

Decision 82 09 017

SEP 8 1982

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of GENERAL TELEPHONE COMPANY OF )  
CALIFORNIA, a corporation, for )  
authority to establish the San )  
Gabriel Canyon Exchange and )  
enlarge the Covina Exchange. )

Application 60881  
(Filed September 4, 1981)

O P I N I O N

General Telephone Company of California (General) seeks authorization to formally provide telephone service to the San Gabriel Canyon area by forming the San Gabriel Canyon exchange and by slightly expanding the Covina exchange.

The proposed service areas, located in the Angeles National Forest in the San Gabriel Mountains about 25 miles east-northeast of the Los Angeles civic center, are primarily used for recreational purposes. The U.S. Forest Service (Forest Service) reports over one million visitors per year to the designated picnic areas and campgrounds. In addition to permanent government installations maintained by the Forest Service, the U.S. Navy, and Los Angeles County, there are private businesses and approximately 200 permanent residents located in the proposed service area.

General presently provides toll station service from 26 toll stations served primarily over lines owned by Forest Service and the Los Angeles County Flood Control District (District). District is abandoning major portions of its lines and Forest Service is curtailing its telephone facilities in favor of radio communications with the result that the area is substantially without telephone service. Both District and Forest Service have offered their facilities to General. General proposes to assume ownership of these facilities, augment them, and connect the system to microwave facilities to provide the proposed San Gabriel Canyon exchange with foreign exchange (FX) service and toll station service under current applicable tariffs at business, residence, and coin station locations.

The proposed telephone service offering is really at two levels: (a) the expansion of the Covina exchange into the unfilled territory, which will receive local exchange service, and (2) the remainder of the unfilled territory proposed to be included in a "San Gabriel Canyon exchange" - with service limited to only FX or toll station tariffs, but there could also be a coin station booth at some locations.

To provide this proposed service it will be necessary for General to enlarge and/or refurbish existing cable from the Covina exchange up the highway to the Morris Dam Naval facility. Also, a "Y" of buried cable and pole-mounted cable would have to be installed up the North Fork road and East Fork road and also extend south of San Gabriel Canyon Road.

This Y-shaped grid will, in places, use old Forest Service or District poles, particularly going up the hill to Crystal Lake. Because of lack of maintenance of these existing lines, Crystal Lake has had no telephone service for five years, although a GTE phone booth without an instrument is at the only store.

This Y grid will terminate in a building which will supply the carrier equipment and the interface of multiplex into microwave, which will be beamed to Pine Mountain and then relayed to General's Azusa central office. The estimate for the radio equipment includes a new building and equipment in the East Fork area and refurbishing a building now in ruins on Pine Mountain and equipping it with the radio equipment and antennae.

Attached to the application as Exhibit "C" were the results of a recent survey indicating that the residents and users of the area desire the proposed telephone service to serve their usual commercial and personal needs and to facilitate the public safety, health, and welfare in case of vehicle and recreational accidents, fire and landslides, and other emergencies.

Attached to the application as Exhibits "D" and "E" are letters from The Pacific Telephone and Telegraph Company (Pacific) and Continental Telephone Company of California (Continental), the only other public utilities to offer telephone service adjacent to the proposed area, indicating they do not object to the proposed service.

General initially estimated that startup construction costs would be \$549,000, annual maintenance costs would be \$93,000, and the annual revenue under proposed service would be \$40,947. These figures were subsequently revised to \$549,000 startup construction costs, \$80,293 annual maintenance costs, and \$149,386 annual revenues including settlement effects.

A Commission staff engineer from the Communications Division investigated this matter and prepared a report on the facilities proposed in the application. This report will be included in the formal file on this matter as Exhibit 1. This report was supplemented by a tabulation comparing the original estimates with the revised estimates and containing recommendations as to the contents of an advice letter filing should the requested authority be granted. This tabulation and the accompanying recommendations will be accepted into the record as Exhibit 2.

Tabulated below is the breakdown of the original and revised above-discussed estimates.

Capital Investment & Annual Expense

	<u>Estimate In</u> <u>Exhibit 1</u>		<u>Revised Estimate</u> <u>Exhibit 2</u>	
	<u>Initial</u>	<u>Annual Maintenance</u>	<u>Initial</u>	<u>Annual Cost</u>
Outside Plant	\$354,000	\$81,000	\$354,000	\$46,087
Central Office Equip. Radios/Ant.	110,000	4,130	110,000	19,051
Buildings (2 New) (1 Rehab.)	66,000 18,500	- 900	84,500	8,005
Permits	-	1,150	-	1,150
Station Equip. (incl. serv. comm.)	-	6,000	-	6,000
Totals	\$548,500	\$93,180	\$548,500	\$80,293*

\*A \$12,887 decrease in annual expense.

Revenues and Settlements

Annual Revenue (Present Rates) existing:

\$13,971

\$ 13,971

Proposed Additional:

\$26,976

48,535

Total	\$40,947	Settlement Rev.	72,352
		Retained Billing	14,528
		(FX and Toll)	\$149,386*

\*A \$108,439 improvement in revenue.

It is anticipated that the proposed construction will take up to two years to complete once the project is authorized. It will be noted that the cost-to-revenue ratio of approximately 3.67 to 1 is less than the 5 to 1 ratio commonly used as a basis for assessing additional charges on unremunerative line extensions and thereby provides some economic justification for the proposed installation.

Included in Exhibit 1 was an excerpt from a letter to the Commission staff dated December 22, 1981, signed by Gray F. Reynolds, Forest Supervisor, which states in part:

"General Telephone and Electronics currently has an application before the Commission to provide telephone service to the San Gabriel Canyon area. The proposed service area is located in the Angeles National Forest and the facilities for the system would be authorized by special use permit. The Forest Service has worked closely with GTE in the development of this proposal to attempt to provide a badly needed telephone service at a minimum cost.

"Any phone system in the canyon could probably not be justified on economic grounds. There are, however, some important considerations which should be evaluated by the Commission in making their decision. A dependable public telephone system is a badly needed public service. San Gabriel Canyon receives in excess of 40,000 visitors on most weekend days throughout the year. Highway 39 has one of the highest accident rates of any highway in the state. The canyon also experiences frequent natural disasters such as fires and floods. Also, because of the proximity of the canyon to the urban areas of the Los Angeles Basin, it experiences a high incidence of crime. A dependable telephone system would improve

the ability of the Forest Service and the Sheriff's Department to administer the area, with public phones, increase the ability of the public to seek help when needed. It would also increase the security of people who live in the canyon."

The statistics set forth above are persuasive of the need of the proposed facilities and, in our opinion, would provide sufficient justification for approving the project even if the cost-to-revenue ratio were less favorable.

The staff engineer notes that under the proposal actual service is limited to the wireline network that essentially follows highway routes from the microwave-linked switch offices. For this reason, he recommends a special condition or other tariff provision that either limits new line extensions to a few hundred feet from existing routes or provides for a full recovery of costs from the applicant for service in any line extension. This position is well-taken and will be adopted in the order that follows.

#### Findings of Fact

1. General proposes to formally provide telephone service to the San Gabriel Canyon area by forming the San Gabriel Canyon exchange and by slightly expanding the Covina exchange.

2. The proposed service area is primarily used for recreational purposes and over one million visitors a year use the designated picnic areas and campgrounds.

3. In addition to permanent government installations maintained by the Forest Service, the U.S. Navy, and Los Angeles County, there are private businesses and approximately 200 permanent residents located in the proposed service area.

4. General presently provides toll service from 26 toll stations served primarily over lines owned by Forest Service and District.

5. Forest Service and District are abandoning and/or curtailing their telephone facilities and have offered their facilities to General.

6. General proposes to assume ownership of the facilities, augment them, and connect the system to microwave facilities to provide the proposed San Gabriel Canyon exchange with FX and toll station service under current applicable tariffs at business, residence, and coin station locations.

7. The estimated new construction costs are \$548,500, the estimated annual maintenance costs are \$80,293, and the estimated annual revenue, including settlement effects, from the proposed facilities is \$149,386.

8. The cost-to-revenue ratio of the proposed facilities of approximately 3.67 to 1 provides economic justification for the project.

9. Public convenience and necessity require the service proposed by General.

10. Pacific and Continental, the only other public utilities to offer telephone service adjacent to the proposed service area, do not object to the proposed service.

11. Because of the type of terrain, the tariffs applicable to the San Gabriel Canyon exchange should limit new line extensions to a few hundred feet from existing routes or provide for a full recovery of costs from the applicant for new service.



12. General should:

- a. Provide revised exchange maps for (1) the enlargement of the "Covina exchange" and (2) the delineation of the new "San Gabriel Canyon exchange".
- b. Provide revision of the Covina exchange tariff sheets to define the serving area with the new addition.
- c. Provide tariffs, similar to Exhibit "B" of the application, to define rates for the new San Gabriel Canyon exchange limiting service to only FX and toll service at business, residence, and coin station locations.
- d. Provide tariff provisions that either limit new line extensions to a few hundred feet or provide for a full recovery of costs from the applicant for new service.

Conclusion of Law

The application should be granted to the extent provided in the order that follows.

O R D E R

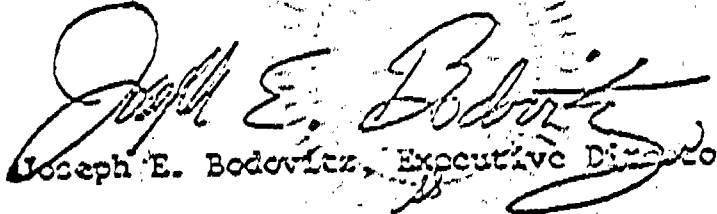
IT IS ORDERED that after the effective date of this order General Telephone Company of California shall file revised tariffs and service area maps in compliance with General Order Series 96, as set forth in Finding 12. The effective date of these tariffs shall be 5 days after filing.

This order becomes effective 30 days from today.

Dated SEP 8 1982, at San Francisco, California.

JOHN E. BRYSON  
President  
RICHARD D. GRAVELLE  
LEONARD M. CRIMES, JR.  
VICTOR CALVO  
PRISCILLA C. GREW  
Commissioners

I CERTIFY THAT THIS DECISION  
WAS APPROVED BY THE ABOVE  
COMMISSIONERS TODAY.

  
Joseph E. Bodovitz, Executive Director