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ORIGINAL

Decision No. 82390

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 Ripon  
Exchange of Applicant and the Modesto  
Exchange of The Pacific Telephone and  
Telegraph Company and to Withdraw  
Message Toll Telephone Service Rates  
Now in Effect Between Said Exchanges.

Application No. 53162  
(Filed February 22, 1972;  
amended March 7, 1972  
and May 11, 1973)

Application of THE PACIFIC TELEPHONE  
AND TELEGRAPH COMPANY for Authority  
to Establish Extended Area Service  
Between the Exchange of Modesto and  
the Exchanges of Escalon, Oakdale,  
Turlock and Waterford Main District  
Area and Between the Pacific Exchange  
of Modesto and the Continental  
Exchange of Ripon and to Withdraw  
Message Toll Telephone Service Rates  
Now in Effect Between Said Exchanges.

Application No. 53075  
(Filed December 29, 1971;  
amended January 15, 1973,  
May 7, 1973, and  
September 21, 1973)

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 and Continental  
Telephone Company of California.

Case No. 9393  
(Filed June 20, 1972)

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

Complainant,

vs.

PACIFIC TELEPHONE AND TELEGRAPH  
COMPANY, a California corporation,

Defendant.

Case No. 9425  
(Filed August 15, 1972)

Orrick, Herrington, Rowley & Sutcliffe, by  
James F. Crafts, Jr., and Robert J. Gloistein,  
Attorneys at Law, Terry A. Smith, Richard J.  
Nielsen, and Charles T. Davis, for Continental  
Telephone Company of California, applicant in  
A.53162, and respondent in C.9393.

Robert E. Michalski, Attorney at Law, for The  
Pacific Telephone and Telegraph Company,  
applicant in A.53075, defendant in C.9425, and  
respondent in C.9393.

William L. Knecht and William S. Marrs, Attorneys  
at Law, and Ralph O. Hubbard, for California  
Farm Bureau Federation, complainant in C.9425,  
and interested party in A.53162, A.53075, and  
C.9393.

Elinore C. 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) and Continental Telephone Company of California (Continental) for authority to establish extended area service (EAS) in the Modesto 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 Modesto EAS.

After due notice, public hearings were held in Modesto on January 24 and May 16, 1973, and in Turlock on September 26, 1973 before Examiner Coffey. The matters were submitted for decision on October 5, 1973, upon receipt of the transcript.

#### Present Service

Exhibit No. 2 shows that Pacific provides telephone service in the Modesto and neighboring exchanges of Escalon, Oakdale, Knights Ferry, Riverbank, Hughson, Turlock, and Waterford Main District Area. Continental provides telephone service in the Ripon exchange. The exchanges are substantially located within Stanislaus and San Joaquin Counties.

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>
Modesto-Escalon	15¢	12
Modesto-Oakdale	15¢	12
Modesto-Turlock	20¢	13
Modesto-Waterford (Main District Area)	20¢	14
Modesto-Ripon	15¢	11
Modesto-Knights Ferry	30¢	23
Knights Ferry-Oakdale	15¢	11

Proposed Service

Applicants propose that one-way non-optional EAS (1-EAS) be provided for subscribers in the Escalon, Oakdale, Turlock, Waterford Main District Area, and Ripon exchanges to the Modesto exchange, and for subscribers in the Knights Ferry exchange to the Oakdale exchange. Further, applicants propose that optional calling measured service (OCMS) be made available to residential individual line service subscribers in the Modesto exchange for service to the Escalon, Oakdale, Turlock, Waterford Main District Area, Ripon, and Knights Ferry exchanges, and in the Oakdale exchange for service to the Knights Ferry exchange. OCMS is a service, measured on an hours-of-use basis, the costs of which are expected to be included in the regular toll settlements.

Proposed Rates

The following tabulation compares Pacific's present basic exchange and proposed 1-EAS rates in the Escalon, Oakdale, Waterford Main District Area, Knights Ferry, and Turlock exchanges:

Class of Service	Rate Per Month					
	Present	Proposed				
	All Exchanges	Escalon	Oakdale	Waterford Main D.A.	Knights Ferry	Turlock
<u>Business</u>						
Individual Line	\$11.25	\$13.00	\$13.00	\$13.75	\$13.00	\$13.05
Two-party Line	8.25	10.00	10.00	10.75	10.00	10.05
Suburban	7.55	9.30	9.30	10.05	9.30	9.35
PEX Trunks	16.75	19.50	19.50	20.50	19.50	19.50
Semi-Public Coin	5.75	6.50	6.50	7.00	6.50	6.75
Farmer Line	2.30	4.05	4.05	4.80	4.05	4.10
<u>Residence</u>						
Individual Line	4.80	5.40	5.40	5.65	5.40	5.40
Two-party Line	4.00	4.60	4.60	4.85	4.60	4.60
Four-party Line	3.20	3.80	3.80	4.05	3.80	3.80
Suburban	3.70	4.30	4.30	4.55	4.30	4.30
Farmer Line	1.20	1.80	1.80	2.05	1.80	1.80

The basic exchange rates tabulated above are the current rates and are subject to any change authorized by the Commission. The proposed rates include, in the case of Escalon, Oakdale, and Knights Ferry exchanges, a monthly rate increment of 60¢ for residence and \$1.75 for business, and in the case of Turlock 60¢ for residence and \$1.80 for business, and for Waterford (Main D.A.) 85¢ for residence and \$2.50 for business. These monthly increments would be added to the basic exchange rates effective when the service proposed herein is initiated.

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Pacific also proposes to offer OCMS in the Modesto, Knights Ferry, and Oakdale exchanges to residence individual line customers. The service provides for measured calling to any exchange(s) selected. The rates and time allowance for OCMS, applicable to each exchange selected, is as follows:

<u>Exchange Selection</u>	<u>Basic Calling Time Allowance</u>	<u>Basic Rate Per Month</u>	<u>Overtime Rate Per Minutes</u>
<u>Modesto</u>			
Escalon	2 Hours*	\$2.75	\$.03
Oakdale	2 Hours*	2.75	.03
Turlock	2 Hours*	2.75	.03
Knights Ferry	2 Hours*	3.95	.04
Ripon	2 Hours*	2.75	.03
Waterford (Main D.A.)	2 Hours*	2.75	.03
<u>Knights Ferry</u>			
Modesto	2 Hours*	3.95	.04
<u>Oakdale</u>			
Knights Ferry	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 Ripon exchange, at the time EAS is instituted, either the then effective Ripon base rates or the then effective Modesto base rates, whichever are 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 summarizes the present Ripon rates, the "Salinas" EAS formula increments, and the proposed rates based on Ripon present rates:

<u>Class of Service</u>	<u>Rate Per Month</u>		
	<u>Present</u>	<u>EAS Increment</u>	<u>Proposed</u>
<u>Business</u>			
Single Party	\$ 7.00	\$1.75	\$ 8.75
Two Party	5.65	1.75	7.40
Semi-Public Paystation	Min. Guarantee		Min. Guarantee
	.20/Day	1.00	1.20/Day
Rural Single Party	7.00	1.75	8.75
Rural Multi-party	5.15	1.75	6.90
PBX/PABX Trunks	10.50	2.50	13.00
Key Tel. Lines	7.00	1.75	8.75
<u>Residence</u>			
Single Party	4.35	.60	4.95
Two Party	3.60	.60	4.20
Four Party	3.00	.60	3.60
Rural Single Party	4.35	.60	4.95
Rural Two Party	3.60	.60	4.20
Rural Four Party	3.00	.60	3.60
Rural Multi-party	3.50	.60	4.10

## Description of Exchanges

### Modesto

The Modesto exchange covers an area of approximately 248 square miles, has 42,861 telephone subscribers, and has an estimated population of 126,500. It includes the cities of Modesto, Ceres, Empire, and Salida. The city of Modesto is the county seat and largest city in Stanislaus County. Located on Highway 99, it is the major industrial, trade, social, and governmental center of a rich dairy and agricultural area. Tri-Valley, Cannery, Gallo Wineries, and Stanislaus County are among the largest employers in the area.

Modesto Junior College is the only junior college facility in Stanislaus County.

The business district in Modesto provides an excellent variety of stores and specialty shops.

### Escalon

The Escalon exchange covers an area of approximately 54 square miles, has 1,994 telephone subscribers, and has an estimated population of 6,500. The city of Escalon is located in the southeast corner of San Joaquin County on Highway 120. A variety of agricultural products are grown and packed in Escalon, but the major items are fruits and tomatoes.

Shopping facilities are somewhat limited and the people rely on Modesto for their major goods and services. Escalon schools provide education facilities up to and including high school.

### Oakdale

The Oakdale exchange covers an area of approximately 165 square miles, has 3,995 telephone subscribers, and has an estimated population of 11,900. The city of Oakdale is located on Highway 108 approximately 12 miles east of Modesto. The area is a major clover producing area and raises beef and dairy cattle as well as peaches and tomatoes. Major employers in the area are Hunts Foods and the Hershey Candy Company. While local business provides for the daily needs of the residents, major goods and services are found in Modesto.

Waterford

The Waterford exchange covers an area of approximately 284 square miles, has 1,298 telephone subscribers, and has an estimated population of 4,690. The unincorporated community of Waterford is located on Highway 132 some 13 miles east of Modesto. The exchange includes the communities of Hickman and La Grange. Farming is the main economy, and Waterford, located on a rail line, is the shipping point for fruit and vegetables. The business development is small, so residents look to Modesto for major goods and services.

Turlock

The Turlock exchange covers an area of approximately 214 square miles, has 12,190 telephone subscribers, and has an estimated population of 38,980. Turlock, the second largest city in Stanislaus County, is located 13 miles south of Modesto on Highway 99. The Turlock exchange includes the cities and communities of Turlock, Hilmar, Irwin, Delhi, Ballisao, Stevenson, Denair, and a substantial portion of Keyes.

Stanislaus College is located in Turlock and is the only four-year facility available to the area.

Ripon

The Ripon Exchange encompasses an area of 40 square miles, a population of 5,918 with 1,737 telephone main stations. The statistical breakdown of the Ripon labor force is as follows:

<u>Industry</u>	<u>Percent of Employed Labor Force</u>
Agriculture	18.8
Mining	.7
Construction	3.9
Manufacturing	16.6
Transportation Commerce and Utilities	5.3
Trade (Wholesale, Retail)	19.6
Finance, Real Estate	2.6
Services	14.3
Government	18.1
All Other	.1
	<u>100.0</u>

Ripon depends upon both Modesto and Manteca for major services.



SurveysPacific

Pacific in 1971 undertook a customer survey in the area to determine customer interest in the only EAS plan available at that time, two-way non-optional EAS, and proposed in Pacific's original Application No. 53075. The majority of Pacific's customers favored that plan. A summary of the survey results follows:

	<u>Exchange</u>				
	<u>Modesto</u>	<u>Escalon</u>	<u>Oakdale</u>	<u>Turlock</u>	<u>Waterford</u>
	(%)	(%)	(%)	(%)	(%)
<u>Business Customers</u>					
For the EAS Plan	62	62	65	51	80
Against the EAS Plan	37	38	33	47	20
No Preference	1	-	2	2	-
(Number of Respondents)	(225)	(118)	(220)	(234)	(80)
<u>Residence Customers</u>					
For the EAS Plan	58	77	68	63	79
Against the EAS Plan	37	21	30	35	20
No Preference	5	2	2	2	1
(Number of Respondents)	(227)	(246)	(238)	(236)	(261)
<u>All Customers</u>					
For the EAS Plan	60	72	66	57	79
Against the EAS Plan	37	27	32	41	20
No Preference	3	1	2	2	1
(Number of Respondents)	(452)	(364)	(458)	(470)	(341)

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Pacific also undertook, in July 1973, a survey of Pacific's Turlock customers to determine interest in Pacific's two new extended area service plans, one-way non-optional extended service, and optional calling measured service. A summary of the survey results are shown as follows:

<u>Turlock Exchange</u>						
<u>Non-Optional Extended Area Service Calling Plan</u>						
	<u>All Customers</u>		<u>Residence Customers</u>		<u>Business Customers</u>	
	<u>(\$)</u>	<u>(%)</u>	<u>(\$)</u>	<u>(%)</u>	<u>(\$)</u>	<u>(%)</u>
Would be interested	300	74	141	71	159	77
Would not be interested	91	22	49	24	42	20
Don't know/Not sure	17	4	10	5	7	3
Total Respondents						
Interviewed	408		200		208	
Total Turlock Customers	14,130		12,214		1,916	

Optional Calling Measured Service Plan

	<u>Residence Customers</u>	
	<u>(\$)</u>	<u>(%)</u>
Would be interested	56	28
Would not be interested	129	63
Don't know/Not sure	18	9
Total Respondents		
Interviewed	203	
Total Turlock		
Residence Customers	12,214	

To determine customer attitude on the new EAS increments, Continental undertook a telephone survey of its Ripon customers during the work week of April 23, 1973. A summary of the results of the survey follows:

Ripon Exchange

Business Customers

Stated preference to plan	93 - 73%
Stated rejection to plan	30 - 24%
Stated no preference	4 - 3%
	127 - 100%

Residence Customers

Stated preference to plan	196 - 75%
Stated rejection to plan	56 - 21%
Stated no preference	10 - 4%
	262 - 100%

Summary Of Total Sampled Customers

Stated preference to plan	289 - 74%
Stated rejection to plan	86 - 22%
Stated no preference	14 - 4%
	389 - 100%

Cost of Service

The total net annual dollar effect of the proposed conversion of toll to EAS on Pacific is an estimated net loss of \$148,200. This does not include the effect of independent company settlements.

The total net annual effect of converting toll to EAS on Continental is an estimated net loss of \$23,447.

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 parties are presently negotiating a plan of settlement, called the California Plan, to compensate for the costs of nonoptional 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. The costs of OCMS are expected to be included in the regular toll settlements.

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

Both the staff and the representative of the California Farm Bureau Federation support the amended applications. The staff recommends that Continental's rates be based on the base rates of the Ripon exchange.

#### Findings

1. The proposed plans have sufficient public support to justify their establishment. OCMS is optional service and 28 percent of the eligible subscribers in Turlock are interested. This is substantial public interest.
2. Establishment of the proposed 1-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 1-EAS and OCMS plans for which rates are herein-after prescribed.
5. The rates herein prescribed for 1-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 Modesto area is a net loss of \$148,200 to Pacific.

8. The estimated net annual effect of converting toll to 1-EAS and OCMS in the Modesto area is a net loss of \$23,447 to Continental.

9. The 1-EAS and OCMS plans proposed herein are experimental.

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

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

12. Rates for OCMS service are experimental.

13. Staff recommendations on base 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), 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 (1-EAS) from the Escalon, Oakdale, Turlock, Waterford Main District Area, and Ripon exchanges to the Modesto exchange, and from the Knights Ferry exchange to the Oakdale exchange. Further, optional calling measured service (OCMS) shall be initiated within twenty-four months of the effective date of this order from the Modesto exchange to the Escalon, Oakdale, Turlock, Waterford Main District Area, Ripon, and Knights Ferry exchanges, and from the Oakdale exchange to the Knights Ferry exchange. The rate increments proposed in Exhibit No. 5, Exhibit No. 7, and on page 2 of Exhibit No. 9 in these proceedings are hereby authorized to be added for a period of twenty-four months to base rates of the Modesto, Escalon, Oakdale, Turlock, Waterford Main District Area, Knights Ferry, and Ripon exchanges when the services herein ordered are initiated.

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

3. Within twenty-four months of the effective date of the temporary rate increases authorized herein, Continental 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 29th day of JANUARY, 1974.

Vernon L. Spurgeon  
President  
William J. Vukasin, Jr.

[Signature]  
[Signature]  
Commissioners

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