

ORIGINAL

Decision S3 03 013 MAR 2 1983

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

CITY OF GRAND TERRACE,)
)
 Complainant,)
)
 vs.)
)
 PACIFIC TELEPHONE AND)
 TELEGRAPH COMPANY,)
)
 Defendant.)

Case 82-03-07
(Filed March 16, 1982)

John Harper, Attorney at Law, for complainant.
Margaret deB. Brown, Attorney at Law, for
 defendant.
Chester Newman, for the Commission staff.

O P I N I O N

Complainant City of Grand Terrace (City) seeks an order directing defendant The Pacific Telephone and Telegraph Company (Pacific) to transfer all Riverside exchange telephones within the city limits of Grand Terrace to an appropriate Colton (San Bernardino) exchange without using Foreign Exchange Service (FEX) rates.

A duly noticed hearing was held before Administrative Law Judge N. R. Johnson in Los Angeles on August 9, 1982, and the matter was submitted on receipt of concurrent briefs due 30 days after the receipt of transcript mailed September 1, 1982. Testimony was presented on behalf of City by its mayor, Hugh J. Grant, by two of its councilpersons, Barbara Pfennighausen and

Tony Petta; by the president of the Grand Terrace Chamber of Commerce, James Hughes; by the committee chairperson of the Grand Terrace Women's Club, Cara Wildman; by two members of the Grand Terrace Lion's Club, Robert A. Yeates and Ronald Martin; by a member of Toastmasters 290-F in Grand Terrace, Koleta Green; by a trustee of the Colton Joint Unified School District, Patricia I. Nix; and by Peter Holzer, Henry Arkebauer, Elsy Dixon, John H. Smith, Lillian Swartz, Eugene Tidwell, and Herbert Schuermann. Testimony and exhibits were presented on behalf of Pacific by one of its staff managers-tariff management, Rae V. Anderson. Item A, presented by Mayor Grant, was a petition containing 1,468 signatures requesting a standard dialing prefix, 824, be established for City's residents at comparable rates which other cities are charged. Item B, also presented by Mayor Grant, was a collection of 108 letters from City residents setting forth their position on City's requested action in this matter.

I - BACKGROUND

City, incorporated in 1978, is located in the southern portion of San Bernardino County approximately six miles from the center of the City of San Bernardino, four miles from the center of the City of Colton, and fifteen miles from the center of the City of Riverside.

At the present time, the Riverside exchange prefix 783 and the Colton exchange prefixes 824 and 825 serve within City's city limits. The local calling area for City residents in the Riverside exchange includes the Riverside, Colton, Moreno, and Rialto exchanges, and the local calling area for City residents

in the Colton exchange or in the Riverside exchange with FEX includes the San Bernardino, Fontana, Rialto, Colton, Redlands, and Riverside exchanges. Both San Bernardino, in the San Bernardino exchange, and Loma Linda, in the Redlands exchange, are served by General Telephone Company of California (General).

According to the record, the exchange boundaries of the Riverside and Colton exchanges were established almost 100 years ago by the Sunset Telephone Company. A portion of Riverside County, Reche Canyon, lies within the Colton exchange. According to the record, this is territory that General was unable to serve economically from its Redlands exchange, so General asked Pacific to serve the area. There is reasonable access to the area from the Colton exchange but not from the Riverside exchange and, for that reason, the area is presently served from the Colton exchange.

II - POSITION OF CITY

Testimony presented by City indicated that:

1. The majority of Grand Terrace residents have the prefix 783 (Riverside exchange) which requires toll calls to reach three nearby hospitals, and their associated clinics and physicians.
2. Most businesses in Grand Terrace are directed towards Colton, Loma Linda, and San Bernardino necessitating the business subscribers to use FEX.
3. Not having the prefix 824 (Colton exchange) available in Grand Terrace without additional costs can result in businesses deciding to locate outside of Grand Terrace.

4. Local prefix 783 can reach city government and local schools without toll charges, but cannot reach welfare, unemployment, superior court, county administrative, county supervisors, sheriff's, health services, building inspections, or animal control offices without paying toll charges.
5. The membership of Grand Terrace Women's Club is almost equally divided between those who have the prefix 783 and those who have FEX with the prefixes 824 or 825.
6. The major shopping areas closest to Grand Terrace are located in San Bernardino.
7. There is no single directory listing all the Grand Terrace subscriber telephone numbers.
8. The Loma Linda hospitals are approximately 3½ miles from Grand Terrace as contrasted to the hospitals in Riverside which are approximately 12 miles from Grand Terrace.
9. The Loma Linda hospital numbers that are toll free from Grand Terrace are always busy necessitating Grand Terrace residents to use alternate numbers and pay toll charges to call the hospitals.
10. Approximately one-half the population of Grand Terrace are Seventh-Day Adventists with their religious center of interest located in Loma Linda outside the toll-free area.
11. The Colton Joint Unified School District encompasses Grand Terrace, Fontana, Rialto, Colton, San Bernardino, and a small portion of Loma Linda.

12. The information operator does not have Grand Terrace listings.
13. The sight and hearing centers nearest to Grand Terrace are located in Loma Linda and San Bernardino.

III - POSITION OF PACIFIC

Testimony and exhibits presented on behalf of Pacific indicated that:

1. City is predominantly in Pacific's Riverside exchange.
2. Portions of the four Cities of Grand Terrace, Colton, Fontana, and Rialto are within the Riverside exchange.
3. A city being located in two or more exchanges is a very common occurrence. Anaheim, for example, is partially within five exchanges.
4. The Riverside exchange local calling area includes Riverside, Colton, Rialto, and Moreno (served by General) exchanges.
5. The Colton exchange local calling area is unusually large and includes the Riverside, Fontana, Rialto, Colton, San Bernardino (General), and Redlands (General) exchanges.
6. Several years ago, a task force was established consisting of representatives of Pacific, General, and Continental Telephone Company of California (Continental), and the Commission staff to establish uniform criteria for the establishment of exchange boundaries. these criteria include:
 - a. Necessity dependency factors such as police, fire, and ambulance services.

- b. The everyday service needs such as a doctor, a dentist, an attorney, a banking institution, the local schools, a hospital, a plumber, a hardware store, an electrician, and a grocery store.
7. The Grand Terrace local calling area meets the above criteria for an adequate local calling area.
8. There are local toll-free numbers for Grand Terrace residents to call the sheriff's department and the California Division of Forestry for fire protection.
9. Grand Terrace residents are listed in both the Riverside and Colton directories.
10. It is not unusual for subscribers to pay toll charges to telephone from parts of a county to the county seat or parts of a city to the city hall as evidenced, for example, by Los Angeles where it is a toll call from portions of Los Angeles to the Los Angeles Civic Center.
11. Granting the relief requested by City would result in an annual revenue reduction to Pacific consisting of \$209,300 from lost FEX revenues, \$107,400 from lost mileage charges, \$5,700 from lost Optional Calling Measured Service (OCMS) revenues, \$76,100 from lost toll revenues, and \$27,600 from lost measured service revenues in Grand Terrace, a total of \$425,600. At the present time approximately \$208,568 of this differential is offset by the difference in basic rates for measured service in Riverside and flat rate service in Colton. This differential is scheduled to be eliminated within the year.

12. The exchange boundary changes proposed by City will result in increased costs for the Grand Terrace subscribers to telephone the Moreno exchange where March Air Force Base is located and the loss of lifeline rates available in the Riverside exchange, but not in the Colton exchange.
13. One of the reasons Pacific opposes the change is that similarly situated subscribers in portions of the Cities of Colton, Fontana, and Rialto would want similar treatment at considerable cost to Pacific.
14. The availability of FEX and OCMS provides optional service that eliminates the necessity of changing the exchange boundaries.
15. The estimated cost of making the requested boundary changes is \$24,000 consisting of \$13,000 in central office equipment and capital and \$11,000 in nonrecurring expenses.
16. As of May 31, 1982 there were 2,460 subscribers within Grand Terrace taking service from the Riverside exchange and 1,765 Grand Terrace subscribers using Colton FEX service.

IV - DISCUSSION

Prior Commission Decisions

In the past 40 years this Commission has repeatedly addressed the problem of establishing and maintaining reasonable and equitable exchange boundaries. From these proceedings, the following guidelines have evolved which pertain to the issues in this case:

1. Telephone exchange boundaries and the corporate boundaries of cities rarely coincide and such exchange boundaries, once established, should retain a substantial degree of permanency.
 - a. "5. The boundaries of telephone exchange areas and the corporate limits of cities are established for different purposes, and consequently, the boundaries of telephone exchange areas and the corporate boundaries of cities rarely coincide." Lavis v Pacific Telephone (1963) 60 CPUC 563 at 565.
 - b. "The Commission is fully cognizant of the many times it, in various ways, has stated the general principles that telephone exchange or other public utility boundaries should retain a substantial degree of permanency, that such boundaries should not and need not be modified to coincide with changes in municipal or other political boundaries merely because political boundaries are changed, and that maintaining established telephone exchange boundaries tends to allow economical construction and operation. Indeed, there are more decisions to such effect than those cited by defendant. The general principles involved have been stated repeatedly over a period of more than 40 years." Wells v Pacific Telephone (1957) 56 CPUC 53 at 57.

- c. "In establishing the limits of a given telephone exchange area, the Commission has always endeavored to so fix the boundaries as to best serve the majority of those using telephone service. However, it is inevitable that either at the time exchange areas are established or thereafter as population changes take place, some subscribers within the area would better be served were they afforded direct connections with a neighboring exchange. To meet such a need by particular telephone users, foreign exchange service has been made available. The Commission has not looked favorably upon the reestablishment of exchange boundaries unless it appeared that by this means only could satisfactory service be afforded the greatest number of subscribers at reasonable cost." Michel v Pacific Telephone et al. (1946) 46 CRC 391 at 395, 396.
2. Exchange boundaries cannot be classified as unreasonable as long as the basic customer calling needs are met.
- a. "As long as the basic customer calling needs, i.e., schools, police, fire, ambulance, hospitals, doctors, dentists, banks, attorneys, shopping centers, etc., are met, the exchange boundaries cannot be classified as unreasonable." McManamon v Pacific Telephone (1978) 84 CPUC 49 at 51.

Permanent Boundaries

The Riverside and Colton exchange boundaries were established in 1887 by the Sunset Telephone Company. The question of providing extended service in the Riverside-San Bernardino area was addressed in an investigation instituted by this Commission on May 19, 1953. The staff summarized four plans as follows:

1. Plan 1 includes Colton, Highland, Rialto, and San Bernardino;
2. Plan 2 includes the above four exchanges with the addition of Fontana;
3. Plan 3 includes the same exchanges as Plan 2 plus Etiwanda, Ontario, and Redlands; and
4. Plan 4 includes the Plan 3 exchanges plus Corona and Riverside;

and recommended the adoption of Plan 1.

A representative of the Grand Terrace area, near the boundary of the Colton and Riverside exchanges, favored Plan 4, but in case Plan 4 was not adopted he requested that the boundary between the Colton and Riverside exchanges be revised to transfer his area to the Colton exchange.

The Commission's findings and conclusion on the matter are as follows:

"After considering the evidence of record and the statements by the various parties, it is found that: (1) the introduction of extended service to the extent provided by Plan 1 is reasonable and in the public interest, (2) the benefits to be derived by the San Bernardino customers outweigh the added charges under Plan 1, but such finding is questionable as to Plans 2, 3 and 4 at this time, (3) while there was considerable desire expressed for including Fontana in the extended area the statistical and economic factors do not sufficiently support this change at this time, and (4) the boundary problem between the Colton and Riverside exchanges should be studied and reported on by the Pacific Company.

"In view of such findings, it is concluded that the public interest requires the establishment of extended service in the Colton, Highland, Rialto and San Bernardino exchanges on or before April 1, 1957, with rates as proposed by the staff in Exhibit No. 1 and related rates consistent therewith, and that an order should be issued authorizing the respondents to proceed with the construction necessary to effect Plan 1. This conclusion does not preclude further consideration of expanding the extended service area as future development may warrant." Re Pacific Telephone and General Telephone (1955) 53 CPUC 781 at 785.

This matter was again addressed in Case 5562, Colbert v Pacific Telephone, filed November 7, 1966, asking for extended area service for Grand Terrace from Colton and San Bernardino. The matter was dismissed without prejudice after a survey indicated a lack of customer acceptance of such service.

In its brief, City argues that the future development referred to above has occurred and now is the time for further consideration of expanding the extended service area.

It is the Commission's policy that exchange boundaries are permanent unless changing them is the only means of providing satisfactory service to a majority of local customers. We have adopted this policy because of the costs of changing boundaries, which are borne by all customers, and because of the difficulty of satisfying all customers in redrawing boundary lines.

In this case Pacific estimates it would lose \$217,000 in revenues annually. Although this amount would be recouped when Pacific's new rates go into effect in 1984, the cost would be spread to other Pacific ratepayers. The cost of changing the boundary, estimated by Pacific to be \$24,000, would similarly be borne by other ratepayers.

The burden placed on other Pacific customers which would result from granting Grand Terrace's request would not be large. However, granting that request might encourage other customers to seek boundary changes, ultimately creating significant additional costs to be borne by Pacific's ratepayers.

Customer-calling Needs

As previously stated, the criteria accepted by this Commission and the largest California telephone utilities for evaluating the reasonableness of exchange boundaries relate to fulfilling basic customer-calling needs. First, there are emergency services such as police, fire, and ambulance. The record shows the sheriff's and fire and rescue departments are toll-free numbers for Grand Terrace subscribers irrespective of whether they take service through the Riverside or Colton exchanges.

Next are the everyday service needs of the subscribers such as hospitals, doctors, dentists, attorneys, banks, the local schools, plumbers, electricians, grocery stores, and shopping centers. Pacific's support for its position that the basic customer-calling needs are being met is set forth in Exhibit 4, "The Grand Terrace Business and Community Services Directory." This directory was published for City and indicates three of the four listed hospitals are toll free with the one exception being located in the City of San Bernardino; that one of the three listed ambulance services is toll free; that all of the service clubs and organizations are toll free; that the electric, telephone, water, and sewer services are toll free but the gas utility is not; that animal control, library, and schools with the exception of California State College at San Bernardino are toll free; that City services are toll free; and that a number of businesses and churches are toll free for all subscribers in Grand Terrace irrespective of what exchange they take service.

According to the record, however, there are many toll numbers that would not be unusual for a Riverside exchange subscriber to call. These include welfare agencies, the unemployment office, the municipal and superior court systems, the County of San Bernardino administrative offices, and the nearest shopping centers which are located in the City of San Bernardino. The majority of the above-listed toll calls are from the Riverside exchange to the City of San Bernardino.

We find that Grand Terrace subscribers are provided necessary emergency numbers toll-free. The existing exchange boundaries also provide adequate everyday calling needs. We understand that many Grand Terrace subscribers are inconvenienced by using services provided in the Colton or Riverside exchanges. Grand Terrace subscribers alternatively bear additional expense if they choose to use services in the San Bernardino area. However, such inconvenience and expense may be reduced by subscribing to optional services, discussed below.

Optional Rates and Services

Pacific testified that the optional rates available to Grand Terrace subscribers, together with comparative rates for Colton subscribers, are as follows:

	<u>Riverside</u>	<u>Colton*</u>
Individual Line Measured Rate Business Service	\$7.00 - 0	-
Individual Line Flat Rate Business Service	-	\$14.55
Individual Line Flat Rate Residence Service	\$6.70	\$ 6.70
Individual Line Measured Rate Residence Service	\$3.75 - 60 ^{a/}	-
Individual Line 30-Unit Allowance Measured Rate Residence Service	\$2.50 - 30 ^{b/}	-

* To be converted to the same as Riverside within the year.

a/ Unit (5c) equals initial 5-minute period or portion thereof. Additional minutes from 8 a.m. to 5 p.m., Monday through Friday, are at two-tenths initial unit cost (1c).

b/ Allowance of 30 local messages. Cost for 31-40 messages is 10c per call and for 41 messages and over is 15c per call.

Also, OCMS is available from Grand Terrace to San Bernardino at the following rates:

<u>One Hour</u>	<u>Two Hours</u>	<u>Three Hours</u>	<u>Over Time Per Minute</u>
\$2.25	\$4.50	\$6.75	\$0.07

Rates apply from 8 a.m. to 8 p.m., Monday through Friday only. Calling between 8 p.m. and 8 a.m., Monday through Friday and Saturdays and Sundays, is unlimited and untimed.

Colton prefix FEX is also available to Grand Terrace subscribers. The monthly cost for individual line business service is \$15.50 plus mileage charges with no message or monthly allowance and for residential service, the rate is \$8.20 per month plus mileage.

The toll rate from Grand Terrace to San Bernardino is 15¢ for the initial minute and 7¢ for each additional minute with an evening discount of 30% applicable from 5 p.m. through 11 p.m., Monday through Friday, and a 60% discount applicable from 11 p.m. through 8 a.m., Monday through Friday and all day Saturdays and Sundays.

In order to benefit from such services, each subscriber needs a forecast of his or her future calling patterns to choose the appropriate schedule. Were the exchange boundaries changed, as requested by City, there would be no need for such a choice.

According to the record, at the time OCMS was offered in Grand Terrace, a bill insert was included in each residential subscriber's bill in the Riverside exchange describing the proffered service. Pacific's witness Anderson noted that bill inserts are often ignored and suggested that individual letters

to Grand Terrace residences could be sent if this Commission felt such letters would be helpful. It appears from the record that OCMS is not being used to the limit of its economic feasibility. Witness Anderson testified that he estimated that 567 customers would benefit by subscribing to OCMS. Under these circumstances, witness Anderson's suggestion appears reasonable and the order that follows will provide for the sending of such a letter.

We note that lifeline rates may also benefit some Grand Terrace subscribers, specifically those in the Riverside exchange who make fewer than 30 local calls per month. Such subscribers would benefit from the difference between the lifeline charge of \$2.50 and the standard access charge of \$7.00 which may then be applied to the costs of toll service. We expect Pacific to help Grand Terrace subscribers determine whether this, or any other service, will serve their needs better than services they currently use.

Telephone Directory Listings

According to the testimony of Pacific's witness Anderson, the Grand Terrace residents are listed in both the Riverside and Colton directories. A review of the Riverside and Bloomington-Colton-Fontana-Highland-Rialto directories, however, indicates that this is true only for the Grand Terrace residents who subscribe to FEX service. Those Grand Terrace residents who have a 783 prefix are not listed in the Colton directory.

Witnesses for Grand Terrace testified that this situation has caused confusion and expense for Grand Terrace residents and businesses. We will order Pacific to list the phone numbers of all Grand Terrace subscribers in the next publications of both directories.

V - FINDINGS AND CONCLUSIONS

Findings of Fact

1. The existing Riverside and Colton exchange boundaries were established in 1887 by the Sunset Telephone Company.
2. The matter of transferring the Grand Terrace area from the Riverside exchange to the Colton exchange was considered by the Commission as early as 1953. The requested boundary change was not warranted at that time.
3. The record in this matter does not support a position that the reestablishment of exchange boundaries is the only means satisfactory service can be afforded the greatest number of subscribers at a reasonable cost.
4. The emergency numbers for the sheriff's office and the fire and rescue departments are toll-free numbers for Grand Terrace subscribers irrespective of whether they take service through the Riverside or Colton exchanges.
5. Toll-free numbers available to Grand Terrace subscribers taking service from the Riverside exchange include three hospitals, one ambulance service, all of the service clubs and organizations, the electric, telephone, water, and sewer services, animal control, library, and the schools with the exception of the California State colleges in San Bernardino, city services, and a number of businesses and churches.
6. Grand Terrace subscribers taking service through the Riverside exchange must pay toll charges for calls to welfare agencies, unemployment office, the municipal and superior court systems, County of San Bernardino administrative offices, and the nearest shopping centers which are located in the City of San Bernardino.

7. Grand Terrace subscribers using FEX service are listed in both the Colton and the Riverside telephone directories. Grand Terrace subscribers taking service through the Riverside exchange are listed only in the Riverside telephone directory.

8. Grand Terrace subscribers have several optional rates including foreign exchange service available for all subscribers and OCMS for residential subscribers. These optional schedules serve to mitigate to a certain extent the cost for those subscribers who have frequent calls outside the free-calling area of the Riverside exchange.

9. OCMS is not being used by Grand Terrace-Riverside exchange subscribers to the limit of its economic feasibility.

10. It is reasonable to require Pacific to write individual letters to Grand Terrace residential subscribers detailing the availability and benefits of OCMS.

11. Granting the change in exchange boundaries requested by City would reduce Pacific's annual revenues by approximately \$217,000.

12. The cost of effecting the requested exchange boundary changes is estimated to be approximately \$24,000.

Conclusions of Law

1. The Riverside and Colton exchange boundaries, established in 1887, should not be modified as the result of this proceeding.

2. On balance, the customer-calling needs, i.e. the schools, police, fire, hospital, doctors, dentists, banks, attorneys, shopping centers etc., are being met for those Grand Terrace subscribers taking service through the Riverside exchange. Consequently, the existing exchange boundaries cannot be classified as unreasonable.

3. Pacific should be ordered to list the Grand Terrace subscribers who take the service through the Riverside exchange in the next Colton telephone directory as well as the Riverside directory. ✓

4. Pacific should be required to send individual mailings to Grand Terrace residential subscribers detailing the availability and benefits of OCMS.

5. The relief requested should be denied.

O R D E R

IT IS ORDERED that:

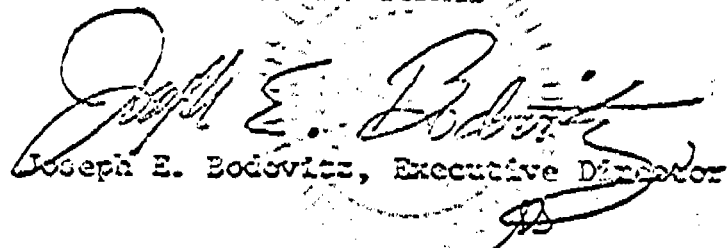
1. Within 60 days of the effective date of this order The Pacific Telephone and Telegraph Company (Pacific) shall send individual letters to its City of Grand Terrace residential subscribers detailing for them of the availability and benefits of Optional Calling Measured Service.
2. Pacific shall list all Grand Terrace subscribers in its next Colton directory as well as the Riverside directory. ✓
3. The relief requested is denied.

This order becomes effective 30 days from today.

Dated March 2, 1983, at San Francisco, California.

LEONARD M. GRIMES, JR.
President
VICTOR CALYO
PRISCILLA C. GREW
DONALD VIAL
Commissioners

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


Joseph E. Bodovitz, Executive Director

Conclusions of Law

1. The Riverside and Colton exchange boundaries, established in 1887, should not be modified as the result of this proceeding.

2. On balance, the customer-calling needs, i.e. the schools, police, fire, hospital, doctors, dentists, banks, attorneys, shopping centers etc., are being met for those Grand Terrace subscribers taking service through the Riverside, ~~and~~ exchange. Consequently, the existing exchange boundaries cannot be classified as unreasonable.

3. Pacific should be ordered to list the Grand Terrace subscribers who take the service through the Riverside exchange in the next Colton telephone directory *as well as the Riverside directory*.

4. Pacific should be required to send individual mailings to Grand Terrace residential/subscribers detailing the availability and benefits of OCMS.

5. The relief requested should be denied.

O R D E R

IT IS ORDERED that:

1. Within 60 days of the effective date of this order The Pacific Telephone and Telegraph Company (Pacific) shall send individual letters to its City of Grand Terrace residential subscribers detailing for them of the availability and benefits of Optional Calling Measured Service.

2. Pacific shall list all Grand Terrace subscribers in its next Colton ^{as well as the Riverside Directory.} directory.

3. The relief requested is denied.

This order becomes effective 30 days from today.

Dated MAR 2 1983, at San Francisco, California.

LEONARD M. GRIMES, JR.
President
VICTOR CALVO
PRISCILLA C. CREW
DONALD VIAL
Commissioners