

Decision No. 81767

ORIGINAL

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 Exchange of Fresno and the Exchanges of Burrel, Riverdale and Selma and Between the Pacific Exchange of Fresno and the Continental Exchange of Sanger and the Kerman Exchange of Kerman and to withdraw Message Toll Telephone Service Rates Now in Effect Between Said Exchanges.

Application No. 53076  
(Filed December 29, 1971;  
1st Amend. January 9, 1973;  
2nd Amend. May 1, 1973)

In the Matter of the Application of KERMAN TELEPHONE CO. a California Corporation, for authority to establish Flat Rate Toll Service between the Kerman Exchange and the Fresno Exchange and to withdraw message toll service rates now in effect and related changes in rates and services.

Application No. 53176  
(Filed February 28, 1972)

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

Application No. 53181  
(Filed March 1, 1972;  
Amended May 3, 1973)

CALIFORNIA FARM BUREAU FEDERATION,  
a non-profit California corporation,

Complainant,

vs.

PACIFIC TELEPHONE AND TELEGRAPH  
Company, a California corporation,  
Defendant.

Case No. 9426  
(Filed August 15, 1972)

Investigation on the Commission's own motion into the rates, rules, charges, tolls, classifications, contracts, practices, operations, facilities, and service of The Pacific Telephone and Telegraph Company, Continental Telephone Company of California and Kerman Telephone Co.

Case No. 9392  
(Filed June 20, 1972)

Robert E. Michalski, Attorney at Law, for The Pacific Telephone and Telegraph Company, applicant in A.53076, defendant in C.9426 and respondent in C.9392.

William G. Sebastian, for Kerman Telephone Co., applicant in A.53176 and respondent in C.9392.

Orrick, Herrington, Rowley & Sutcliffe, by James F. Crafts, Jr., and Robert J. Gloistein, Attorneys at Law, for Continental Telephone Company of California, applicant in A.53181 and respondent in C.9392.

Terry A. Smith, for Continental Telephone Company of California, applicant in A.53181 and respondent in C.9392.

Richard J. Nielsen, for Continental Telephone Company of California, applicant in A.53181 and respondent in C.9392.

William L. Knecht and William S. Marrs, Attorneys at Law, and Ralph O. Hubbard, for California Farm Bureau Federation, complainant in C.9426 and interested party in A.53076, 53176, and 53181, and C.9392.

Miles J. Hansen, Attorney at Law, for City of Selma; Neal C. Hasbrook, for California Independent Telephone Association; Thomas I. Lauezzi, Attorney at Law, for Airsignal of California Inc.; Robert C. Swan, for General Telephone Company of California; and Mrs. Reyes Castaneda, for herself and daughter Rosalinda Castaneda; interested parties.

Elinore Morgan, Attorney at Law, and Ermet Macario, for the Commission staff.

O P I N I O N

The applications of The Pacific Telephone and Telegraph Company (Pacific), Kerman Telephone Co. (Kerman), and Continental Telephone Company of California (Continental) for authority to establish extended area service (EAS) in the Fresno area were consolidated for hearing with the complaint of the California Farm Bureau against Pacific, and the investigation on the Commission's own motion relating to Fresno EAS.

After due notice, public hearings were held in Fresno on January 16 and May 8, 1973 before Examiner Coffey. The matters were submitted for decision on June 7, 1973 upon the receipt of the transcript and Exhibit No. 2.

Present Service

Exhibit No. 1 shows that Pacific provides telephone service in the Fresno and neighboring exchanges of Burrel, Caruthers, Clovis, Del Rey, Kingsburg, Parlier, Riverdale, and Selma in Fresno and Kings Counties. EAS routes presently exist between the Fresno-Caruthers, Fresno-Clovis, Fresno-Del Rey, Del Rey-Selma, Kingsburg-Selma, Parlier-Selma, and the Caruthers-Riverdale exchanges.

Continental provides telephone service in its Sanger exchange which has EAS service with Pacific's Parlier exchange.

Kerman provides telephone service in its Kerman exchange.

General Telephone Company, which is not a party to this proceeding, provides telephone service in its Fowler exchange which is located between the Fresno and Selma exchange of Pacific. The Fowler exchange has EAS service with both of these exchanges.

Listed below are the initial period day station toll rates and inter-exchange mileages for the toll routes herein being considered:

<u>Between Exchanges</u>	<u>Toll Rate</u>	<u>Toll Miles</u>
Fresno-Burrel	30¢	21
Fresno-Riverdale	30¢	22
Fresno-Selma	20¢	16
Fresno-Sanger	20¢	14
Fresno-Kerman	20¢	15

Proposed Service

Applicants propose that nonoptional one-way EAS service be provided subscribers in the Burrel, Kerman, Riverdale, Sanger, and Selma exchanges to the Fresno exchange and that optional one-way EAS, called optional calling measured service or OCMS, be made available in the Fresno exchange to the Burrel, Kerman, Riverdale, Sanger, and Selma exchanges.

Proposed Rates

The following tabulation compares Pacific's present basic exchange and proposed EAS rates in the Burrel, Riverdale, and Selma exchanges:

<u>Class of Service</u>	<u>Present</u>	<u>Rate Per Month</u>		
	<u>Burrel</u>	<u>Proposed</u>		
	<u>Riverdale</u>	<u>Burrel</u>	<u>Riverdale</u>	<u>Selma</u>
<u>Business</u>				
Individual Line	\$11.25	\$17.25	\$17.25	\$13.75
Two-Party Line	8.25	14.25	14.25	10.75
Suburban	7.55	13.55	13.55	10.05
PBX Trunks	16.75	25.75	25.75	20.50
Semi-Public Coin	5.75	8.75	8.75	7.00
Farmer Line	2.30	8.30	8.30	4.80
<u>Residence</u>				
Individual Line	4.80	6.80	6.80	5.65
Two-Party Line	4.00	5.70	5.70	4.85
Four-Party Line	3.20	4.70	4.70	4.05
Suburban	3.70	5.20	5.20	4.55
Farmer Line	1.20	3.20	3.20	2.05

Note: The amount of the monthly increase applicable to the Five Points Special Rate Area in the Burrel exchange is the same as that for the Base Rate Area.

The following tabulation summarizes the rates proposed by Pacific for OCMS service from Fresno to indicated exchanges:

<u>Exchange</u>	<u>Basic Calling Time Allowance</u>	<u>Basic Rate Increment Per Month</u>	<u>Overtime Rate Per Minute</u>
Burrel	2 Hours*	\$3.95	\$ .04
Riverdale	2 Hours*	3.95	.04
Selma	2 Hours*	2.75	.03
Sanger	2 Hours*	2.75	.03
Kerman	2 Hours*	2.75	.03

\*Applies to calls from 8:00 A.M. to 8:00 P.M. daily.  
Calls made during other hours will not be considered as a part of the basic time allowance.

Continental seeks to establish as the applicable telephone base rates for the Sanger exchange at the time EAS is instituted either the then effective Sanger base rates or the then effective Fresno base rates, whichever might be higher. To these base rates Continental would add the formula EAS increments ("Salinas" EAS increments, authorized by the Commission in Decision No. 77311) for the determination of the total applicable monthly telephone rate. The following tabulation shows the present and proposed exchange rates in Continental's Sanger exchange with the initiation of EAS to Pacific's Fresno exchange:

<u>Class of Service</u>	<u>Present Sanger Base Rates</u>	<u>Rate Per Month</u>	
		<u>Formula EAS Increment</u>	<u>Proposed Rate Using Present Sanger Base Rates</u>
<u>Business</u>			
Single Party	\$5.75	\$2.50	\$ 8.25
Two Party	4.50	2.50	7.00
Semi-Public Paystation	7.05	1.25	8.30
Suburban Service	4.25	2.50	6.75
Service Station (Farmer Line)	1.50	2.50	4.00
PBX/PABX Trunk	8.50	3.75	2.25
<u>Residence</u>			
Single Party	3.50	.85	4.35
Two Party	3.00	.85	3.85
Four Party	2.40	.85	3.25
Suburban Service	3.00	.85	3.85
Service Station (Farmer Line)	.85	.85	1.70

The following tabulation compares Kerman's present and proposed exchange rates:

<u>Class of Service</u>	<u>Rate Per Month</u>	
	<u>Present</u>	<u>Proposed</u>
<u>Business</u>		
Individual Line	\$ 7.00	\$14.90
Two-Party Line	5.75	11.90
Suburban	5.10	11.20
P.B.X. Trunks	12.00	22.35
Semipublic Coin	4.00	7.45
<u>Residence</u>		
Individual Line	4.75	5.95
Two-Party Line	3.50	5.15
Suburban.	4.10	5.25

Kerman also proposes to increase rates for Fresno foreign exchange service in the Kerman exchange as follows:

<u>Classification of Service in the Kerman Exchange</u>	<u>Rate Per Month</u>			
	<u>Present</u>		<u>Proposed</u>	
	<u>Fresno BRA*</u>	<u>Fresno SRA**</u>	<u>Fresno BRA*</u>	<u>Fresno SRA**</u>
<u>Business</u>				
Individual Line	\$22.25	\$22.90	\$30.15	\$30.80
<u>Residence</u>				
Individual Line	6.65	7.30	7.85	8.50
Suburban	5.55	5.55	6.70	6.70
<u>Mileage Rates</u> (Within the Kerman Exchange Area)				
Individual Line, each 1/2 mile or fraction thereof	3.50	3.50	5.00	5.00
Residence Suburban Line, each 1/4 mile or fraction thereof	.75	.75	1.50	1.50

\* Fresno Base Rate Area.

\*\* Fresno Special Rate Area.

Description of Exchanges

The Fresno exchange covers an area of approximately 323 square miles, has 108,596 telephone subscribers and an estimated population of 305,000. Fresno is the largest city and county seat of Fresno County. It is the economic, governmental, and social center for the agricultural communities which surround it. The business district provides a wide variety of stores and shops. In addition, Fresno provides medical facilities, recreation, employment, and education to the surrounding communities. Agriculture and government are the largest employers. Educational facilities include a junior college and a four-year state college.

The Burrel exchange covers an area of approximately 283 square miles, has 411 telephone subscribers and an estimated population of 1,680. The exchange includes the unincorporated communities of Burrel, Five Points, and Helm, and is located some 21 miles southwest of Fresno. The principal employment is agriculture. Business development is sparse and the community of interest is very strong with Fresno where shopping, medical facilities, technical assistance, and heavy equipment are available.

The Riverdale exchange covers an area of approximately 63 square miles, has 1,002 telephone subscribers, and an estimated population of 3,990. The unincorporated community of Riverdale is located approximately 22 miles southwest of Fresno on Highway 41. It consists of large farms, with cotton and dairy products being the major products. It, too, relies on Fresno for most goods and services.

The Selma exchange covers an area of approximately 77 square miles, has 4,335 telephone subscribers, and an estimated population of 15,900. Selma is an incorporated city located 14 miles southeast of Fresno on Highway 99. The principal employment is agriculture, but government employment in Fresno is second in importance. Industry has been increasing in the area between Selma and Fresno, and is offering a growing number of jobs. Selma relies upon Fresno for its major goods and services.

The Sanger exchange encompasses an area of 63 square miles, a population of 14,482, with 4,483 telephone main stations. Sanger is dependent upon Fresno for major service.

The Kerman exchange contains approximately 170 square miles of area and serves 3,446 stations. Geographically, 2,637 stations are served by a step-by-step office in Kerman, 453 from a similar office in Biola, and 356 are Fresno foreign exchange service in the Kerman Area. Approximately 30 percent of the Fresno foreign exchange service customers also subscribe to Kerman service.

Surveys

Pacific

The following tabulation summarizes the results of the subscriber EAS preference survey made by Pacific during May 1971:

	<u>Fresno</u>	<u>Exchange</u> <u>Burrel</u> <u>Riverdale</u>	<u>Selma</u>
<u>Business Customers</u>			
For the EAS Plan	30%	76%	71%
Against the EAS Plan	69	22	29
No Preference	1	2	1
(Number of Respondents)	(231)	(59)	(66)
<u>Residence Customers</u>			
For the EAS Plan	-(a)	76	59
Against the EAS Plan	-	24	40
No Preference	-	-	1
(Number of Respondents)	(-)	(216)	(225)
<u>All Customers</u>			
For the EAS Plan	30 <sup>(b)</sup>	76	61
Against the EAS Plan	69	24	38
No Preference	1	*	1
(Number of Respondents)	(231)	(275)	(291)

(a) Fresno residence customers were not surveyed as the EAS plan would not increase their rates.

(b) Includes business customers only.

\* Less than 0.5 percent.

Continental

The following tabulation summarizes the result of the subscriber EAS preference survey made by Continental in its Sanger exchange during April 1973:

<u>Business Customers</u>	<u>Sanger Exchange</u>
For the EAS Plan	78%
Against the EAS Plan	19
No Preference	2
(Number of Respondents)	(374)
<u>Residence Customers</u>	
For the EAS Plan	79%
Against the EAS Plan	18
No Preference	3
(Number of Respondents)	(591)
<u>All Customers</u>	
For the EAS Plan	79%
Against the EAS Plan	19
No Preference	3
(Number of Respondents)	(965)

A. 53076, et al. af

Kerman

The following tabulation summarizes the results of the subscriber EAS preference survey made by Kerman during July and August 1971:

<u>Business Customers</u>	<u>Kerman Exchange</u>
For the EAS Plan	63%
Against the EAS Plan	37
No Preference	-
(Number of Respondents)	(164)
<u>Residence Customers</u>	
For the EAS Plan	67%
Against the EAS Plan	33
No Preference	-
(Number of Respondents)	(512)
<u>All Customers</u>	
For the EAS Plan	66%
Against the EAS Plan	34
No Preference	-
(Number of Respondents)	(676)

Cost of Service

Exhibit No. 6 indicates that under the proposed rates the proposed one-way EAS to, and the OCMS from, the Fresno exchange will result in a total annual net loss of \$166,800 to Pacific. However, it appears that settlement payments to Continental will decrease \$78,605 annually and the settlement payments to Kerman will increase \$14,320 annually.

Exhibit No. 9 indicates that under the proposed rates, EAS and OCMS service between the Kerman and Fresno exchanges will not cause any net annual effect on Kerman's earnings.

Exhibit No. 11 indicates that under the proposed rates EAS and OCMS service between the Sanger and the Fresno exchanges will result in a total annual net loss of \$31,217 to Continental.

The foregoing operational effects are based on preliminary estimates of costs of service and public acceptance of service which will be available 24 months from now. Pacific's OCMS is a new and untried service in California. The rates proposed for OCMS have not been offered in California and are experimental.

The EAS rate increments proposed by Pacific and Continental are derived from the so-called "Salinas EAS formula" authorized by the Commission in Decision No. 77311. Continental would add the derived rate increments to either the effective Sanger base rates or the effective Fresno base rates, whichever are higher, to determine the total applicable monthly telephone rate.

Exhibit No. 12 shows that Kerman is requesting rates which include increases substantially larger than would result from the use of the Salinas formula.

The parties are presently negotiating a plan of settlement, called the California Plan, to compensate for the costs of OCMS and EAS service. Final approval of the California Plan by the parties may be delayed until shortly before the proposed services are made available to the public.

Considering the foregoing uncertainties, it appears that all proposals should be considered to be experimental and that authorization of the rates should be for a limited period.

#### Position of Parties

At the initial hearing on these matters approximately 225 subscribers were present in support of EAS. In the period between hearings a working committee of telephone company representatives, the California Farm Bureau, and the staff studied the problems of EAS and the optional calling plan. There is apparently no disagreement on the need for extended calling in the Fresno area.

Pacific now recommends one-way nonoptional EAS from the Burrel, Kerman, Riverdale, Sanger, and Selma exchanges to the Fresno exchange and recommends optional EAS or OCMS from Fresno to these other exchanges.

Based on customer acceptance, Kerman believes the proposed plans will better meet the calling requirements of the majority of its customers.

Continental feels that the institution of EAS between the Sanger and Fresno exchanges is a logical and consistent step in the improvement of telephone service for its Sanger customers. Continental concurs in the proposed optional calling plan as being consistent with the statewide development of EAS and with the industry's uniform approach to the problem.

The staff recommends that the one-way EAS proposals for the Burrel, Kerman, and Sanger exchanges, and the optional calling plan in the reverse directions, be approved. The staff does not take a position on the proposals for Riverdale and Selma exchanges. Since OCMS customer acceptance, costs, and reasonable rates are not known, the staff recommends that Pacific continue to study and ultimately to present for Commission consideration the OCMS costs, service definition, and rates. The staff further recommends that Continental's rates be based on the base rate of its exchange and that Kerman's FEX rate increases be one-half of those proposed.

The California Farm Bureau Federation supports the proposals of Continental, Kerman, and Pacific, but it reserves the right either to oppose or support OCMS in the future.

#### Findings

1. The proposed EAS plans have sufficient public support to justify their establishment.

2. Establishment of the proposed EAS and OCMS plans 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 EAS and OCMS plans for which rates are herein-after prescribed.

5. The rates herein prescribed for EAS and OCMS are fair and reasonable for such service.

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

7. The estimated net annual effect of converting toll to EAS and OCMS in the Fresno area is a loss of \$166,800 to Pacific, offset partially by decreased settlement payments.

8. Converting toll to EAS and OCMS in the Fresno area is estimated to have no effect on Kerman's net annual earnings.

9. The estimated net annual effect of converting toll to EAS and OCMS in the Fresno area is a loss of \$31,217 to Continental.

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

A. 53076, et al. af

11. The EAS and OCMS plans proposed herein are experimental.
12. The settlement effects of the so-called California Plan of settlement for EAS service are not known at this time.
13. Cost and customer acceptance of OCMS is not presently known.
14. Rates for OCMS service are experimental.
15. Staff recommendations on base and foreign exchange rates are reasonable.

We conclude that the applications 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), Kerman Telephone Co. (Kerman), and The Pacific Telephone and Telegraph Company (Pacific) shall immediately undertake all necessary action to initiate within twenty-four months of the effective date of this order one-way extended area service (EAS) from Continental's Sanger exchange, Kerman's exchange, and Pacific's Burrel, Riverdale, and Selma exchanges to Pacific's Fresno exchange. Further, optional calling measured service (OCMS) shall be initiated by Continental, Kerman, and Pacific within twenty-four months of the effective date of this order from Pacific's Fresno exchange to the Sanger, Kerman, Burrel, Riverdale, and Selma exchanges. The rate increments proposed in Exhibit No. 4, Exhibit B of Exhibit No. 9, and Page 2 of Exhibit No. 10 in these proceedings are hereby authorized to be added for a period of twenty-four months to base rates of the Sanger, Kerman, Burrel, Riverdale, and Selma exchanges when the services herein ordered are initiated. Pacific is authorized to file tariffs as set forth in Exhibit No. 7, for the offering of OCMS on an experimental basis for a period of twenty-four months.

A. 53076, et al. af

2. When EAS and OCMS are initiated between the Kerman and Fresno exchanges, Kerman is authorized to increase its Fresno foreign exchange service rates for a period of twenty-four months to the rates set forth in Appendix A attached.

3. Within six months of the establishment of EAS and OCMS in the Fresno area, Kerman, Continental, and Pacific shall report to the Commission, in writing, the actual revenue effect, actual expense change, actual incremental investment changes, actual cost of ownership change, and net effect based on the first full three months of EAS and OCMS operations.

4. Within twenty-four months of the effective date of the temporary rate increases authorized herein, Continental, Kerman, and Pacific shall apply for further authorization of rates for the services herein ordered based on the results of its studies and customer acceptance of these services.

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

Dated at San Francisco, California, this 21<sup>st</sup> day  
of AUGUST, 1973.

Vernon L. Sturgeon  
President  
William J. ...  
...  
...

Commissioners

Commissioner D. W. Holmes, being  
necessarily absent, did not participate  
in the disposition of this proceeding.

APPENDIX A  
KERMAN TELEPHONE CO.  
FRESNO FOREIGN EXCHANGE SERVICE RATES

<u>Classification of Primary Fresno Exchange Service in the Kerman Exchange</u>	<u>Fresno Base Rate Area</u>	<u>Fresno Special Rate Area</u>
<u>Business</u>		
Individual Line	\$26.20	\$26.85
<u>Residence</u>		
Individual Line	7.25	7.90
Suburban	6.15	6.15
<u>Mileage Rates</u> (Within the Kerman Exchange Area)		
Individual Line, each 1/2 mile or fraction thereof	4.25	4.25
Residence Suburban Line, each 1/4 mile or fraction thereof	1.15	1.15