

Decision No. 78309

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Suspension
and Investigation on the
Commission's own motion of
Hornitos Telephone Company Advice
Letter No. 20 and The Pacific
Telephone and Telegraph Company
Advice Letter No. 10178 covering
exchange expansions in the vicin-
ity of Lake Don Pedro.

Case No. 9052
(Filed April 21, 1970)

Graham & James, by Boris H. Lakusta and David J. Marchant, for Hornitos Telephone Company, respondent.
Richard Siegfried, for The Pacific Telephone and Telegraph Company, and Walter E. Schwed, for Continental Telephone Company of California, protestants.
Louis Andrego, for the Commission staff.

O P I N I O N

Public hearings were held on the above-entitled matter before Examiner Coffey on June 8 and October 6, 1970.

The Commission ordered on July 8, 1969, Case No. 8933, the suspension and investigation of Advice Letter No. 19 of the Hornitos Telephone Company which covered proposed expansion of its Hornitos Exchange in the vicinity of Lake Don Pedro. Public hearings were held on Case No. 8933 before Examiner Coffey on March 10 and 25, 1970. At the conclusion of the hearing on March 25, 1970, all parties agreed that further consideration of issues should be pursued in a subsequent newly instituted investigation. It was further agreed that Hornitos Telephone Company would request permanent suspension of its Advice Letter No. 19 to permit termination of the proceeding. By letter dated April 10,

1970 Hornitos Telephone Company requested permanent suspension of its Advice Letter No. 19. The record of Case No. 8933 is incorporated in the record of Case No. 9052 which was submitted for decision on October 21, 1970.

Decision No. 77667, dated August 25, 1970, suspended until February 28, 1971 the operation and effectiveness of Hornitos Telephone Company (Hornitos) Advice Letter No. 20 and The Pacific Telephone and Telegraph Company (Pacific) Advice Letter No. 10178.

By Advice Letter No. 19, Hornitos filed tariff schedules which would have provided exchange service to approximately 20 square miles of unfiled territory contiguous to the western boundary of its present exchange which encompasses the town of Hornitos and most of Lake McClure Reservoir in Mariposa County.

It was the position of the Continental Telephone Company, whose Snelling Exchange has a common boundary with the southwest side of the unfiled territory, that an award of the entire parcel of unfiled territory at this time would not be in the public interest, and that any award of area adjacent to Continental's Snelling Exchange should wait until such time as there is development and a need for service, at which time a determination can be made of the company best able to serve the needs of the public.

In 1964 Pacific expanded its Waterford Exchange to include some 72 square miles of unfiled territory which took in the Lake Don Pedro Reservoir then under construction in Tuolumne County and approximately 65% of the Lake Don Pedro development by Pacific Cascade Land Co., a subsidiary of Boise Cascade Corporation. Boise Cascade proposes to subdivide land in the Lake Don Pedro area into approximately 8,173 lots for sale to the public, providing water, roads and sewage. Approximately 28% of the

development is within the unfiled territory and 7% is in the Hornitos Exchange. Pacific's Coulterville Exchange has a short common boundary on the northeast side of the unfiled territory. Pacific's Waterford Exchange generally bounds the north and northwest sides of the unfiled territory. Since Pacific desired to incorporate within its Waterford Exchange approximately the northern one-half of the unfiled territory, since Hornitos proposed at the hearing to establish an additional base rate area in its exchange, and since the conclusion of the matter could not be accomplished prior to the expiration of the period of suspension, Hornitos requested permanent suspension of its Advice Letter No. 19.

By Advice Letter No. 20, Exhibit No. 17, Hornitos has renewed its proposal to expand its Hornitos Exchange boundaries to include the 20 square miles of disputed unfiled territory and to establish the Barrett Cove Base Rate Area, located about one-half mile outside the disputed territory and encompassing the junction of the Merced Falls Road and the road to Barrett Cove on Lake McClure.

By Advice Letter No. 10178, Exhibit No. 18, Pacific would include 11.2 square miles of the disputed territory in its Waterford Exchange.

There are presently no subscribers in the unfiled territory. Hornitos was moved initially to expand its exchange by the receipt of a request on June 10, 1969 by Boise Cascade for service to 14 sales houses in Unit No. 2 of the Lake Don Pedro development, all in unfiled territory. This request was withdrawn because of high construction bids and revision of the construction program. On February 3, 1970, the Merced Irrigation District requested service to 14 stations in the Barrett Cove Area. Pacific is currently furnishing four foreign exchange business individual line services

from the Coulterville Exchange at the Unit No. 2 Sales Office in the Waterford Exchange adjacent to the unfiled territory. At the time of the initial hearing Hornitos also served the water treatment plant and six contractors in an area about two miles from said Sales Office located in a remote corner of Pacific's Coulterville Exchange. It is planned that a golf course located in the disputed territory will be in operation in the fall of 1970.

Regardless of the award of the disputed territory, Hornitos stated it plans to move the present dial plant in Exchequer Village to the Barrett Cove Base Rate Area to make best use of outside plant facilities and to keep investment at a minimum. There are presently 9 services in Exchequer Village and Hornitos does not anticipate additional customers there since the owner of the village, Merced Irrigation District, is not planning to add either employees or facilities. Hornitos plans to retire the present dial plant at the village and to serve the village from a new dial plant in the Barrett Cove Base Rate Area. The new dial and outside plant will be financed by Stromberg-Carlson Credit Corporation, which presently finances equipment for Hornitos.

Staff Position

A representative of the staff argued that the current and future needs for service in the disputed area are minimal, and either utility can furnish the service if customers pay charges appropriate for an extremely sparsely settled development. For the next 3 to 10 years, the staff argued that service could be rendered without undue burden on customers in the area provided the Waterford and Hornitos exchanges are districted with new toll points so as to establish a 15-cent toll rate between the districts. After ten years the staff conceives that Lake Don Pedro telephone users in the Waterford area

should be able to call the golf course and those in the disputed area should be able to call the community center without toll charges. The staff recommends that future cross-boundary problems be minimized by authorizing at this time new districts in the Waterford and Hornitos exchanges together with inter-company extended area service.

Pacific Position

Pacific argued that, since today a cross-boundary problem does not exist, and because development in the Lake Don Pedro area would be slow, the only issue to be decided here is which applicant should have the unfiled territory. Service by Pacific of the unfiled territory and the golf course is considered to be in the best interest of the customer since the recreational areas, the marina, and substantially all of the commercial property, the Hacienda or motel area, swimming pool, and 65% of the Boise Cascade development are in Pacific's Waterford Exchange area. Pacific plans to file a special rate area in La Grange to reduce the rates for urban grades of service anywhere within the Boise Cascade development and thus be more comparable with the lower urban rates of Hornitos. The Pacific rates for suburban service presently are higher than those of Hornitos.

It is Pacific's position that district areas and extended area service should not be ordered at this time.

Hornitos Position

Hornitos maintains that the Lake Don Pedro development is taking place and will continue, although slowly. It concedes that a community of interest exists but believes it satisfies best the interest of the telephone-using public. Hornitos argues that its rates are substantially lower than those of Pacific and this would be true for the indefinite future. Hornitos proposes not to

increase its rates if extended area service is ordered. It is also argued the costs to Hornitos to provide the service would be substantially lower than the costs which would be incurred by Pacific, due to the shorter distance between the subscribers in the disputed area and Hornitos at its Barrett Cove Base Rate Area than between the subscribers and Pacific's cable center. While Hornitos maintains that it is equal to future financial requirements from its own resources or ability to borrow, it was conceded that Hornitos' financial position is possibly not wholly satisfactory. A plea was made that the finances of Hornitos would be given greater stability by the increase in revenues from the new territory.

Hornitos advocates that the issues of the assignment of the unfiled territory, extended area service and establishment of districts be disposed of immediately.

Discussion

A serious problem arises in this proceeding because the Boise Cascade development has spread across areas within established exchanges of both utilities and also across the unfiled territory located between the exchanges. The existence of a future cross-boundary service problem is revealed by the demonstration by Pacific of the community of interest of the Lake Don Pedro development. On August 5, 1970, the parties and the staff conferred on this problem. This discussion, premised only on the offer of extended area service by both parties as the solution to the boundary problem, considered the size of extended area, where and how the size of Waterford Exchange should be reduced, and if the Coulterville Exchange boundary should be changed.

Here in a territory which is presently substantially undeveloped the parties would create a situation which can only result in a future communication utility cross-boundary problem, the outcome of which could be added total construction costs and increased customer charges for the subscribers of both utilities. The added costs of extended area service must be recouped from higher rates in the development and higher rates from Pacific's other subscribers who must supply amounts for the settlements required to compensate Hornitos for its added costs of extended area service.

This record does not contain sufficient information to evaluate at this time the relative future rate impact on subscribers. Further, weighing present rates is not helpful since factors such as mileage charges and subscriber choice of class of service is speculative. This record is not convincing that the construction costs of Hornitos will necessarily be lower than those of Pacific since judgment estimates of cost by Hornitos appear to be based only on relative distances without considering differences in labor and material unit costs.

Considering the number of telephone services, previously discussed, in or near the Lake Don Pedro development; that of the 8,173 lots in the development about 5,000 are in the Waterford Exchange, 571 lots are in the Hornitos Exchange, 2,315 lots are in the unfilled territory and the remainder are in neighboring Pacific exchanges; that the Lake Don Pedro area has little immediate demand for telephone service; that a minimum of plant is presently installed in the Lake Don Pedro area; that future development will surely cause cross-boundary calling problems which will be more costly and

difficult to solve than those now, it appears that this matter can reasonably be resolved by requiring that the Lake Don Pedro development be served by only one telephone utility.

Although the Order of Suspension and Investigation in this proceeding provided that any and all exchange boundaries could be realigned, none of the parties suggested that the future cross-boundary problem could be resolved at this time by a transfer of undeveloped exchange area with a minimum impact on the parties and with maximum benefit to future subscribers. However, this record includes sufficient testimony and exhibits depicting the territory and the exchange boundaries so as to enable the Commission to make its own determination of exchange areas which will best serve the public interest.

We find that:

1. Pacific has the financial resources to provide telephone service to all of the development by the Boise Cascade Corporation in the vicinity of Lake Don Pedro.

2. A community of interest exists between all portions of the Boise Cascade Lake Don Pedro development.

3. The Boise Cascade Corporation proposes to subdivide its properties in the vicinity of Lake Don Pedro into about 8,173 lots, about 5,000 of which are in Pacific's Waterford Exchange, 2,315 of which are in the disputed unfilled territory, 571 of which are in the Hornitos Exchange, and the remaining lots are in Pacific's neighboring Keystone, Coulterville, or Moccasin exchanges.

4. A future cross-boundary telephone calling problem will result from the Lake Don Pedro development in the present Waterford and Hornitos exchanges and in the disputed unfilled territory.

5. Provision of inter-company cross-boundary calling in the Lake Don Pedro area by toll service, or by extended area service between districts of the Waterford and Hornitos exchanges will increase utility plant and operation costs and will increase subscriber charges more than service of all subscribers in the Lake Don Pedro development by a single telephone utility.

6. It is reasonable to require Pacific and Hornitos to modify their exchange boundary to eliminate future inter-company cross-boundary calling in the Lake Don Pedro area.

7. It is reasonable that Pacific should be permitted to serve all telephone subscribers in the Boise Cascade development in the Lake Don Pedro area.

8. It is reasonable to require Pacific to establish a new district and toll rate center at its Waterford Exchange which encompasses all of the Boise Cascade development in the Lake Don Pedro area.

We conclude that the tariffs herein being considered should be permanently suspended and that Pacific and Hornitos should be required to revise their exchange boundaries as hereafter ordered.

O R D E R

IT IS ORDERED that:

1. The following tariff sheets of The Pacific Telephone and Telegraph Company, filed on April 14, 1970, by Advice Letter No. 10178 are hereby permanently suspended:

SCHEDULE CAL.P.U.C. No. 37-T

1764th Revised Sheet 1

257th Revised Sheet 1-C

6th Revised Sheet 394.

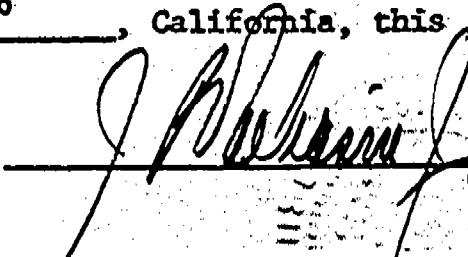
2. The following tariff sheets of the Hornitos Telephone Company, filed on March 30, 1970, by Advice Letter No. 20 are hereby permanently suspended: Cal.P.U.C. Sheet Nos. 161-T, 162-T, 163-T and 164-T.

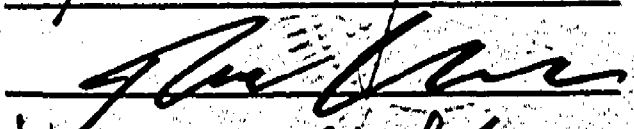
3. On or before June 1, 1971, The Pacific Telephone and Telegraph Company shall file revised tariff sheets which establish a district area, with a toll rate center, in its Waterford Exchange which encompasses all of the Boise Cascade Corporation development in the Lake Don Pedro area shown on Exhibit No. 5 herein, including that presently in unassigned territory as well as that in the Hornitos Exchange, and which conform the boundaries of Pacific's Keystone, Moccasin and Coulterville exchanges to those of the district hereby ordered.


4. Concurrently with the revision by The Pacific Telephone and Telegraph Company of the boundary of the Waterford Exchange as heretofore ordered, Hornitos Telephone Company shall file revised tariff sheets which eliminate from its Hornitos Exchange any of the Boise Cascade Corporation development in the Lake Don Pedro area shown on Exhibit No. 5 herein.

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

Dated at San Francisco, California, this 17th day of FEBRUARY, 1971.



Chairman




Commissioners
Commissioner David W. Holmes

-10- Present but not participating.

Commissioner William Symons, Jr., being necessarily absent, did not participate in the disposition of this proceeding.