

ORIGINAL

Decision No. 78647

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of THE PACIFIC TELEPHONE  
AND TELEGRAPH COMPANY for authority  
to establish Extended Area Service  
between certain exchanges in the  
Northern portion of San Diego County  
and to withdraw message toll tele-  
phone service rates now in effect  
over said routes.

Application No. 51402  
(Filed October 2, 1969)

Don Martinson, Vernon A. Peltzer,  
Everett M. Remsburg, et al.,

Complainant,

vs.

THE PACIFIC TELEPHONE AND TELEGRAPH  
COMPANY, a corporation,

Defendant.

Case No. 8942  
(Filed July 25, 1969)

Don Martinson, Attorney at Law, Vernon A. Peltzer, Attorney at Law, for com-plainants in Case No. 8942.  
Robert E. Michalski, Attorney at Law, for applicant in Application No. 51402, and defendant in Case No. 8942.  
W. L. Knecht, Attorney at Law, and Ralph Hubbard, for California Farm Bureau Federation; Richard L. Hester and Robert L. Swan, for General Telephone Company of California; Franklin W. Lilley, for the City of San Marcos; Henry E. Hoesman, for San Marcos Association of Churches, San Marcos Lutheran Church; Irvin P. Grunwald, for Laketree Property Owners Association; James E. Downing, for Northern San Diego County Chambers of Commerce; W. M. Kirkpatrick, for San Marcos Chamber of Commerce; Mrs. Jane Walker, for Fallbrook Chamber of Commerce; Gene Alfred, for Vista Chamber of Commerce; Kenneth G. Annin, for City of Vista City Council; Milo Shadle, Attorney at Law, for Greater San Luis Rey Planning & Development Council; Thomas W. Smith, III, Attorney at Law, for City of Oceanside; Kenneth H. Lounsbery, Attorney at Law, for City of Escondido; and H. W. Temple, for Vista Board of Realtors, Inc., interested parties.  
Sergius M. Boikan, Attorney at Law, for the Commission staff.

O P I N I O N

These proceedings began with the filing of the complaint of Don Martinson, et al., in Case No. 8942 on July 25, 1969. The complaint requested the establishment of extended-area telephone service throughout all of northern San Diego County. In response to the filing of the complaint, The Pacific Telephone and Telegraph Company (Pacific) filed Application No. 51402 on October 2, 1969. The application proposed extended-area service for six toll routes in northern San Diego County, subject to the making of customer-preference surveys. There then followed a number of time-consuming studies and surveys, made concurrently with those for other areas in California. Among the latter was the so-called Redding proceeding (Decision No. 76998, Cases Nos. 8814 and 8900, March 24, 1970) in which Pacific was ordered to make customer-acceptance surveys of an "optional" calling service plan and to present the results thereof in the instant proceedings. A restudy and certain resurveys of Pacific's original plan for the six routes in northern San Diego County were thus necessary. Shortly after completion, public hearing in these matters was held on November 17, 18 and 19, 1970, at Vista. The matters were submitted upon receipt of a late-filed exhibit on December 14, 1970 and are now ready for decision.

Northern San Diego County

Pacific's application proposes extended service over six toll routes between seven exchanges. Five of these routes were proposed by Pacific in 1963 but were found to be economically unfeasible at the rates then proposed and were not authorized by

the Commission. Population growth and community expansion plus the establishment of a state-wide rate formula for non-metropolitan extended areas have, meanwhile, altered the northern San Diego County situation. Also, a certain reorientation of community interests has occurred respecting at least one of the areas and, thus, Pacific now proposes to transfer the Bonsall area from the Oceanside exchange to the Vista exchange.

The specific toll routes involved are the following:

<u>Between Exchanges</u>	<u>Route Miles</u>	<u>Initial Period Toll Charge</u>
Oceanside - Fallbrook	15	20¢
Fallbrook - Vista	13	20¢
Vista - Escondido	12	15¢
Escondido - Pauma Valley	18	25¢
Escondido - Ramona	15	20¢
Escondido - Rancho Santa Fe	10	15¢

As is customary in EAS proposals, Pacific made customer-acceptance surveys by means of "questionnaires" in the affected areas and presented the results thereof in evidence. As an overall conclusion, Pacific's witness testified that the surveys confirmed the fact of widespread dissatisfaction with existing service arrangements and showed good support for parts of Pacific's proposal. Pacific concluded from the surveys that there was insufficient public support for four of the originally proposed six routes. It found sharply polarized opinions for and against its plan, with fairly equally divided numbers of the persons surveyed on each side of the question. Substantial support, according to Pacific's

analysis, was apparent only for the Pauma Valley-Escondido and Vista-Escondido routes. Pacific continued to seek authorization of all routes, however.

The EAS proposals received wide publicity in the news media, both immediately prior to and during the hearings in these matters. Nearly 340 persons attended the hearings. Twenty-six public witnesses were heard. Numerous civic, business and governmental agencies or organizations were represented and made their position known to the Commission. With but two exceptions, each witness was in favor of the proposal to include all six routes in the EAS plan. Civic organizations were unanimous in their support. Thus, the public interest apparent during the hearings seemed to run substantially counter to the survey results.

Pacific placed great confidence in its survey methods of sampling, questioning and analysis. The public reaction, however, was one of distrust of the results of the relatively small sample which Pacific selected. In addition, witnesses claimed, the "vote" was on a "package" with no opportunity to express preferences for portions thereof and that a different survey result would have occurred if the questionnaire had been broader or less rigorous.

We especially point out the above and comment thereon because we wish to emphasize that EAS questionnaires and surveys, while oftentimes helpful, are not of themselves conclusive and, as prepared by Pacific, treat of no more than a few aspects of the issues involved in rate-making or service-offering processes. Numerous other elements are involved, including but not limited to, present and prospective calling patterns, adequacy of facilities,

"value" of the service, relative rate levels, economic feasibility, public need as well as desire for the service, and solution or mitigation of cross-boundary problems. If all of these other aspects could be ignored, then a simple plebiscite would perhaps suffice. In the present proposal such a "vote", as the survey indicated, would deny four of the proposed routes; yet, the evidence presented at the hearing regarding growth, alone, in the northern part of the county leads to a conclusion that the future public interest (that which will be clearly apparent two years hence when the plan will be fully implemented) will be best served if all six routes are now authorized.

Unlike the 1963 plan which was economically unfeasible, the present plan, with rates determined in accordance with the state-wide formula placed in effect in June 1970, is clearly feasible from the standpoint of its economic effects on the utility and its other ratepayers. This is illustrated by Exhibit No. 3 in these proceedings wherein it is shown that no overall revenue loss will result from this EAS plan.

Rates for the six-route plan are set forth in Exhibit No. 2 in these proceedings. For the principal classification of service they are as follows:

	<u>Rate Per Month</u>						
	<u>Oceanside</u>	<u>Escondido</u>	<u>Rancho Santa Fe</u>	<u>Vista</u>	<u>Ramona</u>	<u>Fallbrook</u>	<u>Palma Valley</u>
<u>Business</u>							
1-party	\$10.15	\$11.20	\$10.75	\$10.80	\$11.50	\$12.60	\$13.00
2-party	7.90	8.95	8.50	8.55	9.25	10.35	10.75
Suburban	7.40	8.45	8.00	8.05	8.75	9.85	10.25
PBX trunk	15.00	16.75	16.00	16.00	17.25	18.75	19.50
SP Coin	5.25	5.75	5.50	5.50	5.75	6.50	6.50
Farmer	-	4.95	-	-	5.25	-	-
<u>Residence</u>							
1-party	\$ 5.20	\$ 5.20	\$ 5.35	\$ 5.35	\$ 5.60	\$ 5.95	\$ 6.10
2-party	4.10	4.10	4.25	4.25	4.50	4.85	5.00
4-party	3.40	3.40	3.55	3.55	3.80	4.15	4.30
Suburban	3.90	3.90	4.05	4.05	4.30	4.65	4.80
Farmer	-	1.95	-	-	2.35	-	-

The foregoing flat rate monthly charges would permit unlimited calling over the affected routes and would correspondingly eliminate toll charges. These rates are fair and reasonable for such service.

#### Optional Service Plans

As previously mentioned, Pacific presented in these proceedings, in response to an earlier order, evidence respecting "optional" EAS calling plans. Unfortunately, it lent some confusion to public understanding of the specific EAS plan above discussed.

Repeatedly in EAS proceedings, Pacific has been made aware that some plan is necessary whereby that portion of the public not needing or wanting EAS would be relieved of the burden of paying for such unneeded or unwanted expanded service. In a "nonoptional" flat rate EAS plan, every subscriber pays a higher minimum monthly bill so that heavy toll users can have their calling "free". Having several times discussed the matter in prior decisions, we shall not further belabor the point.

A. 51402, C. 8942 JR

Pacific now proposes three new trials (at a cost of about \$200,000), one measured, one flat rate and one a combination of the two. By interim order herein (Decision No. 78023) the measured and combination trials are under way in several northern California exchanges. Their primary purpose is to determine a proper rate level for the service and they will be concluded during 1971. The third trial, the flat rate EAS option, is proposed for residence subscribers in the Escondido and Vista exchanges in San Diego County, coincidental with a business measured rate trial in such exchanges, both of which would also be concluded in 1971. Pacific selected these two exchanges because they are the only two non-metropolitan exchanges on its entire system where the stimulated traffic which results from "free" calling, will not at the present time overload its facilities and cause a degradation of service. We feel that this flat rate trial should not be undertaken.

Findings of Fact

The Commission makes the following findings of fact:

1. The establishment of extended-area telephone service as proposed by Pacific for the six routes here under consideration is in the public interest.
2. Increases in exchange rates as herein authorized are justified.

3. Present exchange rates, insofar as they differ from those herein authorized, will become unjust and unreasonable upon the establishment of EAS for the affected routes.

4. The flat rate optional trial proposed by Pacific for the Escondido and Vista exchanges is not justified and should not be authorized.

5. The order herein will reasonably satisfy the complaint of Don Martinson, et al. (Case No. 8942).

Conclusions of Law

The Commission concludes that:

1. The complaint herein should be denied.
2. The application herein should be granted as set forth in the following order.

O R D E R

IT IS ORDERED that:

1. The Pacific Telephone and Telegraph Company (Pacific) is hereby authorized to establish extended-area telephone service (EAS) between its Oceanside and Fallbrook exchanges, between its Fallbrook and Vista exchanges, between its Vista and Escondido exchanges, between its Escondido and Pauma Valley exchanges, between its Escondido and Ramona exchanges and between its Escondido and Rancho Santa Fe exchanges within 24 months of the effective date of this order.

2. Pacific is hereby authorized to transfer the Bonsall area from its Oceanside exchange to its Vista exchange, coincidentally with the establishment of the aforesaid EAS.

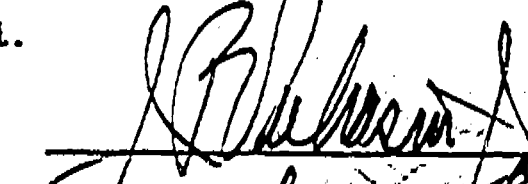
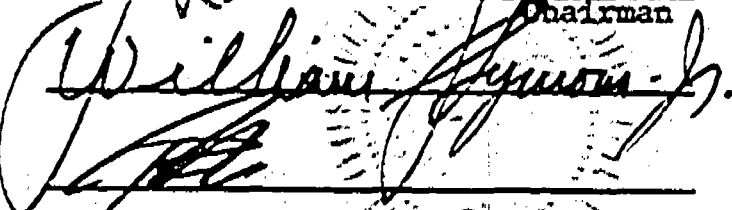
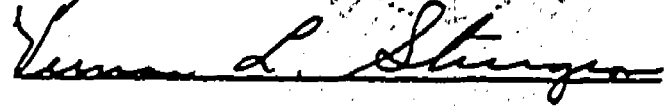



3. After not less than five days' notice to the public and to this Commission, Pacific shall make effective in the affected exchanges on the date on which extended-area service is established therein, tariffs revised to reflect the rate changes set forth in Exhibit No. 2 in this proceeding and shall coincidentally therewith cancel and withdraw message toll telephone rates in effect between said exchanges.

4. The complaint of Don Martinson, et al. (Case No. 8942) is hereby denied.

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

Dated at San Francisco, California, this 24th  
day of MAY, 1971.

  
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Chairman  
  
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Commissioners

I will file a dissent -  
Thomas Moran

A. 51402, C. 8942

D. 78647


COMMISSIONER THOMAS MORAN, Dissenting:

I dissent.

While the majority decision herein properly authorizes extended area service in certain small towns in northern San Diego County it falls far short of fulfilling the responsibilities of this Commission.

Examiner Emerson, who alone heard all the testimony in this case, prepared a far-sighted and carefully reasoned decision of which I attach a copy hereto and incorporate herein. To reject it out of hand as the majority has done today is a disservice to the people of California.

To handle each question of extended area service as if it were a rare and isolated problem unrelated to the needs of phone subscribers statewide, in my judgment is a short-sighted disregard of the long range problem. The proposed decision prepared by Examiner Emerson treats of the whole problem, present and future, and reflects his extensive work in this area, he having been the hearing officer during the past two years in more extended area service cases than all of this Commission's other twenty-five Examiners put together. His proposed decision furthermore has the whole-hearted and unanimous support of the Commission's staff in addition to my own.



Thomas Moran  
Commissioner

Dated: May 4, 1971  
San Francisco, California

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The foregoing flat rate monthly charges would permit unlimited calling over the affected routes and would correspondingly eliminate toll charges. These rates are fair and reasonable for such service.

#### Optional Service Plans

As previously mentioned, Pacific presented in these proceedings, in response to an earlier order, evidence respecting "optional" EAS calling plans. Unfortunately, it lent some confusion to public understanding of the specific EAS plan above discussed. While hindsight indicates that such presentation of optional plans might better have been made in a proceeding divorced from the six-route problems of north San Diego County, the fact remains that it is necessary to treat of it herein. It is of state-wide concern and of some years' standing.

Repeatedly in EAS proceedings, Pacific has been made aware that some plan is necessary whereby that portion of the public



not needing or wanting EAS would be relieved of the burden of paying for such unneeded or unwanted expanded service. In a "nonoptional" flat rate EAS plan, every subscriber pays a higher minimum monthly bill so that heavy toll users can have their calling "free". Having several times discussed the matter in prior decisions, we shall not further belabor the point. Suffice it to say that the Commission is determined that a more equitable approach to extended-area telephone service shall be developed and that the interminable and costly "studies" and "trials" which Pacific has espoused shall soon be brought to an end.

Pacific now proposes three new trials (at a cost of about \$200,000), one measured, one flat rate and one a combination of the two. By interim order herein (Decision No. 78023) the measured and combination trials are under way in several northern California exchanges. Their primary purpose is to determine a proper rate level for the service and they will be concluded during 1971. The third trial, the flat rate EAS option, is proposed for residence subscribers in the Escondido and Vista exchanges in San Diego County, coincidental with a business measured rate trial in such exchanges, both of which would also be concluded in 1971. Pacific selected these two exchanges because they are the only two non-metropolitan exchanges on its entire system where the stimulated traffic, which results from "free" calling, will not at the present time overload its facilities and cause a degradation of service. We feel that this flat rate trial should not be undertaken, for a variety of reasons which we will now discuss.

Of the basic utility services (electric, gas, telephone, water) basic telephone service in the non-metropolitan areas remains

the only service generally and consistently unmeasured. For years the trend has been away from flat rate utility service in California. With respect to telephone service, the decisions of this Commission have set a clear and continuing pattern for measured service.<sup>1/</sup> As we have repeatedly stated, metering or measuring usage is the most equitable method of distributing charges amongst the users. In addition, it allows the user to control his utility costs. It permits the customer to pay for only that service which he uses and to avoid paying for that which he does not want or use. This is no less true for telephone service than for any other public utility service.

The development of telephone services and of telephone rates is evolutionary. A retrogression in either is undesirable and not in the public interest. Introduction of new flat rate plans is a step backward in the evolution of measured rate services and, although there are inevitably some exceptions, such should now uniformly be avoided. While there was once no means for the measurement of basic exchange telephone service and flat rates were thus the rule, there is today, because of technical progress, no real impediment to measuring such service. In this age of reserved subscriber loops for every new telephone subscriber (so-called "dedicated plant"); in this age of direct dialing, automatic number identification, automatic switching for route selection, automatic ticketing, automatic record keeping, automatic information service, automatic accounting and automatic machine billing; in this age of computers; there is no longer any reason why an orderly evolution

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<sup>1/</sup> For an early discussion of measured telephone service, see Decision No. 14420 in Application No. 9648, 25 CRC 721 at 756, 759, 760 (1924). This was 47 years ago.

of telephone usage measurement should not progress to the point where all telephone service is measured and rates therefor set accordingly.

Time has become of ever greater importance in telephone service and distance has become a lesser factor. Indeed, the exchange concept itself, with rate mileage steps between exchange centers, is daily becoming of lesser significance in public affairs; as witness, the WATS service which for the large businesses in California effectively makes but two exchanges of the entire state and for the largest only one. WATS usage measurements are only time measurements in this State. Even to the casual user or lay person, the lesser significance of distance is clearly apparent from Bell-system nationwide advertising in which the system boasts about the routing of a call from Boston to Miami via intermediate centers even including San Bernardino, California. The charge, of course, is directly tied to the length of time occupied by the call and not the route lengths of the circuits actually utilized. It is but a relatively short step to evolve from the "time and distance" concept so long in vogue in telephone ratemaking to a "time" concept.

The "abuses" of exchange service which are arising from modern communications needs lend further support to the premise that measured service should become the general rule. In this respect we have specifically in mind as examples those situations where, under existing flat rate exchange service rates, a subscriber who owns a private mobile radio system "dials up" his service early on a Monday morning and doesn't release the telephone plant involved until he

"dials off" on Friday night, or where access to a computer (perhaps with as many as 40 lines) ties up telephone plant for 13 or more hours every working day. While it might appear to some persons that such examples of usage entail no more than tying up the subscriber loops, the fact is that all intervening equipment is tied up and thus effectively removed from service to all other customers. The result, under the flat rate concept, is that every subscriber must equally contribute to the payment of the costs of such special usages. Such extraordinary users, as these two examples illustrate, would more equitably pay for their service under the time-measurement concept.<sup>2/</sup>

Pacific's optional flat rate plan includes a proposal that a telephone subscriber be permitted to select a particular exchange (or more than one exchange) within a 30-mile radial distance and have toll-free and unlimited calling privileges to the selected exchange at an additional flat rate monthly charge. If fully implemented, such a plan would produce literally hundreds of overlapping circles as the basis for new calling-area boundaries within the State. Why it chose a 30-mile limit, rather than the 40-mile limit upon which the existing toll-rate scheme is based, is not clear and perhaps is irrelevant but we believe the plan is inordinately complex and to be impractical. As in all other flat rate plans, the element of "time" would disappear from the "time and distance" concept on which the toll rates which it would replace are based. The proposed plan appears to be a retrogression.

Practically every public utility plant requires a continuing build-in of margin for growth. Telephone plant is no

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<sup>2/</sup> Of course, a private line service tariff is an alternative, but these examples do no violence to the principle here involved.

exception. Every one of Pacific's EAS plans have required plant expansion and rearrangement of various facilities in order to handle the increased traffic which "free" calling generates. The utility almost immediately loses whatever element of control over growth margin that user costs (toll charges) may have provided. An orderly, planned plant growth pattern may thus be radically changed and plant margins disappear. Thus far, California has largely been spared the widespread telephone service interruptions and deficiencies experienced in some other states. A precipitous expansion of flat rate service which might bring such chaos to California should be avoided. This is not to say, of course, that growth should be prevented or that the telephone-using public should in any way be denied either needed or desired services. It is to say, however, that a substantial expansion of flat rate services could upset a rather delicate balance between service and price, between plant investment and rates to support that investment, between good telephone service and marginal or poor telephone service. A measured service enhances an orderly progression.

While there may be other equally valid reasons why the proposed flat rate EAS "optional" trial is inappropriate, we believe the foregoing discussion is sufficient to indicate that Pacific's plan should not now be authorized. Specifically, the proposed tariffs contained in Exhibit No. 11 in this proceeding will not be authorized.

There are two basic rate-making approaches to extended-area service. The first consists of an increased charge for an expanded calling area. This has been the approach in all of the nonoptional EAS plans to date. Where a single limited calling area

now exists, such as in a single exchange, it will probably continue as the basic approach for some years; that is, as toll-free calling is extended to or from the central exchange or core exchange area, basic exchange telephone rates will increase as an offset (at least partially) to lost toll revenues. As expansion of calling areas continues, however, a practical and economic limit is reached where any further expansion becomes an unreasonable burden on the general users, whose very numbers make subsidy of the heavy toll users possible. Such further expansion calls for an "optional" service plan; one which will permit individual users to selectively expand their calling areas without forcing all other users either to pay an inflated cost for their lesser service needs or to do without telephone service. The trials now under way seek a rate level for such an "optional" approach.

The second approach is that wherein a lesser basic charge is made for a restricted service. This would be applied, as an example, where a large multi-exchange calling area already exists (with attendant high exchange charges for the basic service) and where individual users having no need for the large area desire a lesser toll-free calling area at a lesser cost. Except as to the principle involved in the somewhat parallel "Lifeline" type of service, this approach has not yet received attention. It should, wherever facilities will permit.

When all telephone service is time-measured, the problem of "optional" EAS will, of course, disappear. In the interim, appropriate options will be made available to the public.

Findings of Fact

The Commission makes the following findings of fact:

1. The establishment of extended-area telephone service as proposed by Pacific for the six routes here under consideration is in the public interest.

2. Increases in exchange rates as herein authorized are justified.

3. Present exchange rates, insofar as they differ from those herein authorized, will become unjust and unreasonable upon the establishment of EAS for the affected routes.

4. The flat rate optional trial proposed by Pacific for the Escondido and Vista exchanges is not justified and should not be authorized.

5. Pacific should be required to provide this Commission with a suggested master plan for the orderly conversion of all flat rate telephone services (excepting only private-line services) in California to time-measured rate services, together with a suggested timetable for the step-by-step implementation of such plan.

6. The order herein will reasonably satisfy the complaint of Don Martinson, et al. (Case No. 8942).

Conclusions of Law

The Commission concludes that:

1. The complaint herein should be denied.

2. The application herein should be granted as set forth in the following order.

O R D E R

IT IS ORDERED that:

1. The Pacific Telephone and Telegraph Company (Pacific) is hereby authorized to establish extended-area telephone service (EAS) between its Oceanside and Fallbrook exchanges, between its Fallbrook and Vista exchanges, between its Vista and Escondido exchanges, between its Escondido and Pauma Valley exchanges, between its Escondido and Ramona exchanges and between its Escondido and Rancho Santa Fe exchanges within 24 months of the effective date of this order.

2. Pacific is hereby authorized to transfer the Bonsall area from its Oceanside exchange to its Vista exchange, coincidentally with the establishment of the aforesaid EAS.

3. After not less than five days' notice to the public and to this Commission, Pacific shall make effective in the affected exchanges on the date on which extended-area service is established therein, tariffs revised to reflect the rate changes set forth in Exhibit No. 2 in this proceeding and shall coincidentally therewith cancel and withdraw message toll telephone rates in effect between said exchanges.

4. By not later than December 31, 1971, Pacific shall present to this Commission:

- a. A written plan for the offering of "Lifeline" service (30 message allowance) in each of its exchanges not now provided such service, together with a proposed timetable for complete implementation thereof within a period of not to exceed two years, and



- b. Written plans for the conversion of all flat-rate and measured-rate services (excepting only private-line services) to time-metered services, together with a statement of estimated costs and a proposed timetable for an orderly implementation of such plans over an assumed period of not to exceed ten years.

5. The complaint of Don Martinson, et al. (Case No. 8942) is hereby denied.

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

Dated at \_\_\_\_\_, California, this \_\_\_\_\_ day of \_\_\_\_\_, 1971.