

Decision No. 80739

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
General Telephone Company of California
for authority to establish extended
service between Applicant's Los Alamos
and Santa Maria Exchanges, to establish
rates for said extended service, to
cancel and withdraw present exchange
service rates in said exchanges and to
cancel and withdraw message toll
telephone service rates now in effect
between said exchanges.

Application No. 53391
(Filed June 9, 1972)

A. M. Hart, H. Ralph Snyder and D. Earl Ellis, by
D. Earl Ellis, Attorney at Law, for General
Telephone Company of California, applicant.
Jerry A. Van Ryn, Attorney at Law, for City of
Santa Maria, interested party.
Chester O. Newman, for the Commission staff.

O P I N I O N

After due notice hearing on this application was held in Santa Maria before Examiner Coffey on August 2, 1972. The matter was submitted on August 24 upon the receipt of the reporter's transcript of the hearing.

Applicant requests authorization to introduce extended area service (EAS) between its Los Alamos and Santa Maria Exchanges in Santa Barbara County and to revise its rates for service in those exchanges coincident with the establishment of the new service.

The area served by the Los Alamos Central Office encompasses the small unincorporated town of Los Alamos. The town is 12 miles south of the City of Santa Maria and about 16 miles east of the City of Lompoc. The center of town is just off Highway 101 and its main thoroughfare is Highway 135. This community has an estimated population of about 1,500 and is sustained primarily by ranching, farming, and oil.

The Santa Maria Exchange includes the Santa Maria Central Office and the Bradley Central Office, which recently superseded the Orcutt Central Office. Santa Maria is the center for nearly all business, governmental, and cultural activities in the Santa Maria Valley, including Los Alamos. The economy of the general area derives from agriculture, cattle, oil, some light manufacturing and the support activities associated with the Vandenberg Air Force Base.

A survey to determine customer preference for extended area service, based on the EAS rate increase proposed herein, was conducted during the month of December 1970. The survey was taken of all customers in the Los Alamos Exchange and of a random sample of business customers served by the Bradley and Santa Maria Offices of the Santa Maria Exchange. No questionnaire was sent to residential customers in the Santa Maria Exchange, because no rate increase is involved for those customers under the EAS Rate Increment Table.

The result of the survey is summarized by the following tabulation:

Service Preference

	<u>Los Alamos Exch.</u>			<u>Santa Maria Exchange</u>		
	<u>Bus.</u>	<u>Res.</u>	<u>Total</u>	<u>Santa Maria C.O. Bus.</u>	<u>Bradley C.O. Bus.</u>	<u>Total</u>
Present Plan	11%	10%	10%	71%	42%	68%
EAS Plan	83	89	89	23	42	25
No Preference	6	1	1	6	13	7
(Number of Respondents)	(18)	(128)	(146)	(213)	(24)	(237)

Applicant testified that the proposed EAS plan would provide the service required to satisfy the needs of the majority of customers within the Los Alamos Exchange. Over the last few years, the Los Alamos customers have expressed dissatisfaction with their present limited calling area and have notified applicant of their interest in expanded calling to Santa Maria. Inasmuch as the proposed rate increment of 45 cents is the smallest rate increment possible under the EAS Rate Increment Table for the toll mileage of 18 miles, and all of the residential customers in Santa Maria would benefit at no increase in the monthly exchange rate, applicant believes the surveyed preference of Santa Maria business customers for the present plan should not be a deterrent to establishing EAS. The community of interest factor from Los Alamos to Santa Maria for combined business and residential subscribers (messages per account) is 9.38.

The following tabulation shows the present exchange rates in the Los Alamos and Santa Maria Exchanges and the increases proposed for EAS:

PRESENT RATES AND PROPOSED EAS RATE INCREASES *

	<u>Present Rate</u>	<u>Proposed EAS Rate Increase</u>	<u>Present Rate Plus EAS Rate Increase</u>
<u>Los Alamos</u>			
<u>Business</u>			
1B (individual line)	\$13.20	\$4.00	\$17.20
2B (two-party line)	10.50	4.00	14.50
Sub. B (suburban)	9.30	4.00	13.30
SPCB (semi-public coin box)	6.60	2.00	8.60
PEX-TK (private branch exchange - trunk)	19.80	6.00	25.80
<u>Residence</u>			
1R	\$ 5.95	\$1.35	\$ 7.30
2R	5.25	1.35	6.60
4R	4.25	1.35	5.60
Sub. R	4.85	1.35	6.20
PEX-TK	8.85	2.00	10.85
<u>Santa Maria</u>			
	(Rate Area 1)		
<u>Business</u>			
1B	\$13.20 (1)	\$0.45	\$13.65 (1)
2B	10.50 (2)	.45	10.95 (2)
Sub. B	9.30	.45	9.75
SPCB	6.60 (1)	.20	6.80 (1)
PEX-TK	19.80 (1)	.65	20.45 (1)

(1) Rate Area 2 rate plus \$.75.

(2) Rate Area 2 rate plus \$.50.

* Santa Maria residence customers will not receive a rate increase.

The proposed rates would increase the annual exchange service billing approximately \$22,600, \$4,600 in Los Alamos and \$18,000 in Santa Maria. This increased revenue is offset by an estimated toll billing loss of \$10,100 to result in a total annual net billing increase of approximately \$12,500. The proposed rates will increase applicant's annual gross revenues by \$8,400.

Applicant estimates that six months will be required after authorization to implement EAS on a manual basis from Santa Maria and on a mechanical switching basis from Los Alamos.

Seven Los Alamos subscribers testified in favor of applicant's proposal. There was no public opposition to the proposal.

Findings and Conclusions

We find that:

1. The proposed extended area service plan has sufficient public support to justify its establishment.
2. Establishment of the proposed extended area service is in the public interest.
3. Increases in exchange rates as herein authorized are justified.
4. Present exchange rates insofar as they differ from those authorized herein, will become unjust and unreasonable upon the establishment of the extended area service plan for which rates are hereinafter prescribed.
5. The rates herein prescribed for extended area service are fair and reasonable for such service.
6. Increases in exchange rates as herein authorized will increase applicant's aggregate annual revenues by less than one percent.

We conclude that:

1. The Commission's Rule of Procedure No. 23.1 does not apply herein.
2. The application should be granted to the extent set forth in the following order.

O R D E R

IT IS ORDERED that:

1. General Telephone Company of California shall immediately undertake all necessary action to initiate within nine months of the effective date of this order extended area service (EAS) between its Los Alamos and Santa Maria Exchanges at the rates proposed in Exhibit F attached to the application or the EAS Rate Increment Table in effect when the service is established.

2. General Telephone Company of California, within six months of the establishment of extended area service authorized herein shall report to the Commission, in writing, the actual revenue effect, actual expense change, actual incremental EAS and toll investment change, actual cost of ownership change and net effect based on the first full three months of EAS operations.

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

Dated at San Francisco, California, this 21st
day of NOVEMBER, 1972.

Vernon L. Stinson
President
William J. Gandy Jr.
John H. Smith
Edward J. ...
Commissioners