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Decision No. 91807 MAY 20 1980

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of THE PACIFIC
TELEPHONE AND TELEGRAPH COMPANY)
for authority to establish
one-way non-optional Extended
Area Service (EAS) from the
Paskenta Exchange to the Corning
Exchange and one-way Optional
Calling Measured Service (OCMS)
from the Corning Exchange to the
Paskenta Exchange.

Application No. 59229
(Filed October 30, 1979)

O P I N I O N

The Pacific Telephone and Telegraph Company (Pacific) by the above-entitled application requests authority to establish one-way nonoptional Extended Area Service (EAS) from the Paskenta Exchange to the Corning Exchange and to withdraw message toll telephone service rates now in effect on calls from the Paskenta Exchange to the Corning Exchange. Pacific also seeks to establish Optional Calling Measured Service (OCMS) from the Corning Exchange to the Paskenta Exchange.

Pacific's Paskenta Exchange has a population of approximately 400 and a main station development of about 142. Paskenta is located in Tehama County about 20 miles west of the town of Corning. The county seat is in Red Bluff. There are two grocery stores, one in Paskenta, the other in the only other major town, Flournoy. There is one elementary school, a volunteer fire department, the Crane Mills Lumber Company, a sawmill and numerous ranches and farms. All other goods, services and employment are located either in Corning or Red Bluff, 17 miles to the north of Corning.

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The Corning Exchange has an estimated population of 8,200 and approximately 3,000 main stations. Corning is located about 47 miles south of Redding along Interstate Highway 5. Most life support services are available in Corning; these include a hospital, law enforcement, fire protection, automobile repair, legal aid, restaurants, department stores and transportation facilities. Education facilities include elementary school through high school. The nearest college is in Chico 33 miles to the east of Corning.

Paskenta business customers call Corning on the average of 16.84 times per month per customer; the residence customers, 4.89 times per month per customer. This calling is over a 19-mile toll route, rated at the initial period day station rate of \$0.17 and each additional minute at \$0.11.

Pacific proposes to provide one-way nonoptional EAS from Paskenta to Corning for an incremental rate to be added to the present basic monthly charge. The increase will be \$5.40 for basic service for business customers and \$1.80 for residence customers. These increments are based upon a formula devised in the Commission's Decision No. 77311 (revised by Decisions Nos. 90642 and 90919) which specified that the increase be based upon the comparative number of main telephones in the called exchange and the distance between the two exchanges' toll rate centers. The increases will be offset by the elimination of the toll charges from Paskenta to Corning.

The total number of calls from the Corning customers to Paskenta averages about 0.32 per month per customer. Because the need for Corning customers to call Paskenta is more selective, OCMS is being offered. Pacific proposes to offer Corning customers OCMS in accordance with the rates and conditions set forth in its Tariff Schedule No. 149-T. This plan allows single-party residence customers only, in the Corning Exchange, to purchase 1, 2 or 3 hours of calls per month to Paskenta at a cost of \$2.55 per hour. This charge and time limit applies only between the hours of 8 a.m. to 8 p.m., Monday through Friday. Overtime

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calls during these hours and days are charged for at \$0.11 per minute. Calls made at all other times and days are not included in the time limit and are not charged for.

Pacific's gross construction costs to provide the proposed services will be \$8,800. Pacific estimates that the dollar effect of establishing EAS for the Paskenta Exchange will result in a net loss to the company of \$2,300 annually.

Although the proposed extending calling in this application results in a net loss to Pacific, the loss does not in itself justify rejection of the EAS calling plan, nor does the loss justify a substantial increase in monthly rates in the Paskenta Exchange. The monthly rate increases for Paskenta customers follow an extended service rate formula which is designed to achieve a break-even situation in total in all of Pacific's extended service areas outside of metropolitan areas. By use of the formula rates, the extended area service outside of metropolitan areas, thus, does not become a burden paid for by other ratepayers. This rate formula has been employed since 1971 by the Commission for all extended area routes outside of metropolitan areas.

In July 1979, Pacific conducted a mail survey of all Paskenta subscribers to determine desire for an EAS plan to Corning. Eighty-two percent of the 130 subscribers responded. An analysis of the results shows that 78% expressed a preference for the EAS plan over the present plan or no preference at all.

Subsequent to its application, Pacific notified all affected customers by mail of Pacific's proposal to provide EAS to Corning. The notification invited protestants to write to the Commission. The Commission has received a petition from a community in the northern corner of the Paskenta Exchange called the Lowrey area. The petition was signed by 43 individuals who are served by 18 telephones out of a total of 142 main stations in the Paskenta Exchange. In addition three signers of the petition also sent separate letters reaffirming their opposition to EAS to Corning.

The petitioners' opposition and claims were investigated by the staff and the resulting report on this investigation is hereby received in evidence as Exhibit No. 1. The report recognizes the validity of the claims of the petitioners in the Lowrey area and indicates the problems related to providing extended area service to Red Bluff instead of to Corning. The report indicates that the best interests of the vast majority of the subscribers in the Paskenta Exchange can be served by providing extended area service to Corning. The staff recommends the application be granted as filed with the condition that Pacific periodically review development in the Lowrey area for possible service improvements such as creation of special rate areas, separate exchange, realignment of exchange boundary, or optional calling measured service.

The staff recommendations are appropriate and are adopted herein.

Findings

1. There exists a large community of interest between the Paskenta Exchange and the Corning Exchange.
2. Nonoptional extended area service for the Corning Exchange will provide a needed improvement in service for the majority of the subscribers.
3. The opposition to providing extended area service to the Corning Exchange is confined to the small community of Lowrey who do not represent the majority interest.
4. Optional calling measured service for calls from the Corning Exchange to the Paskenta Exchange should be offered.
5. A public hearing is not necessary.

Conclusion of Law

The rates and serving arrangements authorized herein are fair and reasonable.

O R D E R

IT IS ORDERED that:

1. Within 24 months of the effective date of this order, The Pacific Telephone and Telegraph Company is authorized to:
 - a. Establish one-way nonoptional Extended Area Service (EAS) for calls from the Paskenta Exchange to the Corning Exchange and concurrently increase monthly exchange rates in the Paskenta Exchange as proposed in Appendix C of the application or at such rates as are in effect at the time service commences. ✓
 - b. Cancel and withdraw message toll telephone rates for calls from the Paskenta Exchange to the Corning Exchange. ✓
 - c. Introduce Optional Calling Measured Service (OCMS) in the Corning Exchange at the rates, charges and conditions as set forth in Schedule Cal. P.U.C. No. 149-T. ✓
2. Within six months of the establishment of EAS and OCMS authorized herein, Pacific shall report to the Commission in writing the actual revenue effect, actual expense change, actual incremental investment changes, and net effect based on the first full three months of EAS and OCMS operations. ✓

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3. Within two years of the effective date of this order, and every two years thereafter, Pacific shall review development of the ~~Low~~^{ss} ~~Area~~ area for possible service improvements such as creation of a special rate area, a separate exchange, realignment of the exchange boundary, or the provision of Optional Calling Measured Service. The results of each review shall be reported to the Commission.

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

Dated MAY 20 1980 at San Francisco, California.

John E. Byron
President
Veronica L. Starnes
Richard W. Howell
Clare J. Williams
James M. Jones
Commissioners