

ORIGINAL

Decision No. 75880

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

THE CALIFORNIA FARM BUREAU FEDERATION,
a non-profit corporation,

Complainants,

vs.

PACIFIC TELEPHONE AND TELEGRAPH
COMPANY,

Defendant.

Case No. 8847
(Filed September 19, 1968)

William L. Knecht, Esq., for complainant.
Robert E. Michalski, Esq., for defendant.
Ernet Macario, for the Commission staff.

O P I N I O N

In this proceeding, California Farm Bureau Federation, a California corporation, as complainant, seeks an order of this Commission directing The Pacific Telephone and Telegraph Company, as defendant, to establish extended-area telephone service in the Imperial Valley.

Public hearing in the matter was held before Examiner Emerson on May 6, 1969, at El Centro. The matter is submitted and is now ready for decision.

This is the second formal proceeding pertaining to extended-area service (EAS) in the Imperial Valley. By an application filed in 1963, Pacific sought to establish such service over the identical routes which complainant now seeks. That application was denied by the Commission on a finding that the proposal was economically unfeasible.^{1/} Since that proceeding, a statewide rate

^{1/} Application No. 45703 in which Decision No. 67876 was issued September 22, 1964.

case has been concluded^{2/} in which the statewide rate problems of EAS were considered at some length. In the rate case decision the Commission found that it is in the public interest to expand local calling areas and that in establishing basic rates for EAS exchanges it is fair and reasonable that such rates be based upon the group rate of the exchange with the greatest number of main stations plus a rate increment dependent upon the mileage of the toll route replaced with extended service. A formula for determining Pacific's rates for extended area exchanges was made a part of the rate plan authorized in such decision.

In the instant proceeding, the EAS rate plan formula was applied to the exchanges and toll routes involving the Calipatria, Brawley, Imperial, El Centro, Holtville and Calexico exchanges of defendant; specific rates were thereby determined and both complainant and defendant presented the proposed EAS plan, and the formula-determined rates to support it, to the public in order to determine if the public in fact desired and would support such rates. Complainant generally surveyed the business communities and defendant conducted a statistically adequate sampling of the residential communities. Results of these surveys or canvasses were presented in evidence. In addition, seven individuals testified as to their views in the matter; two in opposition to the plan and five in support thereof. The Board of Supervisors of Imperial County has by Resolution endorsed the rate proposal and EAS plan. So also, has the Calexico Unified School District Board of Education.

^{2/} Application No. 49142 in which Decision No. 74917 was issued on November 6, 1968.

In general, utilities provide those services which the public desire and will support through rates. In the Imperial Valley EAS service is proposed to be provided on a non-optional basis and thus would require increased rates from all subscribers. For the basic services, monthly increases of 40 cents in the Imperial, Holtville, Calipatria and Calexico exchanges, 70 cents in the El Centro exchange and 95 cents in the Brawley exchange would be required for residential service. For basic business service, monthly increases of 85 cents in the Imperial, Holtville, Calipatria and Calexico exchanges, \$1.50 in the El Centro exchange and \$1.85 in the Brawley exchange would also be required. These increases are those specified in the canvasses conducted by the Farm Bureau and the telephone company.

The Farm Bureau canvass developed unanimous support from approximately 27 business-oriented organizations such as chambers of commerce, service clubs, medical and agricultural associations, together with school districts and each of the cities in the proposed EAS area. The telephone company residential-subscriber survey developed favorable responses ranging between 62 and 88 percent in the various exchanges, with the overall response being 67 percent in favor and 27 percent being opposed to the EAS plan and rates (6 percent expressed no preference).

We find that the evidence clearly indicates that the public in the Imperial Valley generally desire and will support the proposed increased rates of the EAS plan sought by complainant. Such a finding must not, however, be taken as an indication that the Commission views any particular percentage of favorable responses as being controlling. The Commission has a duty far surpassing that of merely viewing the responses to questionnaires, for the law

requires that rates and charges must be just and reasonable and that no undue discrimination is either created or, if discovered, is allowed to continue.

The evidence discloses that the estimated gross construction costs of the EAS plan amount to \$655,000. The loss in toll revenues is estimated to be \$559,000 and the gain in exchange revenues is estimated to be \$124,700, thus leaving an annual revenue deficiency of \$434,000. Pacific has not, in this proceeding, sought to recoup such deficiency. The fact that this revenue deficiency is initially apparent, however, gives the Commission some cause for concern respecting the possibility that telephone ratepayers outside of the Imperial Valley may be placed in the position of contributing an undue amount of revenue in order to partially subsidize such prospective deficiency. In this respect the Commission finds that an accurate accounting of actual costs occasioned by the establishment of EAS is essential and that Pacific can reasonably provide such accounting as especially applied to this EAS plan and excluding any other service improvements which may be made concurrently. By such means the Commission will be provided with the amounts of those indispensable cost elements affecting the level of rates. This will permit the Commission to review, with some assurance of accuracy, the EAS rate increments heretofore established as part of the EAS formula.

In view of the evidence in this proceeding, the Commission finds that the proposed EAS plan for the Imperial Valley is in the public interest and that the increased rates necessary to implement such plan are at this time just and reasonable.

The Commission concludes that defendant should be directed to provide extended-area service among the exchanges at the rates and under the conditions specified in the following order.

O R D E R

IT IS ORDERED that:

1. The Pacific Telephone and Telegraph Company shall, within twenty-four months following the effective date of this order, establish extended-area telephone service between, among and over the routes shown for the exchanges depicted in Exhibit No. 1 in this proceeding and coincidentally with the establishment of such service shall make effective the "proposed" rates set forth in Exhibit No. 7 in this proceeding.
2. Upon establishment of the aforesaid extended-area service, toll rates over the affected routes shall be withdrawn.
3. Pacific shall prepare and submit to this Commission, not later than four months following the establishment of the EAS service above ordered, a results of operations study for the six exchanges involved so as to show, for the two months preceding and two months following the conversion to EAS, the revenues and expenses for the total operations of the six exchanges and for each of the six exchanges separately and as further separated between toll and exchange. The study shall also show the additional plant investment attributable to EAS and the amount of investment in toll plant released because of conversion to EAS, as a total and as separated to the six exchanges. In preparing this study, Pacific shall use, to the maximum extent possible, actual amounts of plant, revenues and expenses and where actual amounts are not available shall show

in detail the basis used to determine the amounts utilized in the study. Costs of plant for service improvements not directly attributable to the EAS plan ordered hereinabove may be shown, if desired by Pacific, but shall be excluded from the amounts set forth in the results of operations study herein ordered.

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

Dated at San Francisco, California, this 8th day of JULY, 1969.

William J. Lyons
President

Jack R. Munsie
Commissioner

T. A. [Signature]
Commissioners

Commissioner A. W. GATOV

Present but not participating.