

Decision No. 87970 OCT 12 1977

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

CITY OF PALMDALE, a
Municipal Corporation,

Complainant,

vs.

GENERAL TELEPHONE COMPANY OF
CALIFORNIA and PACIFIC TELEPHONE,

Defendants.

Case No. 10117
(Filed June 8, 1976)

MRS. BEVERLY BAILEY and the
attached Signatories,

Complainants,

vs.

THE PACIFIC TELEPHONE AND
TELEGRAPH COMPANY,

Defendant.

Case No. 10121
(Filed June 11, 1976)

MR. DON D. SIMPSON and the
attached Signatories,

Complainants,

vs.

GENERAL TELEPHONE COMPANY
OF CALIFORNIA,

Defendant.

Case No. 10183
(Filed September 29, 1976)

Investigation on the Commission's
own motion into the rates, rules,
charges, tolls, classification,
contracts, practices, operations,
facilities, and service of The
Pacific Telephone and Telegraph
Company and General Telephone
Company of California.

Case No. 10264
(Filed February 23, 1977)

James S. Kostas, Attorney at Law, for
City of Palmdale; Don D. Simpson,
for Lake Elizabeth Improvement
Association; and Beverly M. Bailey,
for Green Valley; complainants.

Duane G. Henry, Attorney at Law, for
Pacific Telephone and Telegraph
Company, defendant in C.10117 and
C.10121, and respondent in C.10264;
and A. M. Hart, H. R. Snyder, Jr.,
and Kenneth K. Okel, by Kenneth K.
Okel, Attorney at Law, for General
Telephone Company of California,
defendant in C.10117 and C.10183,
and respondent in C.10264.

Edwin L. Johnson, Attorney at Law,
for The Agua Dulce Civic Association,
protestant.

Ermet Macario, for the Commission staff.

O P I N I O N

This proceeding involves three formal complaints and an investigation instituted on the Commission's own motion all relating to the telephone service offered by The Pacific Telephone and Telegraph Company (Pacific) and General Telephone Company of California (General) in the areas collectively referred to as the Antelope Valley. Case No. 10117, filed June 8, 1976, is an action brought by the city of Palmdale against both General and Pacific requesting this Commission to order the defendants to provide two-way nonoptional extended area service (EAS) for both residential and business customers within the Antelope Valley area covered by General's Lancaster and Lake Hughes exchanges, Pacific's Palmdale exchange, and the Green Valley area of Pacific's Newhall exchange.

Case No. 10121, filed June 11, 1976, was brought by Mrs. Beverly Bailey and signatories against defendant Pacific requesting an order from the Commission directing Pacific to

establish a special rate area (SRA) at Green Valley and to eliminate toll charges from Green Valley to the Lancaster and Palmdale areas.

Case No. 10183, filed September 29, 1976, was brought by Donald D. Simpson and signatories against defendant General requesting this Commission to establish an SRA in the Elizabeth Lake area of General's Lake Hughes exchange and further requesting that toll charges be eliminated for calls to the Lancaster and Palmdale areas. The complaint also alleges that the service provided by General in the Lake Hughes exchange is not reliable and the equipment used to provide said service is outmoded since operator assistance is required for directly dialed long distance calls, including calls to the Lancaster area.

On February 23, 1977, the Commission issued its order, Case No. 10264, instituting an investigation into the adequacy of local calling arrangements for subscribers of Pacific and General within the Antelope Valley area. This case was consolidated for hearing with the above-mentioned three complaint cases.

Hearings were held in these cases on April 5 and 6, 1977 before Administrative Law Judge Main in Palmdale. The various complainants presented witnesses in support of their complaints. Pacific presented one witness, Rae V. Anderson, who testified in detail regarding Pacific's plan to solve the calling arrangement problems in the area. The Commission staff presented one witness, Emily T. Marks, who testified generally in support of Pacific's plan, with the exception of one area of disagreement regarding Acton, and who also testified regarding a proposed plan to solve the calling arrangement problems of General's subscribers in the Antelope Valley area. General presented one witness, Robert A. Tiarks, who testified in support of the Commission staff's plan for General's subscribers.

At the conclusion of the hearing the matters were taken under submission subject to the filing of concurrent briefs thirty days after the filing of the last volume of the transcripts. Those briefs have been received and the matters now stand ready for decision.

Lancaster-Palmdale

In this proceeding the Commission's staff presented Exhibit 19 based on its investigation of the present and requested serving arrangements in the Antelope Valley area. From that exhibit we quote:

"The issue of offering two-way nonoptional extended area service (EAS) between Lancaster and Palmdale exchanges has been reviewed by both Pacific and General at various times in the past. To evaluate customer reaction to an EAS offering, Pacific and General conducted a survey of their Lancaster and Palmdale subscribers in late 1971 and early 1972. The surveys queried subscribers regarding their willingness to pay the standard additional EAS monthly rate increment in order to receive toll-free calling between the two exchanges. The EAS rate increments specified in the surveys are still applicable for the Lancaster-Palmdale route. The results of the surveys, the applicable EAS rate increments and a summary of current toll usage between the exchanges are shown below:

"Lancaster-Palmdale Calling

Item	:1971-1972:Avg. No. :	: Avg. Mo. :	EAS :
	:Survey % :Msg. Per :	: Toll Rev. :	Rate :
	:in Favor :Mo./Acct.:% Users:	Per Acct. :	Increment:

Lancaster

Residence	80%	3.4	58.3%	\$1.00	\$0.25
Business	90	13.1	74.9	3.10	.75

Palmdale

Residence	88	8.7	81.4	2.86	.35
Business	87	17.3	71.7	3.79	1.05

Note: Dec. 1976 Toll Usage Data (Lancaster)
Nov. 1976 Toll Usage Data (Palmdale)

"The standard EAS rate increments were established by the Commission in Decision No. 77311 on June 3, 1970 (Appendix B). The increments vary according to the toll rate mileage between exchanges and to the ratio of number of customers in the two exchanges involved. The Commission staff, however, has proposed to increase the standard EAS monthly rate increments as part of Pacific's general rate proceeding, A-55492, now pending before the Commission. As proposed in staff Exhibit No. 222 in A-55492, the monthly EAS increments would be increased to \$0.30 residence and \$0.90 business for Lancaster and to \$0.40 residence and \$1.20 business for Palmdale subscribers."

The above tabulated data clearly indicates that the great majority of customers in both exchanges want and would benefit financially from the implementation to two-way non-optional EAS. Moreover, the implementation of this serving arrangement between Lancaster and Palmdale would not unduly burden the general ratepayers of either General or Pacific. The cost to General of implementing the plan including changes in toll and EAS settlements, exchange revenues, operating expenses, and plant investment would be negligible. The cost to Pacific would be about \$150,000, which is insignificant in comparison to its overall earnings, and in light of the strong need for the service between the two communities.

Pacific, General, the city of Palmdale, and the staff fully support the introduction of nonoptional, two-way EAS between General's Lancaster exchange and a proposed Palmdale District Area (DA)^{1/} of Pacific's Palmdale exchange.

^{1/} A DA is a portion of an exchange in which the local subscribers may have different toll-free (local) calling areas and basic rates than do subscribers in other portions (district areas) of the same exchange. The Palmdale DA will include all of the Palmdale Exchange, except for the Leona Valley-Green Valley DA, the Agua Dulce DA, and the Acton DA to be established concurrently with the Palmdale DA, and includes the incorporated city of Palmdale, all of the property of the proposed Palmdale Intercontinental Airport and the communities of Littlerock, Pearblossom, Crystalair, Juniper Hills, and Lake Los Angeles.

Lake Hughes

General's Lake Hughes exchange consists of approximately 192 square miles in the county of Los Angeles just south of the Kern County line. On the east it borders General's Lancaster exchange. To the south it borders primarily on Pacific's Newhall exchange.

The total population of the Lake Hughes exchange is approximately 900. The population of the exchange is concentrated in the communities of Lake Hughes and Elizabeth Lake, which are approximately two miles apart. There are in service 432 residential and 36 business main telephones in the entire exchange.

Telephone service in the Lake Hughes exchange is available on a one-, two-, or four-party basis. In order for customers living in the exchange to make toll calls to the Lancaster exchange, they must dial "1" and the appropriate seven-digit number. An operator then comes on the line and asks for the telephone number of the calling party. After this information has been obtained, the operator keys the call into the equipment where it is completed automatically. This serving arrangement is commonly referred to as operator number identification (ONI).

Approximately 100 signatories joined in Simpson's formal complaint, Case No. 10183, against General requesting (a) toll-free calling from the Lake Hughes exchange to the Lancaster and Palmdale exchanges and (b) the establishment of anSRA at Elizabeth Lake, and asserting that (a) the service provided by General in the Lake Hughes exchange is not reliable and (b) the equipment used to provide the service is outmoded. The 100 signatories are equal to more than 20 percent of the Lake Hughes main stations.

The record shows the Lake Hughes exchange to have a high community of interests with the Lancaster exchange. For example, in September 1976, 80.2 percent of the residential and 89.1 percent of the business customers in the Lake Hughes exchange placed calls to the Lancaster exchange with an average number of messages per account of 8.1 for residence and 25.7 for business customers. The average monthly toll billing for Lake Hughes residence subscribers for toll messages to Lancaster is nearly three times the applicable EAS increment (\$1.35 for residence and \$4 for business). In addition, in March 1977 a mailing was made to all Lake Hughes customers to determine how many would be willing to pay the applicable EAS increment to Lancaster. The survey results show that 81 percent of residence and 88 percent of business subscribers are in favor of EAS to Lancaster at the applicable EAS rates.

The reason for this strong interest in EAS from Lake Hughes to Lancaster is that Lancaster, and to a lesser extent the city of Palmdale, are the business and commercial centers of the Antelope Valley. Goods and services offered in the Lake Hughes exchange are quite limited. All medical services, major retail stores, and government offices, including police and fire, are located in either Lancaster or Palmdale. In addition, the public high school, to which Lake Hughes parents send their children, is located in the community of Quartz Hill in the Lancaster exchange.

It is clear that the best interests of General's Lake Hughes customers would be served by the establishment of one-way, nonoptional EAS from Lake Hughes to Lancaster. Although the establishment of the service will cost General approximately \$36,000 annually, this amount is insignificant in comparison with General's total revenues and will not create an undue burden on its other ratepayers, many of whom already have the

benefits of EAS. The staff recommends and General fully supports the introduction of one-way, nonoptional EAS from Lake Hughes to Lancaster.

The evidence, however, does not support the establishment of nonoptional EAS to Pacific's Palmdale exchange or EAS from General's Lancaster exchange to the Lake Hughes exchange. If EAS were also established from the Lake Hughes exchange to the Palmdale exchange, the total monthly EAS increment would increase residential rates by \$2.70 per month and business rates by \$8 per month. Furthermore, the average toll billing for Lake Hughes residence subscribers for toll messages to Palmdale is less than the applicable EAS increment (89¢ versus \$1.35). In addition, only a slight majority (51.8 percent) of residence customers (as of September 1976) made any calls at all to the Palmdale exchange. Therefore, because a very substantial number of Lake Hughes subscribers would be adversely affected by EAS to Palmdale, this service offering is not in the public interest.

There is also no justification for nonoptional EAS from Lancaster to Lake Hughes. General's Lancaster division manager testified that he is totally unaware of any interest by Lancaster customers in EAS service to Lake Hughes. His testimony is supported by General's monthly toll usage studies which show that approximately 95 percent of residence and 80 percent of business subscribers in Lancaster place no toll messages to Lake Hughes in any month. The staff recommends that General consider the offering of optional calling measured service (OCMS) from Lancaster to Lake Hughes, if demand from Lancaster residential customers is sufficiently high after establishment of EAS from Lake Hughes to Lancaster.

With reference to the Elizabeth Lake community, its population density does not currently warrant the establishment of a special rate area (SRA). An SRA is a rate treatment which is provided to an outlying area of an exchange which is smaller and less densely developed than the base rate area, but sufficiently densely developed to warrant rates without mileage charges but which are incrementally higher than those within the base rate area. In 1969 the Commission established guidelines for General for the establishment of new SRAs. Under these guidelines General may establish an SRA where the population density in an area exceed 100 establishments per square mile and must establish an SRA when the density exceeds 150 establishments per square mile. The present density in the Elizabeth Lake area is approximately 75 establishments per square mile; it, therefore, falls short of the minimum criteria for an SRA. General, however, anticipates that Elizabeth Lake could meet the minimum density necessary for an SRA by late 1977. General indicates it will, therefore, monitor the growth in the area in order to determine when Elizabeth Lake will be eligible for SRA treatment.

With reference to service problems in the Lake Hughes exchange, the primary complaint related to delays experienced when trying to place toll calls because of the slowness of General's operators to come on the line to ask for the calling party's telephone number. Some testimony was also presented regarding service interruptions.

When nonoptional one-way EAS is implemented from Lake Hughes to Lancaster, ONI will be eliminated for those EAS calls, i.e., EAS to the Lancaster exchange will remove ONI from calls to the main business and shopping area for the Lake Hughes subscribers. This will eliminate the major sources of dissatisfaction expressed by Lake Hughes customers with their present telephone service.

EAS, however, will not eliminate ONI for toll calls placed to other telephone exchanges. General argues that simply because ONI has been eliminated in more urban-type areas does not indicate that continuing this serving arrangement in

the Lake Hughes exchange makes General's service there inadequate. In support of this view, General cites:

"Continuous service, free from unnecessary or unavoidable interruptions, is a basic requisite of adequate telephone service. But adequacy of service does not necessarily mean the highest possible quality of service; adequate service has meaning only in reference to the demands of the public, the cost of the service, and the financial condition of the company offering the service. A given quality of service may be adequate in one territory and quite inadequate in another. (General Tel. Co. (1969) 69 CPUC 601, 664.)"

The Lake Hughes exchange covers a large physical area but has only a small number of residences and business main telephones. Because of the high costs associated with serving such a small number of customers in this remote area, Lake Hughes customers cannot expect to have all of the serving arrangements associated with the densely populated, metropolitan exchanges. On balance ONI appears to provide an adequate grade of telephone service to the inhabitants of the Lake Hughes exchange, especially since EAS to the Lancaster exchange will remove ONI from calls to the main business and shopping area for Lake Hughes subscribers.

The record also indicates that the main complaint with ONI -- delays in completing toll calls due to the slowness of General's operators to come on the line to ask for the identity of the calling party -- has been largely eliminated during the past year. The other service problems referred to in this proceeding also do not support a finding that the overall quality of service in the Lake Hughes exchange is inadequate. The service interruptions described by two of the witnesses for complainant Simpson were almost entirely weather-related. When they do occur and General is notified, the record indicates the utility responds quickly to effect repairs.

Green Valley - Leona Valley

In Case No. 10121, which was signed by Beverly M. Bailey, but had attached to the complaint 200 signatures of the residents of Green Valley, it was requested that an SRA be established in Green Valley, and that toll-free calling from Green Valley to Palmdale and Lancaster be established. Green Valley is in the northeastern corner of the Newhall exchange, near the junction of the Lake Hughes, Lancaster and Palmdale exchanges. The community is an island of privately owned land that is completely surrounded by federally owned Angeles National Forest.

Between February 2 and March 8, 1975, professional interviewers from MSI International, retained by Pacific, conducted personal interviews with Green Valley customers. In total, interviews were completed with 142 of 182 residence customers and with 13 of Green Valley's 14 business customers. The purpose of the survey was to determine the local calling needs of Green Valley customers. Pacific wanted to know the number of calls which the customers typically made to the communities surrounding Green Valley; whether customers would make more calls to communities which are currently outside their local calling area if there were no longer a charge for such calls; whether customers would make fewer calls to communities currently in their local calling area if there were a 25¢ charge for each three-minute call to those communities. A purpose of the survey was also to determine the location of shopping and professional services which the residence customers use, and the location of businesses and professional services used by business customers.

The survey revealed that the Green Valley residence and business customers tended to call and be most interested in calling the Newhall, Palmdale, and Lancaster areas. These were the areas which they called for social and business purposes. Apparently, a new charge plan would have little effect on the calling patterns of business customers. There would be a minimal reduction in the number of calls made by business customers to Newhall if a charge were instituted in that area. There would be a slight increase in the number of calls made by business customers to Palmdale and Lancaster if there were no charge for those calls. The residence customers would make about half as many calls as they currently do if they were charged for calls to Newhall. If the charge to the Lancaster and Palmdale area were abolished, the residence customers say they would double the number of calls they would make to those areas, thus confirming their interest in calling those communities.

To improve serving arrangements Pacific proposes to realign a portion of the common exchange boundary between its Newhall and Palmdale exchanges to transfer the Green Valley area from the Newhall to the Palmdale exchange and to establish an SRA in Green Valley. The proposed transfer of Green Valley from Newhall to Palmdale will, according to both Pacific and the staff, be more responsive to the calling needs of the Green Valley subscribers. This would require changing telephone numbers of approximately 231 Green Valley area subscribers from the 251 and 252 prefixes (Newhall-Solemint central office) to the 270 prefix (Palmdale-Leona Valley central office).

Green Valley customers would obtain toll-free calling to the entire Palmdale exchange but no longer have toll-free calling to the Newhall exchange. To compensate for this, a district area would be established for the Leona Valley-Green Valley area and optional calling measured service (OCMS) would be offered to a proposed Santa Clarita Valley DA in the Newhall exchange. The proposed OCMS to the Newhall-Santa Clarita Valley DA would be available to one-party flat rate residence subscribers in this proposed Leona Valley-Green Valley DA for \$2.75 per month. This OCMS will provide unlimited calling to the proposed Santa Clarita Valley DA from 8 p.m. to 8 a.m. and provides two hours of calling from 8 a.m. to 8 p.m. with an overtime rate of three cents per minute.

The Lancaster exchange would be included in the toll-free calling area of the proposed Leona Valley-Green Valley DA, resulting in an increase in basic telephone rates of \$1.75 for business customers and \$0.60 for residence customers. A summary of Green Valley and Leona Valley toll usage to Lancaster is set forth below:

Green Valley and Leona Valley Calling to Lancaster

Item	Avg. No.			EAS
	Msg. Per		Avg. Mo. Toll	Rate
	Mo./Acct.	% Users	Rev./Acct.	Increment
<u>Green Valley to Lancaster^{1/}</u>				
Residence	8.2	87%	N/A	\$0.60
Business	39.5	83	N/A	1.75
<u>Leona Valley to Lancaster^{2/}</u>				
Residence	12.4	88	\$3.32	0.60
Business	25.5	72	6.63	1.75

^{1/} 1975 Customer Calling Survey

^{2/} November 1976 Leona Valley C.O. data

Rates would be substantially reduced by the establishment of an SRA at Green Valley. This would have the effect of replacing the suburban mileage charge of \$21 to \$30 for a one-party and \$12 to \$16 for a two-party line which is at present applicable to such services in the Green Valley area. The SRA incremental charge currently amounts to \$2.60 per month for one-party services and \$1.40 for two-party services. Rates for subscribers near the SRA would also be reduced.

Pacific also proposes establishment of a toll rate center in the Leona Valley community for all toll routes up to 40 miles. This would have the effect of increasing toll rates to the south for Green Valley subscribers while rates for Leona Valley customers would remain about the same.

The staff concurs in the above proposals by Pacific to (1) establish an SRA at Green Valley; (2) include Green Valley and Leona Valley in a DA of the Palmdale exchange; (3) establish for that proposed DA a 40-mile toll rate center in the existing Leona Valley SRA; (4) establish nonoptional one-way EAS from the proposed Leona Valley-Green Valley DA to Lancaster; and (5) offer OCMS from the proposed Leona Valley-Green Valley DA of the Palmdale exchange to the proposed Santa Clarita Valley DA of the Newhall exchange. The effect on rates of these proposals, including Pacific's planned program for improved rural service ordered in Decision No. 83162, was shown in Exhibit 8.

Newhall, Solemint, Saugus, and Valencia

Optional residence telephone service is now available to Newhall one-party flat rate residence service subscribers with a need for a high volume of calling to the Palmdale exchange. Under Pacific's plan this will remain the same.

Pacific has proposed a districting of the Newhall exchange in order to allow toll-free calling from the Acton and Agua Dulce communities to the Newhall, Solemint, Saugus, and Valencia areas (the proposed Newhall-Santa Clarita Valley DA)

while maintaining toll calling to the Castaic and Val Verde areas (the proposed Newhall-Castaic DA), which are in the extreme western portion of the Newhall exchange. This districting would require some 400 Acton area subscribers to have their telephone numbers changed from their present 947 prefix (Palmdale central office unit) to the 269 prefix (Acton central office unit), and 800 Castaic and Val Verde area subscribers from the 255 and 259 prefixes (Newhall central office unit) to the 257 prefix (Castaic central office unit).

Acton and Agua Dulce

To implement the offering of toll-free calling from the Acton and Agua Dulce communities to the Newhall, Solemint, Saugus, and Valencia areas (i.e., the proposed Santa Clarita Valley DA) of its Newhall exchange, Pacific proposes to establish an Agua Dulce-Acton DA in the Palmdale exchange. The introduction of this EAS would result in an increase in exchange rates of \$4 for all business customers and \$1.35 for all residence customers.

Pacific also proposes that an SRA be established in Acton. This would reduce the mileage charge now applicable to one-, two-, and four-party service outside the SRA and eliminate mileage charges in the proposed SRA. An SRA now exists in the Agua Dulce area.

In addition, OCMS would be offered under Pacific's proposal from the Agua Dulce-Acton DA to the Lancaster exchange to one-party flat rate residence customers for \$2.75 per month. This OCMS would provide unlimited calling to the Lancaster exchange from 8 p.m. to 8 a.m. and would provide two hours of calling from 8 a.m. to 8 p.m. with an overtime rate of 3c per minute.

The Pacific plan further proposes to establish a toll rate center in the proposed Acton SRA for all toll routes up to 40 miles. This will generally have the effect of reducing the toll rates to points within the Los Angeles basin, including the San Fernando Valley as well as to exchanges to the west which are within a 40-mile toll route. This will also have the effect of increasing the initial period toll rate to Lancaster from 11c to 17c.

The record discloses that Acton and Agua Dulce are separate and distinct small communities, the Acton area having about 375 customers and the Agua Dulce area about 350 customers. Approximately half of the subscribers within the Agua Dulce-Acton DA, as proposed by Pacific, are served by the Agua Dulce central office; most of those served by the Agua Dulce central office are within the Agua Dulce SRA. The subscribers in the Acton area are served by the Palmdale central office.

Pacific's plan for the Agua Dulce area is responsive to complaints made by residents of Agua Dulce by informal complaint to the Commission and through public testimony during Pacific's 1975 general rate proceeding, Application No. 55214. Toll usage between Agua Dulce and Newhall and the applicable EAS increment is set forth below:

Agua Dulce Calling to Newhall

Item	Avg. No.		Avg. Mo.	EAS
	Msg. Per		Toll Rev.	Rate
	Mo./Acct.	% Users	Per Acct.	Increment
Residence	8.6	71%	\$4.26	\$1.35
Business	4.7	27	1.67	4.00

Note: November 1976 Toll Usage Data

In regard to toll usage from the Acton area to Newhall, data for that toll route is not available without a time-consuming analysis of individual subscriber accounts.

To evaluate customer reaction to Pacific's proposal to offer one-way EAS from the Agua Dulce and Acton areas to the proposed Santa Clarita Valley DA, the staff requested Pacific survey its subscribers. That survey made in February-March 1977 shows that while 87 percent and 83 percent of the Agua Dulce residence and business customers, respectively, favor EAS to Newhall, only 50 percent and 56 percent of the Acton residence and business customers, respectively, favor that same EAS plan. It also shows that 58 percent of the residence and 67 percent of the business subscribers in Acton are against the change in the 40-mile toll rate center that accompanies Pacific's proposal.

Mr. Edwin Johnson representing the Agua Dulce Civic Association opposed the addition of an EAS increment to Agua Dulce rates for the provision of EAS to Santa Clarita Valley. Mr. Johnson urged a realignment of the Palmdale-Newhall common exchange boundary in order to bring Agua Dulce into the Newhall exchange. Mr. Johnson presented no evidence of the need, justification, feasibility, or economic effects on customers or the utility of making the change which he urged. His proposal is opposed by both Pacific and the staff, who view Agua Dulce's complaints on service arrangements as problems of cross-boundary calling and short-haul toll rate center location, rather than boundary realignment.

Mr. Johnson's proposal, by making the Agua Dulce area a part of the Newhall exchange, would take away Agua Dulce's toll-free calling to the Palmdale exchange, replacing it with a 27-mile toll charge of 22¢ for the first minute. Although the record does not show how many Agua Dulce customers would be adversely affected by this change, it seems clear there would be a substantial number. That is the likely outcome because, for example, Agua Dulce children go to grammar school in Acton, which is, and will remain, in the Palmdale exchange, and to high school in Palmdale. We reject Mr. Johnson's proposal.

Pacific's service rearrangement plan, as it relates to the Agua Dulce area, is supported by the staff but opposed, however, as it relates to the Acton area except for the proposed Acton SRA. That SRA would cover 0.71 square miles and includes 93 establishments. Its proposed boundaries are delineated on Exhibit 13.

Consistent with its position, the staff sponsors the following alternate plan:

- a. Establish an Agua Dulce DA as delineated in Exhibit 20, including generally the existing Agua Dulce central office serving area but excluding the Acton area which would remain in the Palmdale DA. (The Acton area would, thus, have EAS to Lancaster as part of the Palmdale DA at the applicable monthly rate increments, 35¢ residence, and \$1.05 business.)
- b. Provide one-way, nonoptional EAS from the Agua Dulce DA to the Santa Clarita Valley DA at the applicable monthly rate increments, 85¢ residence, and \$2.50 business.
- c. Establish a 40-mile toll rate center in the Agua Dulce DA.
- d. Offer OCMS from Agua Dulce DA to Lancaster at \$2.75 per month and additional minutes at 3¢ each.
- e. Establish an SRA for Acton.

According to the staff this alternative plan for treatment of the Acton and Agua Dulce areas would not significantly affect Pacific's or General's costs for the proposed service rearrangements within the Antelope Valley. The staff does not consider that those costs create an excessive burden for other ratepayers of Pacific or General.

Although Pacific has conceded that the February-March 1977 survey results (i.e., showing that in Acton only 50 percent of the residence customers and 56 percent of the business customers favor EAS to Newhall) considerably weakened its earlier views as to the probable extent of local support for that EAS plan, it is, nonetheless, its considered judgment that the Acton area should be in the same DA as Agua Dulce and thus have EAS to Newhall and OCMS to Lancaster rather than toll to Newhall and EAS to Lancaster, as the staff has proposed. Pacific stresses the importance of future growth and development in arriving at a proper decision on this issue. Pacific envisions future growth and development to come about primarily through a natural overflow from the westerly portion of the Los Angeles basin into Newhall and the Simi Valley area, and eventually on into Agua Dulce and Acton. Under that assumption on the pattern of future growth, it would follow that the interests of the subscribers in the Acton area would tend to become increasingly stronger toward the Newhall and Los Angeles areas and weaker toward Lancaster.

We choose not to place heavy reliance, however, on conjecture as to a future growth pattern. Because Pacific's proposed EAS to Newhall for the Acton area appears from the February-March 1977 survey results not to be in the best interests of nearly one-half of the present Acton subscribers, that proposal, with EAS monthly rate increments presently of \$1.35 for residence customers and \$4 for business customers, will not be adopted.

Placing the Acton area in the proposed main DA (i.e., the Palmdale DA) of the Palmdale exchange as proposed by the staff will result in Acton benefiting from the much larger subscriber base of that DA, which presently calls for an EAS to Lancaster at rate increments of 35¢ for residence customers and \$1.05 for business customers. Agua Dulce also achieves a lower

EAS rate increment under the staff plan, even though the subscriber base is reduced. This is attributable to a reduced distance between 40-mile toll rate centers.

The record is clear that Pacific's future plans call for a separate central office to serve the Acton area. When sufficient growth becomes imminent, that would be the appropriate time to review calling arrangements for Acton and make whatever realignments of DAs or other measures that are called for by any pronounced changes in the community of interest factors for Acton.

We are thus persuaded that the staff sponsored plan for serving arrangements for the Agua Dulce and Acton areas is preferable to Pacific's and should be adopted after some modification. The staff plan should be modified so as to provide OCMS to the Santa Clarita Valley DA of the Newhall exchange for the Acton area. That OCMS route would appear to fill a need for approximately 20 percent of the Acton area residence customers (prefix 269 customers) who have, as the record clearly establishes, calling characteristics similar to most of the customers in the Agua Dulce area.

For the purpose of this modification it appears practicable to establish an Acton DA which will, in substance, encompass that part of the Palmdale exchange lying within the Agua Dulce-Acton DA, as proposed by Pacific but outside the Agua Dulce DA as proposed by the staff, and as delineated on page 2 of Exhibit 24. For other purposes the Acton DA will be treated as though it were a part of the Palmdale DA (i.e., the Acton DA will be combined with the Palmdale DA for EAS rate treatment and will have as its toll rate center the existing one for the Palmdale exchange). The present applicable rate for this OCMS route is \$3.95 per month plus overtime minutes at 4¢ each.

Findings

1. Telephone service in the Antelope Valley is provided by General and Pacific. Pacific provides service in the Palmdale and Newhall exchanges, while General provides service in the Lancaster and Lake Hughes exchanges. No extended area service is presently provided between any of these four exchanges.

2. The communities of Lancaster and Palmdale are the commercial and economic center of the Antelope Valley, with Lancaster providing the greater selection of most goods, services, and facilities.

3.a. There is a strong public demand for two-way nonoptional EAS between General's Lancaster exchange and most of Pacific's Palmdale exchange at the applicable EAS increments. The cost to provide such service to the general body of ratepayers of both utilities will be negligible.

b. Two-way nonoptional EAS between General's Lancaster exchange and the Palmdale and Acton DAs which are to be established in Pacific's Palmdale exchange is in the public interest and will not result in undue discrimination.

4. General's Lake Hughes exchange is a sparsely populated rural area. The two centers of population are the communities of Lake Hughes and Elizabeth Lake. The center of population of the exchange is located 17 air miles and 24 highway miles from the population center of Lancaster.

5. General currently provides one-, two-, and four-party service in both the Lake Hughes and Lancaster exchanges. All direct dial toll calls from the Lake Hughes exchange require ONI. Four-party services in General's Lancaster exchange likewise require ONI to call Pacific's Palmdale exchange.

6.a. There is a strong public demand for nonoptional EAS from General's Lake Hughes exchange for General's Lancaster exchange. Although the establishment of the service will cost

General approximately \$36,000 annually, this amount is insignificant in comparison with General's total revenues and will not create an undue burden on its other ratepayers, many of whom already have the benefits of EAS.

b. One-way nonoptional EAS from General's Lake Hughes exchange to General's Lancaster exchange at the applicable EAS increments is in the public interest and will not result in undue discrimination.

7. There is little public demand for EAS from General's Lancaster exchange to the Lake Hughes exchange. There is also no economic justification for EAS from Lake Hughes to Pacific's Palmdale exchange.

8. There are at present approximately 75 establishments in the Elizabeth Lake community of General's Lake Hughes exchange.

9. This Commission has established for General certain criteria as to when General may establish an SRA. An SRA may be established when the number of establishments is 100 per square mile. An SRA must be established when the density exceeds 150 establishments per square mile.

10. Some of General's Lake Hughes subscribers have on occasion experienced slow operator response when placing toll calls to the Lancaster exchange. Some of these same subscribers have also experienced service interruptions primarily associated with inclement weather.

11. The problems experienced with the ONI serving arrangement in the Lake Hughes exchange will largely be eliminated with the adoption of EAS to Lancaster which will eliminate ONI for such calls. Furthermore, the problems associated with completing toll calls from the Lake Hughes exchange have greatly decreased during the past year and no longer constitute a significant

service complaint. The other service complaints described in this proceeding are largely weather-related and are repaired promptly when brought to General's attention.

12. Establishing DAs in the Palmdale exchange and in the Newhall exchange will facilitate closely tailoring expanded calling plans to fit the individual needs of the communities of Green Valley, Leona Valley, Palmdale, Agua Dulce, and Acton.

13. Transferring Green Valley from the Newhall exchange to the Palmdale exchange as shown in Exhibit 2, and establishing the Leona Valley-Green Valley DA in the Palmdale exchange and the Santa Clarita Valley DA in the Newhall exchange will facilitate meeting expanded calling needs of the communities of Green Valley and Leona Valley. Establishing a 40-mile toll rate center in the Leona Valley-Green Valley DA as shown in Exhibit 5 is an essential part of meeting those needs.

14. There is a strong public demand for one-way nonoptional EAS from the proposed Leona Valley-Green Valley DA to the Lancaster exchange.

15. Green Valley qualifies for rate treatment as an SRA. The boundaries of this SRA should be established to conform with Exhibit 4.

16. There is a need for OCMS from the proposed Leona Valley-Green Valley DA to the Santa Clarita Valley DA.

17. The improved serving arrangements, which are specified in preceding Findings 13, 14, 15, and 16, entail a cost to Pacific of approximately \$25,000 annually. This amount is insignificant in comparison with Pacific's total revenues and will not create an undue burden on its other ratepayers.

18. The Newhall exchange should be divided into the Santa Clarita Valley DA and the Castaic DA as proposed by Pacific, with boundaries as shown on Exhibit 16.

19. The Palmdale exchange should be divided into the Leona Valley-Green Valley DA as proposed by Pacific, with boundaries as shown on Exhibit 16; into the Agua Dulce DA as proposed by the staff with boundaries as shown on Exhibit 24; into the Acton DA encompassing that part of the Palmdale exchange lying within the Agua Dulce-Acton DA as proposed by Pacific but outside the Agua Dulce DA as proposed by the staff, as delineated on page 2 of Exhibit 24; and into the Palmdale DA as proposed by Pacific, with boundaries as shown on Exhibit 16.

20. There is a strong public demand for one-way nonoptional EAS from the staff proposed Agua Dulce DA to the Santa Clarita Valley DA.

21. There is a need for OCMS from the Agua Dulce DA to the Lancaster exchange.

22. Establishing a 40-mile toll rate center in the Agua Dulce DA will be instrumental in meeting the needs specified in Findings 20 and 21.

23. Establishing an SRA, as proposed by Pacific and concurred in by the staff in the Acton area, is an indicated and proper ratemaking treatment. Its boundaries should conform to Exhibit 13.

24. Nonoptional EAS to Newhall is opposed by nearly one-half of the Acton subscribers. Because that large a portion of the customers would appear to be adversely affected, EAS from Acton to Newhall should not be established.

25. Approximately 20 percent of the subscribers in the Acton area, however, have calling characteristics similar to the subscribers in the Agua Dulce area. Thus, for those Acton customers there is a need for cross-boundary calling into the Newhall exchange.

26. The Acton DA is to be established for the express purpose of offering OCMS from the Acton DA to the Santa Clarita Valley DA. In other respects, the Acton DA should be treated as though it were in the Palmdale DA. It should have the same local calling area, including EAS to Lancaster, as the Palmdale DA and the present toll rate center for the Palmdale exchange should be the toll rate center for the Acton DA.

27. The OCMS routes from the Leona Valley-Green Valley DA, the Agua Dulce DA, and the Acton DA should be authorized on an experimental basis for a period of twenty-four months during which time information should be assembled and costs tracked in order to determine whether these OCMS offerings should be made permanent, modified, or eliminated.

The Commission concludes that the benefits of the service rearrangements for the Antelope Valley encompassed in the above findings clearly justify their minimal cost; that those rearrangements will not result in undue discrimination; and that they are thus in the public interest and should become available within not more than two years after the effective date of the order which follows. The Commission further concludes no other service rearrangements for these areas are justified at this time.

O R D E R

IT IS ORDERED that:

1. General Telephone Company of California (General) and The Pacific Telephone and Telegraph Company (Pacific) shall implement two-way, nonoptional EAS between the Lancaster exchange, on the one hand, and the Palmdale DA and the Acton DA to be established in the Palmdale exchange, on the other hand. General shall also implement one-way nonoptional EAS from its Lake Hughes exchange to its Lancaster exchange. These serving arrangements shall be implemented using the appropriate EAS increment in

effect at the time the serving arrangements are placed in operation. In applying the EAS increment for the Lancaster-Palmdale route, the Acton DA shall be combined with the Palmdale DA. These new serving arrangements shall be placed in service not later than two years after the effective date of this order.

2. Pacific shall realign, consistent with Finding 13 above, the boundary between its Newhall and Palmdale exchanges to transfer the Green Valley area to the Palmdale exchange and shall establish, consistent with Findings 18 and 19, above, the Santa Clarita Valley DA and the Castaic DA in the Newhall exchange and the Leona Valley-Green Valley DA, the Agua Dulce DA, the Acton DA, and the Palmdale DA in the Palmdale exchange.

3. Pacific shall establish, consistent with Findings 13 through 15, above, an SRA in Green Valley, a 40-mile toll rate center for the Leona Valley-Green Valley DA in the Leona Valley SRA, and one-way nonoptional EAS from the Leona Valley-Green Valley DA to the Lancaster exchange, and shall offer, consistent with Findings 16 and 27, above, OCMS on a two-year trial basis from the Leona Valley-Green Valley DA to the Santa Clarita Valley DA of the Newhall exchange. These serving arrangements shall be implemented using the appropriate rates in effect at the time the serving arrangements are placed in operation. The serving arrangements shall be placed in effect not later than two years after the effective date of this order.

4. Pacific shall establish, consistent with Findings 20 and 22, above, a 40-mile toll rate center in the Agua Dulce DA and one-way nonoptional EAS from the Agua Dulce DA to the Santa Clarita Valley DA and shall offer, consistent with Finding 21, above, OCMS on a two-year trial basis from the Agua Dulce DA to the Lancaster exchange. These serving arrangements shall be implemented using the appropriate rates in effect at the time the serving arrangements are placed in operation. The serving arrangements shall be placed in effect not later than two years after the effective date of this order.

5. Pacific shall establish, consistent with Finding 23 above, an SRA in the Acton area and offer, consistent with Finding 26 above, OCMS on a two-year trial basis from the Acton DA to the Santa Clarita Valley DA. These serving arrangements shall be implemented using the appropriate rates in effect at the time the serving arrangements are placed in operation. The serving arrangements shall be placed in effect not later than two years after the effective date of this order.

6. Pacific shall file with the Commission, consistent with Finding 27 above, a written summary in triplicate of the information assembled and the costs tracked on the OCMS routes from the Leona Valley-Green Valley DA, the Agua Dulce DA, and the Acton DA during the first eighteen months of the two-year trial period. The summary is due twenty months after the service is offered.

7. All of the other relief requested in Cases Nos. 10117, 10121, and 10183 is denied and the investigation under Case No. 10264 is terminated.

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

Dated at San Francisco, California,
this 12th day of OCTOBER, 1977.

Labstein
Robert Batumouch

Commissioner

William J. ... President
...
Michael D. ...
... Commissioners