

ORIGINAL

Decision No. 81994

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of THE PACIFIC TELEPHONE  
AND TELEGRAPH COMPANY for authority  
to establish Optional Calling Measured  
Service in the Lodi Exchange for Calling  
to the Herald and Clements Exchanges  
and Extended Calling in the Herald  
Exchange and to withdraw Message Toll  
Telephone Service now in effect in  
said exchanges as appropriate.

Application No. 54037  
(Filed May 16, 1973)

O P I N I O N

The Pacific Telephone and Telegraph Company (Pacific) requests authority to establish optional calling measured service (OCMS) in its Lodi exchange for calling to its contiguous Herald exchange and to the contiguous Clements exchange of the Continental Telephone Company of California (Continental). Pacific also requests authority to establish one-way non-optional extended area service (1-EAS) from its Herald exchange to its Lodi exchange.

By Decision No. 81670 dated July 31, 1973, after hearing, Continental has been authorized to establish 1-EAS in its Clements exchange for calling to the Lodi exchange.

Set forth below is the interexchange mileage and the initial period dialed station rate for message toll telephone service over the routes involved herein:

<u>Between Exchanges</u>	<u>Miles</u>	<u>Rates</u>
Lodi - Herald	12	15¢
Lodi - Clements	11	15¢

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

OCMS is a new service plan offered to residence individual line customers whereby the customer may at his choice subscribe to a specified and measured amount of calling to another exchange or exchanges for a monthly charge. OCMS differs from previous extended calling plans in that the customers have the option of subscribing to the service for the applicable monthly charge whereas previously all customers within an exchange were charged for extended calling service when it was established by Pacific.

OCMS was developed and is being proposed in compliance with the Commission's Decision No. 79870 of April 4, 1972. Pacific filed the OCMS plan on December 29, 1972 in response to the decision. Representatives of the California Farm Bureau, Commission staff, California Independent Telephone Association, Continental and Pacific have reviewed the plan, made various studies, are developing specific definitive criteria, and have formulated expanded calling plans for this area. OCMS has been authorized for the Fresno area and is being considered for the Modesto area.

The following tabulation shows the charges to be added to the basic monthly service charges for OCMS in the Lodi exchange to the Clements and Herald exchanges:

	<u>Basic Time Allowance</u>	<u>Rate Per Line: Each Exchange or District Area Selected</u>	
		<u>Basic Rate Per Month</u>	<u>Overtime Rate Per Minute</u>
Individual Line Flat Rate			
Rate Miles			
9 - 20	2 Hours*	\$2.75	\$.03*

\* Applies from 8:00 a.m. through 2:00 p.m. daily only.

The following tabulation shows the present and the proposed 1-EAS exchange rates in the Herald exchange:

<u>BUSINESS</u>	<u>Rate Per Month</u>	
	<u>Present</u>	<u>Proposed</u>
	<u>Herald</u>	<u>Herald</u>
Individual Line	\$11.25	\$13.00
Two-Party Line	8.25	10.00
Suburban	7.55	9.30
PEX Trunks	16.75	19.50
Semi-Public Coin	5.75	6.50
Farmer Line	2.30	4.05
<u>RESIDENCE</u>		
Individual Line	\$ 4.80	\$ 5.40
Two-Party Line	4.00	4.60
Four-Party Line	3.20	3.20
Suburban	3.70	4.30
Farmer Line	1.20	1.80

The increments used to develop the proposed rates were authorized by Decision No. 77311.

Customer interest in extended calling to Lodi dates back to 1964. The Galt - Herald Chamber of Commerce and the California Farm Bureau are in favor of this change. Pacific's local manager has received many requests for toll-free calling to Lodi from Herald subscribers.

The Lodi exchange covers 220 square miles of area, has about 16,000 telephone subscribers and an estimated population of 45,000. Lodi is the second largest city in San Joaquin County. Because of the diverse land use in the area, there are many small ranches. Wine and brandy production is the leading industry. Many of the people who work in Lodi live in the surrounding rural areas.

Lodi is the trading, cultural, and industrial center for the surrounding area. It has medical and hospital facilities, social and fraternal facilities, and can and does provide most goods and services including shopping for the rural communities.

The Herald exchange covers 104 square miles of area, has about 300 telephone subscribers, and an estimated population of 600. There is no real business development in the Herald exchange other than an elementary school, a store, and a volunteer fire department. Subscribers in Herald rely on Lodi to provide many of the necessary goods and services.

Pacific, in late 1971, undertook a customer survey in the area to determine customer response to a two-way non-optional extended area service plan available at that time. The majority of Herald customers favored the plan. A summary of the survey results is as follows:

Results of Customer Survey  
Lodi Extended Area Service

(1971)

	<u>Respondents In</u>	
	<u>Herald</u>	<u>Lodi</u>
<u>Business Customers</u>	<u>Percent</u>	<u>Percent</u>
...For The EAS Plan	65	27
...Against The EAS Plan	20	67
...No Preference	15	6
(Number of Respondents)	(20)	(163)
<u>Residence Customers</u>		
...For The EAS Plan	73	-(1)
...Against The EAS Plan	24	-
...No Preference	3	-
(Number of Respondents)	(152)	(-)
<u>All Customers</u>		
...For The EAS Plan	72	27(2)
...Against The EAS Plan	24	67
...No Preference	4	6
(Number of Respondents)	(172)	(163)

(1) Lodi residence customers were not surveyed as the EAS plan would not affect their rates.

(2) Includes business customers only.

The total net annual effect of this proposal on Pacific is an estimated gain of \$6,700. This does not include the effect of independent company settlements. The telephone industry presently is negotiating a plan of settlement called the California Plan to compensate for the costs of OCMS and 1-EAS services. Final approval of the California Plan by the parties may be delayed until shortly before the proposed services are made available to the public.

The foregoing operational effect is based on preliminary estimates of the cost 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 been authorized in California only recently and are experimental. Considering the foregoing uncertainties, it appears that the proposals herein should be considered experimental and that authorization of the increased rates should be for a limited period.

#### Findings

1. The proposed OCMS and 1-EAS plans have sufficient public support to justify their establishment on an experimental basis.
2. Establishment of the proposed OCMS and 1-EAS 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 1-EAS plan for which rates are hereinafter prescribed.
5. The rates herein prescribed for OCMS and 1-EAS 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 OCMS and 1-EAS in the Lodi area is a gain of \$6,700 to Pacific, without considering settlement payments.

8. The settlement effects of the so-called California Plan of settlement for OCMS and 1-EAS service are not known at this time.

9. Cost and customer acceptance of OCMS is not presently known.

10. Rates for OCMS service are experimental.

11. Rates for OCMS service were authorized by Decision No. 81767 dated August 21, 1973.

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

O R D E R

IT IS ORDERED that:

1. 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 (1-EAS) from Pacific's Herald exchange to Pacific's Lodi exchange. Further, optional calling measured service (OCMS) shall be initiated by Pacific within twenty-four months of the effective date of this order from Pacific's Lodi exchange to Pacific's Herald exchange and to the Clements exchange of the Continental Telephone Company of California. The rate increments proposed in Exhibit C attached to the application are hereby authorized to be added for a period of twenty-four months to base rates of the Herald exchange when the services herein ordered are initiated. Pacific is authorized to apply its filed OCMS rates for the offering of OCMS in its Lodi exchange on an experimental basis for a period of twenty-four months.

2. Within six months of the establishment of OCMS and 1-EAS in the Lodi area, 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 OCMS and 1-EAS operations.

3. Within twenty-four months of the effective date of the temporary rate increases authorized herein, 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 Los Angeles, California, this 16<sup>th</sup> day of OCTOBER, 1973.

Norman L. Stearns  
President  
William J. Brown  
[Signature]  
Commissioners

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

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