

ORIGINAL

Decision No. 78800

## 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 the Del Mar,  
Poway and Rancho Santa Fe Exchanges and the  
San Diego Exchange and to withdraw message  
toll telephone service rates now in effect  
over said routes.

Application No. 51496  
(Filed November 20, 1969)

Robert E. Michalski, Attorney at Law,  
for applicant.  
Bernardo Homeowners Corporation, by  
Ray B. Webb, protestant, and by  
Earl Coffin, interested party.  
Unitarian Fellowship San Dieguito,  
by John R. Shannon; Ad Hoc Committee,  
by Mrs. Richard Stephenson; Montecillo  
Property Association, by Robert E. Grice;  
protestants.  
A. M. Hart and Donald J. Duckett, Attorneys  
at Law, for General Telephone Company of  
California; John W. Witt, C. M. Fitzpatrick  
and C. Alan Sumption, Attorneys at Law, for  
City of San Diego; Poway Chamber of Commerce,  
by Agnes L. Frame; Green Valley Civic  
Association, by Warren R. DeYoung; Seven  
Oaks Homeowners Association, Inc., by  
Charles A. Ford; Westwood Residents'  
Organization, by Kenneth Ray French;  
interested parties.  
S. M. Boikan, Attorney at Law, for the  
Commission staff.

O P I N I O N

By this application, The Pacific Telephone and Telegraph  
Company (Pacific) seeks authority to establish non-optional extended  
area telephone service between its Poway and San Diego exchanges,  
between its Del Mar and San Diego exchanges and between its Rancho  
Santa Fe and San Diego exchanges and to withdraw message toll  
telephone service over the affected routes. During the course of  
the public hearing, applicant expanded its extended-area proposal  
by adding the Poway-La Jolla route to its basic proposal.

Public hearing in the matter was held before Examiner Emerson on December 1 and 2, 1970, at Rancho Bernardo, where more than 280 persons were in attendance and 31 witnesses were heard and on December 3, 1970 at Del Mar, where 85 persons were in attendance and 29 witnesses were heard. The matter was submitted, on receipt of a late-filed exhibit, on December 14, 1970. The entire record in Application No. 51402 and Case No. 8942 (heard November 17, 18 and 19, 1970) is by reference a part of this record.

This application was filed on November 2, 1969 following a formal complaint (Case No. 8976, filed October 2, 1969) by residents in the Westwood section of Rancho Bernardo who sought extended-area service to the San Diego exchange. Shortly after the filing of the application, the complainants endorsed Pacific's application and withdrew their complaint.

There are two basic non-optional extended-area proposals involved in this proceeding; one by Pacific and one by the Commission staff. In brief, Pacific's proposal is to expand the toll-free calling area of its San Diego exchange to include the Poway, Del Mar and Rancho Santa Fe exchanges on a non-optional basis. The staff proposal is to split the present San Diego exchange into two districts and to provide toll-free calling only between the northernmost district and the Poway exchange. The staff opposes extended-area service for all other routes.

Exchange rates under Pacific's proposal would be those obtained by applying the statewide rate formula for non-metropolitan extended-area telephone exchanges ordered by the Commission in June 1970 (Decision No. 77311 in Application No. 51114), except for the Rancho Santa Fe-San Diego route for which Pacific extrapolated said formula. With respect to Pacific's proposal, the addition of the

Poway, Del Mar and Rancho Santa Fe exchanges to the calling area of San Diego would produce an overall revenue deficiency lying somewhere between \$102,200 and \$38,500, depending upon the magnitude of the conversions of foreign exchange services to local services. Under Pacific's proposal, monthly exchange charges, assuming establishment of EAS during 1973, would be increased as follows:

Rate Increase - Per Month

<u>Business</u>	<u>Del Mar</u>	<u>Poway</u>	<u>Rancho Santa Fe*</u>	<u>San Diego</u>
1-party flat	\$6.25	\$6.25	\$ 8.25	\$ -
2-party flat	5.25	5.25	7.25	-
Suburban 4-party flat	-	-	7.50	-
Suburban 8-party flat	-	4.65	6.65	-
PBX trunks flat	9.25	9.25	12.25	-
SP Coin	3.25	3.25	4.25	.30
1-party message (80)	-	-	-	.30
PBX-TK-message:				
1st 2	-	-	-	.30
each additional	-	-	-	.15
 <u>Residence</u>				
1-party flat	1.75	1.75	2.40	.15
1-party msg (60)	-	-	-	0
1-party msg (30)	-	-	-	0
2-party flat	1.60	1.60	2.05	-
4-party flat	1.65	1.65	1.80	-
Suburban 4-party flat	-	-	2.05	-
Suburban 8-party flat	1.65	1.65	1.80	0
PBX-TK flat, each	-	-	-	.15

\* Includes increment for EAS with Escondido per Application No. 51402.

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. Its study consisted of two separate but related surveys. The initial survey was made during January and February 1970 (several months before the formula rate increments were increased in mid-1970) by means of random samples of business and residence customers. The selected customers were mailed individualized explanations of their existing service, the proposed extended area and the specific rates for the plan. One week later, the selected customers were contacted by telephone and asked to express their preference between their existing service and rates and the proposed service and rates. During this survey, a number of unsolicited comments by Rancho Santa Fe customers indicated a desire for the inclusion of the La Jolla exchange in their calling area (La Jolla and Rancho Santa Fe are not contiguous exchanges) so Pacific conducted a second survey in March 1970 by means of another random sample with questionnaires for the La Jolla exchange and personal contacts in the Rancho Santa Fe exchange.

In this proceeding, as in other EAS proceedings, Pacific placed great confidence in its survey methods of sampling, questioning and analysis and it employed an independent research firm in the conduct of its telephone survey. The results of its study as expressed in percentages of "favorable", "unfavorable" and "no-preference" replies from its questionnaire respondents, in summary show the following:

Percentage of Respondents

	<u>San Diego</u>	<u>Poway</u>	<u>Rancho Santa Fe</u>	<u>Del Mar</u>	<u>La Jolla</u>
For the Plan	34%	63%	60%	63%	46%
Against the Plan	52	31	37	33	46
No preference	14	6	3	4	8

The number of respondents to Pacific's questionnaire and telephone follow-ups, as related to the number of main station telephones in the exchanges, however, is approximately as follows:

	<u>San Diego</u>	<u>Poway</u>	<u>Rancho Santa Fe</u>	<u>Del Mar</u>	<u>La Jolla</u>
No. of "Respondents"	410	408	265	413	209
No. of Main Tele- phones	183,000	6,925	1,300	4,750	29,330

The statistical accuracy of Pacific's sampling method depends in part upon the size of the sample taken. As shown by exhibits in prior EAS proceedings (for example, Exhibit No. 6 in Application No. 51114) the variations in the above percentage tabulation may range between plus and minus 6 percent. Thus, where a 52% "against-the-plan" figure is shown, the true figure may lie anywhere between 58% and 46%. By the same token, a 34% "for-the-plan" figure may in fact lie anywhere between 28% and 40%. The public reaction to sampling is, in general, one of distrust because of the small number of customers selected for questioning. This was apparent both at the Rancho Bernardo and at the Del Mar hearings, where public witnesses so testified.

At Rancho Bernardo (in the Poway exchange), where 283 persons attended the hearing, two homeowners groups conducted surveys of their own. They reached 98 percent of their more than 1,450 members. One group's response (916 replies) was 35 percent in favor and 65 percent opposed to the plan, to all practical purposes the direct opposite of the results of Pacific's survey in the Poway

exchange. The other group's response (543 replies) showed 32% opposed and 68% in favor, closely approaching the results of Pacific's survey. One of the area's homeowners associations, at its April 1970 meeting, after having analyzed the results of its survey, passed a resolution to the effect that "this service should be offered on a choice basis; that is, people who desire to avail themselves of it should have the opportunity to do that, those people who do not wish it should not be forced to pay that subsidy". The other association came to an identical conclusion but apparently had passed no formal resolution to such effect. A number of public witnesses urged "optional" service and "measured" service as being the most equitable means of providing toll-free calling. Other public witnesses supported Pacific's plan in principle but felt that the proposed areas were inadequate and of little value; a number of them desired much greater free-calling distances and some wanted the entire county to be toll-free.

At Del Mar, with an overflow and standing-room only crowd in attendance, 26 individual witnesses and representatives of three organized groups testified and expressed their opinions on a number of facets of Pacific's proposal. The greater number were opposed to the specific EAS plan. Petitions in opposition, carrying over 740 signatures of Del Mar and Solano Beach residents, were brought to the hearing by the Ad Hoc committee which appeared as a protestant in the proceeding. This latter group emphasized that Del Mar and Solano Beach were more oriented towards the north than towards San Diego. They pointed out that the Department of Motor Vehicles has offices in Oceanside and Escondido, the Auto Club is in Oceanside, the county courts are in Vista, the Highway Patrol is in Oceanside, the largest department store is in Carlsbad, Junior Colleges are in

the Oceanside-Carlsbad and San Marcos areas, and that north county growth will further tend to place an even lesser reliance on San Diego as the focus of their interests. They found, further, that Pacific's proposal to add the San Diego exchange to their calling area without adding the intervening Pacific Beach exchange would only partially meet the needs of those persons whose interests did lie to the south of Del Mar.

Thirteen of the 26 individual public witnesses at Del Mar were opposed to Pacific's proposal. Most of the reasons given were economic but some were statements that there is no need for the service. As at Rancho Bernardo, there were a number of pleas for an optional service so that those who did not desire the expanded service or could not afford it would not be burdened with the increased costs of subsidizing large toll users. There was also a strong plea that the Del Mar exchange be afforded the same "lifeline" service<sup>1/</sup> now available within the San Diego exchange so that retired, elderly and poor people could retain their telephone service as an emergency measure. With the increased rates for EAS, it was stated, numerous persons in the Eden Garden area of the Del Mar exchange would have to discontinue telephone service. Those witnesses who are in business or members of civic or business-oriented organizations supported Pacific's plan. Several of them, however, could find no reason for Pacific's not having included Pacific Beach in the proposed expanded area. Witnesses from Rancho Santa Fe sought the addition of the La Jolla exchange.

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<sup>1/</sup> Lifeline service is a measured service, presently at \$2.25 per month with an allowance of 30 messages and additional charges for all messages in excess thereof.

As a formal statement of position, the City of San Diego stated that neither Pacific's plan nor the staff's plan meet the needs of the public.

Pacific has estimated that the total construction cost for implementing its extended area plan would be \$2,015,000. If the plan were to be placed in operation without increasing rates in the San Diego exchange, it estimates that it would suffer a revenue loss of some \$475,000 annually. Its overall plan (including San Diego rate increases and the Rancho Santa Fe-La Jolla route) would produce a revenue loss of \$59,400 annually as a minimum and might reach \$121,500 as a maximum. Unrelated to the specific EAS plan herein proposed, Pacific is engaged in placing a new ESS (electronic switching system) office in operation in the Del Mar exchange.

In viewing that portion of the record herein pertaining to the evidence above discussed, we are impressed by the large number of telephone subscribers that oppose the plan. The evidence is clear that a large portion of the subscribers in the affected areas do not support Pacific's plan and that none support the staff's plan. That major portion of the public not wanting or not needing EAS should not be burdened with paying for such unwanted or unneeded expanded service. No large body of subscribers should be forced to pay higher minimum monthly bills so that heavy toll users can have their calling "free". We find that there is insufficient public support for Pacific's non-optional EAS proposal and that, therefore, such plan should not be authorized.

As previously mentioned, there is incorporated in this record the complete record made in Application No. 51402. The Commission thus has before it in this proceeding Pacific's proposals



respecting "optional" EAS plans which the Commission had previously ordered Pacific to develop. By interim decision in Application No. 51402 (Decision No. 78023) Pacific was authorized to undertake trials of certain optional rate plans in several northern California exchanges during 1971 for the primary purpose of determining proper rate levels for various optional measured-rate plans which it had proposed. Basically, two optional trial offerings were authorized. The first is a measured-service option whereby a customer could select one or more exchanges (within 30 miles of his own exchange) as his "optional service area" and would be accorded a cumulative time allowance of two hours for residence service and four hours for business service at a basic package price. Extra minutes of time (beyond the two-hour or four-hour allowance) would be charged for at the rate of 4-1/2 cents per minute. The second measured-rate type of option is a so-called "combination plan" whereby the first plan applies only to the daytime hours (8 a.m. to 8 p.m.) while the nighttime hours (8 p.m. to 8 a.m.) are at a flat rate. Each of these plans has merit, particularly when viewed as evolutionary steps toward fully measured service for all telephone subscribers. Pacific's study team (or task force) analyzed telephone usage in some 38 exchanges, in 13 of which customer-acceptance interviews were conducted, before proposing these plans for trial. Among others, Pacific's objective was to develop a rate structure that would be attractive to exchange customers generally so that customers with relatively low present usage would want to "buy up" in order to call more and thereby develop sufficient additional revenue to offset the effects of those customers whose objective is to pay less for what they are already using. A further objective was to maintain some control (through the rate structure) of the

increased calling during busy hours and the amount of physical plant needed for the increased calling which every EAS plan engenders. In many exchanges, an unrestricted EAS offering (non-optional flat rate EAS) with its potential volatility of "free" calling could seriously affect the quality of service, according to Pacific's witness. A measured service, on the other hand, provides some degree of control and thus allows orderly planning and implementation for plant growth.

General Telephone Company of California (General), as an interested party, presented the testimony of its Director of Revenues whose duties include responsibility for the rate plans and servicing arrangements of that company. General's interest concerns the possible adoption of a statewide optional calling arrangement in accordance with Pacific's proposals for optional EAS. General's witness testified that "General Telephone is in accord with the basic philosophy of optional calling arrangements; that is, let those customers subscribe to the service arrangement that meets their particular needs and at the same time not place an undue burden on the remaining body of those customers who are satisfied with their existing local calling areas". General does not agree fully with Pacific's proposed plans, however. In particular it disagrees with Pacific's proposed 30-mile limitation and pointed out the disparity between such limitation and the already existing 40-mile limit which General uses in the Los Angeles metropolitan area. It's witness further pointed out that this 30-mile limitation may well prevent customers from reaching their high community of interest points and cited as an illustration the situation wherein Escondido would be able to include San Diego while its

adjoining community of Vista could not. General has agreed to participate with Pacific in joint trials of optional EAS plans.

We take note that there are presently over 75 EAS areas on Pacific's system, involving more than 210 of its exchanges and some 7,500,000 telephones and that over the past fifteen-year period some 61 separate EAS proceedings (25 in 1969-1970) have been before the Commission. The Commission has thus been progressively and extensively informed about the problems of EAS. According to Pacific's witness in its latest EAS proceeding (A. 51402) optional service can be placed in effect where the exchanges involved have direct distance dialing, automatic number identification and sufficient capacity to handle the additional calls generated by EAS.

Direct distance dialing is now available to all main telephones in the exchanges involved in this proceeding and Pacific has informed the Commission that automatic number identification will have covered 98.8 percent of all main telephones by 1973.

We have also been informed that Pacific's construction program for such area includes total expenditures of \$194,200,000 for 1971-1972 growth, including \$103,900,000 for exchange growth projects in those two years alone. It would seem reasonable to conclude that there is no real impediment to the implementation of an optional measured EAS plan for the exchanges involved in this present proceeding. In view of the evidence, therefore, we shall direct Pacific to place such a plan in effect. In view of the optional plan trials now under way, we shall also require Pacific to provide this Commission with a proposed master plan for the orderly development of measured-rate optional extended area telephone service for all of its remaining exchanges.

In response to a statewide need for an inexpensive, low usage residential telephone service, this Commission, in Pacific's last statewide rate case, established a type of service now generally known as "lifeline" service. This service provides a 30-message allowance for \$2.25 per month. The entire San Diego extended area now has available such lifeline service.<sup>2/</sup> In view of the testimony regarding its need in the Del Mar exchange, which is contiguous to La Jolla, we shall direct Pacific to offer such service to subscribers therein.

Findings of Fact

In view of the evidence, the more important elements of which are hereinabove discussed, the Commission makes the following findings of fact:

1. Pacific has not convincingly demonstrated that its non-optional extended area service plan has public support sufficient to justify its establishment.
2. Establishment of an optional extended area service plan from the affected exchanges to San Diego is in the public interest.
3. Establishment of "lifeline" service in the Del Mar exchange is needed and in the public interest.
4. Increases in exchange rates as herein authorized are justified.
5. Present exchange rates, insofar as they differ from those herein authorized, will become unjust and unreasonable upon the establishment of the optional EAS plan for which rates are hereinafter prescribed.

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<sup>2/</sup> The exchanges are: San Diego, Chula Vista, Coronado, El Cajon, La Jolla, La Mesa, National City, Pacific Beach, San Ysidro.

6. The rates herein prescribed for optional extended area service are fair and reasonable for such service.

Conclusion of Law

The Commission concludes that the application herein should be granted to the extent set forth in the following order and in all other respects should be denied.

O R D E R

IT IS ORDERED that:

1. The Pacific Telephone and Telegraph Company (Pacific) is authorized and directed to file with this Commission, on or after the effective date of this order and in conformance with the provisions of General Order No. 96-A, the schedule of rates for optional extended area service from its Poway, Rancho Santa Fe and Del Mar exchanges to its San Diego exchange, set forth in Appendix A attached hereto and, on not less than five days' notice to the public and to this Commission, to make said schedule of rates effective for service thereunder on and after October 1, 1971.

2. By not later than January 1, 1972, Pacific shall withdraw residence four-party line flat rate service in its Del Mar exchange and substitute therefor residence two-party line message rate 30-message allowance service at a rate of \$2.25 per month.

3. By not later than April 1, 1972, Pacific shall present to this Commission a written plan for the orderly development of measured-rate optional extended-area telephone service for all of its exchanges not then having such service.

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

Dated at San Francisco, California, this 15th day of JUNE, 1971.

William J. Quinn, Jr. Chairman  
[Signature]  
Vernon L. Sturgeon  
[Signature] Commissioners

Adm. -  
[Signature]

APPENDIX A  
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RATES

Pacific's rates, charges and conditions are changed or added to as set forth in this appendix.

Schedule No. 5-T, Individual and Party Line Service

Withdraw the offering of residence four-party line flat rate service in Del Mar and substitute therefor the offering of residence two-party line message rate 30-allowance service at \$2.25 per month.

Schedule No. Optional Extended Area Service

File the following tariff schedule:

OPTIONAL EXTENDED AREA SERVICE

This schedule contains the rates and special conditions applicable to Optional Extended Area Service.

SYMBOLS

- (C) To signify changed listing, rule, or condition which may affect rates or charges.
- (D) To signify discontinued material, including listing, rate, rule or condition.
- (I) To signify increase.
- (L) To signify material relocated from or to another part of tariff schedules with no change in text, rate, rule or condition.
- (N) To signify new material including listing, rate, rule, or condition.
- (R) To signify reduction.
- (T) To signify change in wording of text but not change in rate, rule or condition.

APPENDIX A  
Page 2 of 4Schedule No. Optional Extended Area Service--Contd.APPLICABILITY

Applicable to Optional Extended Area Service in connection with business and residence individual line service offered under Schedule Cal. P.U.C. No. 5-T, Exchange Telephone Service - Individual and Party Line Service, Schedule Cal. P.U.C. No. 14-T Private Branch Exchange Trunk Line Service, Schedule Cal. P.U.C. No. 35-T, Foreign Exchange Service - Southern California and Schedule Cal. P.U.C. No. 121-T, Centrex Service, furnished in the following exchanges:

<u>Measured Service</u>	
<u>Residence</u>	<u>Business</u>
Del Mar	Del Mar
Poway	Poway
Rancho Santa Fe	Rancho Santa Fe

TERRITORY

Within the territory as set forth under Service Areas of this schedule.

DESCRIPTION OF SERVICEMeasured Service

- (a) Measured Service permits calling within a specified service area over an individual line at rates specified under Rates (1) below. Service is offered with a basic measured time period of two hours for residence, four hours for business. Each individual call is computed on the basis of whole minutes, a fraction of a minute being considered a whole minute. Beyond the minimum basic period, fractional parts of hours shall be billed at 1/60 of the hourly rate for each additional minute.
- (b) Where a customer is furnished more than one individual line service, the service furnished under Rates (1) will apply to all individual lines billed together. No additional basic time allowance will be provided for the additional lines.
- (c) Timing of all calls begins when the connection is established from the individual line to the called station, and ends when such connection is terminated.



APPENDIX A  
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Schedule No.      Optional Extended Area Service--Contd.

SERVICE AREAS

- (1) In addition to the present local service areas, as defined in Schedule Cal. P.U.C. No. 2-T, Local Service Areas, Southern California, customers may select one or more of the Exchanges or District Areas of the Service Areas listed in (2) following:
- (2) From Exchange Stations Receiving Service from the Exchange or District Area designated as      To Exchange Stations Receiving Service from Exchanges or District Areas Designated as

<u>Exchange</u>	<u>District Area</u>	<u>Exchange</u>	<u>District Area</u>
Del Mar	-	San Diego	-
Poway	-	San Diego	-
Rancho Santa Fe	-	San Diego	-

RATES

The rates shown below comprehend Optional Extended Area Service on a sent paid, station-to-station, customer-dialed basis furnished in addition to individual line service at rates and special conditions set forth in Schedule Cal. P.U.C. No. 5-T, Exchange Telephone Service - Individual and Party Line Service and Schedule Cal. P.U.C. No. 14-T, Private Branch Exchange Trunk Line Service, Schedule Cal. P.U.C. No. 35-T, Foreign Exchange Service, Schedule Cal. P.U.C. No. 121-T, Centrex Service.

Measured Service

The San Diego Exchange may be added to the local service area of one of the exchanges listed under Applicability, above, at the following additional rates:

	<u>Basic Time Allowance</u>	<u>Basic Rate Per Month</u>	<u>Overtime Rate Per Hour</u>
<u>Residence</u>			
Del Mar )			
Poway and )	2 hours	\$5.95	\$2.70
Rancho Santa Fe )			
<u>Business</u>			
Delmar )			
Poway and )	4 hours	\$11.95	\$2.70
Rancho Santa Fe )			

APPENDIX A  
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Schedule No. Optional Extended Area Service--Contd.

SPECIAL CONDITIONS

(1) General

- (a) Optional Extended Area Service is furnished as an adjunct to individual line service and provides for customer-dialed telephone communications to message toll points within specified service areas as defined herein.
- (b) Except as provided herein, Special Conditions and Rules of the utility applicable to individual line service also apply to such service furnished in connection with Optional Extended Area Service.
- (c) Optional Extended Area Service will not be furnished in connection with coin telephone service.

(2) Limitation of Service

- (a) Optional Extended Area Service does not include Person, Collect, Conference, or other calls requiring operator handling, except where the customer for any reason cannot complete the call. Such calls will be billed at the regular message toll rate applicable.
- (b) Calls to message toll points not within the customer's chosen Service Area will be furnished under the rates and special conditions specified for Message Toll Telephone Service under Schedule Cal. P.U.C. No. 53-T.
- (c) The provision of satisfactory transmission is contemplated only between the station with which the individual line is associated and the called station. The service is not represented as adapted for interconnection with other services to extend a two-point connection beyond the originating station and the called station location.

(3) Minimum Service Period

The minimum service period is one month for Optional Calling Service.

(4) Rates for Fractional Periods

For fractional parts of a month, the basic period and rate charged therefor are adjusted to be proportionate to the actual number of days in service. The rate for time in excess of the adjusted basic period will be billed on the basis of the actual minutes used at the hourly rate shown above in Rates.

(5) Continuous Property

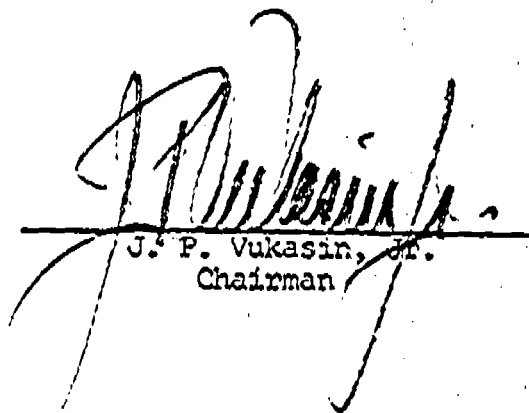
When a customer's continuous property is located in more than one exchange, all of the continuous property will be considered as being within the exchange in which the primary service is located.

J. P. VUKASIN, JR., CHAIRMAN, DISSENTING OPINION

I dissent in part.

The decision goes beyond the scope of this application, which is limited to a request for extended area telephone service in the San Diego exchange. Ordering paragraph 3 of the decision requires "By not later than April 1, 1972, Pacific shall present to this Commission a written plan for the orderly development of measured-rate optional extended-area telephone service for all of its exchanges not then having such service."

Indeed, measured-rate optional extended-area telephone service contemplated in the order may well be beneficial to all telephone users in this State. However, it may also create additional telephone problems. A state-wide plan should not be requested in a case such as this with such limited geographical application.



J. P. Vukasin, Jr.  
Chairman

San Francisco, California

June 15, 1971