained in the Indio classified directory. This, however, means a shift for the Rancho Mirage area from the Palm Springs classified directory to the Indio classified directory.

The Palm Springs and Indio Exchanges would normally continue to be the controlling exchanges for determining classified directory rates. In this instance, because of the loss of stations within the Indio Exchange upon the establishment of the proposed Palm Desert Exchange, a reclassification from Rate Group G (20,001-30,000 total stations), which presently applies to the Indio classified directory, to Rate Group F (12,501-20,000 total stations) would result under applicant's tariff Schedule No. D-1. Applicant estimates that it would have experienced a revenue reduction of approximately \$9,100 in 1967 if this reclassification had been applicable for said year. In view of this impact and because the circulation of the Indio classified directory would be virtually unaffected by the proposed changes in service arrangements, applicant requests that a deviation from the present tariff provision be authorized so that the present Indio classified directory rate level will not be affected. The proposed deviation consists of combining the total stations within the Indio and the proposed Palm Desert Exchanges for determining Indio classified directory rates. The rate group applicable to the Palm Springs classified directory section would not be affected by this application.

Staff Position

The staff witness investigated the service rearrangements proposed by applicant, and examined applicant's work papers including the data underlying applicant's evaluation of the effects on charges to its subscribers and on its expenses and revenues. This witness presented evidence relative to such effects and to certain other matters including selected communication interest factors.

The Commission staff recommends that the application be granted with one minor modification which concerns the tariff deviation sought. If the application is granted, the staff further recommends that applicant make certain studies to develop statistical data from which stimulation factors applicable to extended area service may be determined. Applicant concurs in the latter recommendation and also in the staff recommendation concerning the tariff deviation.

Findings and Conclusions

The Commission finds that:

1. The expansion of the Palm Desert Office Service Area of the Indio Exchange to the east and north to encompass Bermuda Dunes and surrounding area as shown on Exhibit 2, Proposed Service Arrangement at January 1968, is in the public interest.

2. The establishment of the Palm Desert Exchange, which would encompass the Thousand Palms Exchange, the enlarged Palm Desert Office Service Area and the Rancho Mirage area as shown on Exhibit 4, Proposed Palm Desert Exchange Area, and the concurrent establishment of non-optional extended area service between the Palm Desert Exchange and the Palm Springs and Indio Exchanges are in the public interest.

3. The continuation of the basic exchange service rates in effect for the present Palm Desert Office Service Area as the rates for the enlarged Palm Desert Office Service Area under Step I, the proposed service arrangement at January 1968, is reasonable; the adoption of said rates for service in the Palm Desert Exchange upon its establishment is reasonable.

4. Abandonment of the existing toll rate point at Thousand Palms and establishment of a new toll rate point located at Palm Desert for purposes of determining toll charges for toll messages originating and terminating in the Palm Desert Exchange are consistent with the service arrangements hereinafter authorized.

5. Such increases in rates and charges as will result from the service arrangements hereinafter authorized are justified and that for the future, present rates insofar as they differ from those herein prescribed would be unjust and unreasonable upon the enlargement of the Palm Desert Office Service Area as shown in Exhibit 2 and upon the establishment of the Palm Desert Exchange as shown in Exhibit 4.

6. The proposed deviation from present tariff provisions applicable to classified advertising rates is reasonable to the extent that it would enable applicant to retain the present Group G rate classification for the Indio classified directory.

The Commission concludes that the application should be granted.

O R D E R

IT IS ORDERED that:

1. California Water & Telephone Company is authorized to enlarge the Palm Desert Office Service Area of the Indio Exchange to include Bermuda Dunes and surrounding area as proposed in the application.

2. Applicant is authorized to file with this Commission, in conformity with General Order No. 96-A, exchange maps revised to show the enlarged Palm Desert Office Service Area within the Indio Exchange with a boundary substantially as shown in Exhibit B attached to the application, and after not less than five days' notice to the Commission and to the public to make exchange maps so revised effective on the date of the enlargement herein authorized of said service area.

3. Applicant is authorized to establish the Palm Desert Exchange and concurrently to establish non-optional extended area service between the Palm Desert Exchange and the Palm Springs and Indio Exchanges, as proposed in the application.

4. Applicant is authorized to file with this Commission, in conformity with General Order No. 96-A, exchange maps revised to show the Palm Desert Exchange including its base rate area with exchange and base rate boundaries substantially as shown in Exhibit 4 herein and tariff sheets revised to show the changes in local service areas as a result of the extended area service authorized herein. After not less than five days' notice to the Commission and to the public such filings shall become effective upon the date the Palm Desert Exchange is established.

5. Applicant is authorized to file, in conformity with General Order No.96-A, rates for basic exchange service within the Palm Desert Exchange which are the same as the rates in effect at present for the Palm Springs Office Service Area and after not less than five days' notice to the Commission and to the public to make said rates effective for service within the Palm Desert Exchange upon its establishment.

6. Applicant is authorized to abandon its existing toll rate point at Thousand Palms and to establish a new toll rate point located at Palm Desert, Coordinates V-9228 and H-7529, in the east half of Section 20, Township 5 South, Range 6 East, San Bernardino Base and Meridian, Riverside County, California, as shown on Exhibit 4 herein, concurrently with the establishment of the Palm Desert Exchange.

7. Applicant is authorized to deviate from its present tariff Schedule No. D-1 in such manner as will permit applicant to continue to apply Group G rates to the Indio classified directory. This deviation shall expire at such time as the level of main stations within the Indio Exchange reaches the Group G range after the establishment of the Palm Desert Exchange.

8. Applicant shall prepare studies to determine stimulation factors to the number of calls and average length of calls from the area served by the present Thousand Palms Exchange to the area served by the present Indio Exchange and to the area served by the present Palm Springs Exchange. The studies should be based on methods and time periods acceptable in the telephone industry and

undertaken at approximately the following starting times:

- a. Six months before the cut-over date to extended area service based on the best available forecast.
- b. Six months after the cut-over date.
- c. Eighteen months after the cut-over date.

Within sixty days after the completion of the study for each starting time applicant shall file with the Commission the results of such study together with a description of the methods used.

9. The authorization to enlarge the Palm Desert Office Service Area and the authorization to establish the Palm Desert Exchange granted herein shall expire unless exercised within one year and two years, respectively, of the effective date of this order, which shall be the date hereof.

Dated at San Francisco, California, this 6th day of SEPTEMBER, 1967.

[Signature]
President

[Signature]

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Commissioners