

Decision No. 85182

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)

ORDER OF MODIFICATION

The Kerman Telephone Company (Kerman) by petition filed October 2, 1975, requests modification of ordering paragraph 1 of Decision No. 81767.

The paragraph reads in part:

"... 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."

Kerman requests that the ordering paragraph be modified to permit Kerman to apply rates for Fresno extended area service (EAS) as proposed in Rate Level II of Exhibit B attached to Application

No. 53176. Kerman's present rates, those authorized for EAS by Decision No. 81767 and those it petitions to have authorized for EAS, are as follows:

<u>Class of Service</u>	<u>Present</u>	<u>Authorized D-81767</u>	<u>Petition</u>
<u>Business</u>			
Individual	\$ 7.00	\$14.90	\$15.50
Two-Party	5.75	11.90	12.50
Suburban	5.10	11.20	12.80
PBX Trunk	12.00	22.35	23.25
Semipublic Coin	4.00	7.45	8.00
<u>Residence</u>			
Individual	4.75	5.95	7.00
Two-Party	3.50	5.15	6.30
Suburban	4.10	5.25	6.45

The EAS rates authorized Kerman in Decision No. 81767 assume EAS settlement for Kerman under the "California Plan". The rates sought in its petition reflect settlement under the "Satellite Plan".

Kerman is concerned that the rate increments authorized Kerman by ordering paragraph 1 of Decision No. 81767 are no longer economically feasible with the initiation of extended area service. This concern is due to The Pacific Telephone and Telegraph Company's reply of August 25, 1975, to the Commission, regarding the unavailability of the "California Plan" for EAS settlement (attached in Exhibit I of Kerman's petition). In the interim, however, the Pacific Company has proposed the "Satellite Plan" for EAS settlements. The "Satellite Plan" is now widely used for determination of EAS settlements between Pacific and the independents.

Decision No. 81767 states:

"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 may be delayed until shortly before the proposed services are made available to the public."

These negotiations have involved participation by all California telephone utilities or their representative, the California Independent Telephone Association. We will require the respondents in Case No. 9392 to make further effort to reach agreement on the California Plan for EAS settlement and within 90 days to report the results thereof to the Commission. Other telephone utilities, as well as the California Independent Telephone Association, are invited to participate and join in the report to the Commission.

Since the acceptance of the California Plan was an important basis for judging the rates ordered in Decision No. 81767 adequate, it appears that the rates ordered should be re-examined to determine their adequacy in the present situation. Kerman states that to provide EAS at the authorized rates would result in unacceptable economic effects on Kerman. Kerman calculates the net annual revenue effect is a loss of \$19,082 compared to the present service arrangements, before tax effects. These results are estimated on Kerman's 1971 operations which were the basis of the proceedings leading to Decision No. 81767. The projected loss of \$19,082 represents approximately an 18% deficiency, relative to the estimated annual toll revenue loss.

The Commission did not envision Kerman sustaining a loss as a consequence of its providing EAS. Decision No. 81767 states:

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

In view of the recent developments regarding the available EAS plan of settlement, Kerman requests modification of authorized rates to include "Rate Level II" which was introduced by Kerman in Application No. 53176, filed February 28, 1972. Those rates were designed to reduce the net annual loss to Kerman to an acceptable level, assuming "Modified Satellite Plan" of settlement.

Under this proposed rate level, customers would be charged an additional \$88,360 per year compared to the present service arrangement or an average increase of \$8.33 per month for each business and an average increase of \$2.38 per month for each residence customer. The increased annual revenue, based on this proposal, is approximately \$31,500 more than the additional revenue at authorized rates.

The rates proposed by Kerman are less than the rates used in a customer acceptance survey to determine the customers' opinion of the flat rate toll calling plan. The majority of customers favored the proposal, the results of which have been introduced in testimony before the Commission.

Findings

1. The adequacy of the rates ordered in Decision No. 81767 was based on the assumption that the "California Settlement Plan" would be available at the time of initiation of extended area service to Fresno; however, it is not available.
2. Under the "Satellite Settlement Plan" suggested by Pacific, Kerman will suffer an annual loss of approximately \$20,000.
3. This loss will be incurred until the California Plan is approved.
4. It is fair and reasonable that Kerman be awarded interim rate relief of approximately \$31,500 as it has requested until the California Plan is approved.

5. It is in the interests of all parties involved that the California Plan be perfected and approved at the earliest possible date.

6. Kerman's request is reasonable and is in the public interest.

7. A public hearing is not necessary.

Good cause appearing,

IT IS ORDERED that:

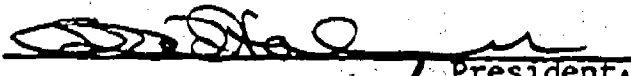
1. Ordering paragraph 1 of Decision No. 81767 is revised to read as follows: Continental Telephone Company of California (Continental), Kerman Telephone Company (Kerman), and The Pacific Telephone and Telegraph Company (Pacific) shall immediately undertake all necessary action to initiate within twenty-four 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, Rates II in Exhibit II attached to Kerman's Petition for Modification filed October 2, 1975, 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. If Kerman obtains EAS settlement based on the California Plan, it shall concurrently revise its rates to those set forth in Exhibit No. 9. The effective date of the revised tariffs shall

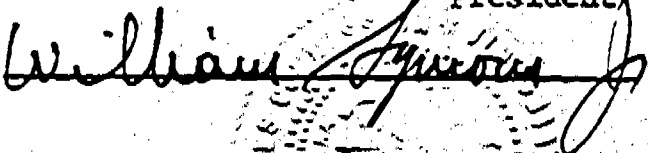
be five days after the date of filing, or such longer periods as may be specified by the utilities.

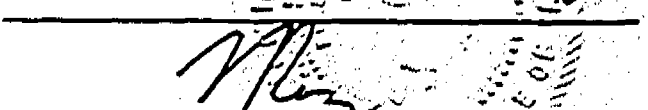
2. Kerman Telephone Company, The Pacific Telephone and Telegraph Company, and Continental Telephone Company of California shall report within ninety days of the effective date of this order the status of studies, negotiations, and agreements regarding the California Plan of EAS settlement.


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

Dated at San Francisco, California, this 20th day of NOVEMBER, 1975.



President






Commissioners

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