

Decision No. 81670

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
 CONTINENTAL TELEPHONE COMPANY OF  
 CALIFORNIA, a California corporation,  
 for Authority to Establish Extended Area  
 Service Between the Clements Exchange  
 of Applicant and the Lodi Exchange of  
 The Pacific Telephone and Telegraph  
 Company and to Withdraw Message Toll  
 Telephone Service Rates Now in Effect  
 Between Said Exchanges.

Application No. 53351  
 (Filed May 24, 1972;  
 amended May 17, 1973)

Orrick, Herrington, Rowley & Sutcliffe,  
 by Robert J. Gloistein, Attorney at  
 Law, for Continental Telephone Company  
 of California, applicant.  
Robert E. Michalski, Attorney at Law,  
 for The Pacific Telephone and Telegraph  
 Company; and Ralph O. Hubbard and  
William L. Knecht and William S. Mares,  
 Attorneys at Law, for the California  
 Farm Bureau Federation; interested  
 parties.  
Ermet Macario and Elinore Morgan, Attorney  
 at Law, for the Commission staff.

## O P I N I O N

The Continental Telephone Company of California (Continental) requests authority to establish extended area service (EAS) between its Clements exchange and the contiguous Lodi exchange of The Pacific Telephone and Telegraph Company (Pacific).

After due notice, public hearing was held in Lodi before Examiner Coffey on May 22, 1973. The matter was submitted for decision on May 31, 1973, upon the receipt of the transcript and Exhibit No. 2.

Pacific presently provides exchange telephone service in the Lodi exchange. The interexchange mileage and initial period station rate for message toll telephone service over the route herein considered for conversion to EAS is as follows:

<u>Between Exchanges</u>	<u>Miles</u>	<u>Rate</u>
Clements - Lodi	11	15¢

The geographical relationship between exchanges is set forth on the map attached to the application as Exhibit A.

Continental seeks to establish as the applicable telephone base rates for the Clements exchange at the time EAS is instituted either the then effective Clements base rates or the then effective Lodi base rates, whichever might be higher. To these base rates applicant would add the formula EAS increments ("Salinas" EAS increments, authorized by the Commission in Decision No. 77311) to determine the total applicable monthly telephone rates.

The following tabulation shows the present and proposed exchange rates in Continental's Clements exchange for EAS to Pacific's Lodi exchange:

	<u>Rate Per Month</u>		
	<u>Present Clements Base Rates</u>	<u>Increment</u>	<u>Proposed Rates Using Present Clements Base Rates</u>
Business			
Single Party	\$6.75	\$1.75	\$8.50
Two Party	5.50	1.75	7.25
Semipublic Paystation	6.75	1.00	7.75
Residence			
Single Party	\$4.50	\$ .60	\$5.10
Four Party	3.10	.60	3.70
Multiparty	3.60	.60	4.20

If the present base rates in Lodi were used to establish the Clements EAS rates, the single-party business rate would be \$11.75 plus the increment \$1.75, or \$13.50. If the base rates requested by Continental in its pending rate increase Application No. 52859 were used to establish the EAS rates, the single-party business rate would be \$12.75.

The Clements exchange encompasses an area of 48 square miles and serves a population of approximately 600 with 180 telephone main stations. Clements is an agricultural area with approximately 80 percent of its work force engaged in agricultural activity. The other 20 percent of the work force is employed in trade and commerce. Clements is dependent upon Lodi, the closest moderate-sized city, for most of its commercial activity.

Initially a two-way nonoptional Clements-Lodi extended area service offering was proposed. Continental now proposes, in its amended application, to introduce nonoptional EAS from Clements to Lodi. Pacific, by Application No. 54037 filed May 16, 1973, proposes to offer optional EAS (OCMS) from Lodi to Clements.

In March 1972, Continental made a survey to determine customer acceptance of extended area service at Salinas formula increments. Seventy-six percent of the business customers and 94 percent of residence customers in the Clements exchange favored EAS. In April 1973, customers were again surveyed. Results of the more recent survey indicate that 81 percent of the business customers and 95 percent of the residence customers favor EAS. Total EAS rates were not quoted in the surveys.

Exhibit No. 1 indicates that the total annual effect of converting Clements to Lodi toll traffic to EAS would be a loss of \$1,077. The study assumed that the settlement plan in effect at the time of service institution would be the so-called "California Plan" which is presently being negotiated by a joint Pacific-CITA EAS Settlement Task Force and that "Salinas" EAS increments would be applied to customer billings.

Three residents of Clements appeared in support of applicant's proposal but advocated that nonoptional EAS be provided from Lodi to Clements.

The following tabulation sets forth the community of interest factors between Clements and its contiguous exchanges:

Community of Interest Factors

	<u>From Clements To Listed Exchange</u>	<u>From Listed Exchange To Clements</u>
Hearld (PT&T)	.1	Negligible
Ione (PT&T)	.2	.1
Linden (Continental)	.4	.1
Lockeford (PT&T)	3.4	1.2
Lodi (PT&T)	10.9	.1
Wallace (PT&T)	.5	1.7

Foreign Exchange

As of April 1972, there were five Lodi exchange lines operating in the Clements exchange. FEX to Lodi is thus 2.77% of total main stations for Clements.

The foregoing tabulation does not support the proposition that nonoptional EAS should be provided from Lodi to Clements.

The Commission's staff, after review of the proposals of Continental and Pacific, stated that it supported the EAS plan proposed in Continental's amended application and recommended that the proposed increments be added to Clements exchange rates.

The California Farm Bureau Federation supported Continental's amended application.

Findings and Conclusion

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. The proposed new service will not become effective for at least two years.

7. The net annual effect of converting toll to EAS between the Clements and Lodi exchanges is an estimated loss of \$1,077 to Continental.

8. Since the rate increases authorized herein result from a revision or alteration of the nature or type of service offered, the rate increases are exempted from the provisions of Commission Rule 23.1 by paragraph (E)(1)(b)(ii) thereof.

We conclude that this application should be granted to the extent set forth in the following order.

O R D E R

IT IS ORDERED that:

1. Continental Telephone Company of California (Continental) shall immediately undertake all necessary action to initiate within twenty-four months of the effective date of this order extended area service (EAS) from Continental's Clements exchange to the Lodi exchange of The Pacific Telephone and Telegraph Company at the rate increments proposed in Exhibit C attached to the amended application filed in this proceeding on May 17, 1973. The rate

increments hereby authorized shall be added to the Clements exchange rates in effect when the EAS service is initiated.

2. Continental, within six months of the establishment of extended area service in the Clements-Lodi area, 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 31<sup>st</sup> day of JULY, 1973.

William J. Sproul President  
[Signature]  
[Signature] Commissioners

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.