

(Decision No. 63186)

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

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RE INVESTIGATION AND SUSPENSION OF)
CERTAIN PROPOSED EXCHANGE RATES OF)
MOUNTAIN STATES TELEPHONE & TELE-)
GRAPH COMPANY, COLORADO TARIFF NO.5.)

INVESTIGATION AND SUSPENSION
DOCKET NO. 533

June 26, 1964

Appearances: Akolt, Shepherd & Dick, Esqs.,
Denver, Colorado, by
Jack Shepherd, Esq., and
Lou Rivera, Esq., Denver,
Colorado, for Mountain
States Telephone & Telegraph
Company;
Max Zall, Esq.,
Charles M. Stoddard, Esq., and
Leonard M. Campbell, Esq., Denver,
Colorado, for City and County
of Denver, Colorado;
William O. DeSouchet, Boulder,
Colorado, pro se, and for
others similarly situated;
Ralph Abellanet, Denver, Colorado,
pro se;
Robert N. Trunk, Esq., Denver,
Colorado, for the Staff of the
Commission.

S T A T E M E N T

By the Commission:

On April 23, 1964, Mountain States Telephone & Telegraph Company, under the provisions of the Statutes of the State of Colorado (1953 C.R.S., 115-3-4) and Rule 17 of this Commission's Rules of Practice and Procedure, filed with The Public Utilities Commission of the State of Colorado, proposed rates which would increase the present rates for local exchange telephone services for both residence and business service. This proposed change relates to what has been designated and publicized by Mountain States Telephone & Telegraph Company as the "Metro '65 Plan".

Under said Metro '65 Plan, the Telephone Company proposes to eliminate the present interzone charges in the present Denver Metropolitan

Zone and also to eliminate toll charges between the following telephone exchanges where such charges now apply, to-wit:

Arvada-Westminster	Golden
Aurora	Hazeltine-Thornton
Boulder	Lafayette
Brighton	Lakewood
Broomfield-Northglenn	Littleton
Castle Rock	Lookout Mountain
Coal Creek Canyon	Louisville
Denver	Morrison
Englewood	Sullivan
Evergreen	Westwood

The effect of the Metro '65 Plan will be to consolidate all of the above exchanges into a uniform exchange rate area to be designated as the Denver Metropolitan Area. The area will cover about 2,200 square miles in and around the City of Denver. Any customer receiving service from one of these exchanges is included in the proposed Metro Plan and would be subject to the proposed Metro Rates.

The Commission, by Order dated April 24, 1964, being Decision No. 62861, suspended the proposed rates of the Mountain States Telephone & Telegraph Company for a period of one hundred and twenty (120) days from April 23, 1964, or until August 21, 1964, unless otherwise ordered. By this same Order, the Commission set the matter of the rate increases and the proposed Metro '65 service for hearing, starting on May 25, 1964 at ten o'clock A. M., in the Commission's Hearing Room, 532 State Services Building, Denver, Colorado. Hearings were held by the Commission in its Hearing Room in Denver on May 25, 26, and 27, and further hearing was held on said matter in Boulder, Colorado, on May 28 and 29, and continued for additional hearings in Denver, on June 1, 2, and 3, 1964. At the conclusion of the hearings in Denver on June 3, 1964, the Commission took the matter under advisement.

At the hearings, the Telephone Company submitted evidence in support of its Metro '65 Plan and the proposed rates. Various public witnesses appeared, both in support of the Plan and in opposition thereto. The Staff of the Commission also testified and presented exhibits regarding the Metro '65 Plan.

Prior to the filing of the tariffs with the Commission by the Mountain States Telephone & Telegraph Company, advance publicity was placed by the Telephone Company in various newspapers circulating in the Denver

Metropolitan Area. Shortly after the publication of the Plan, the Commission received many letters regarding the proposed Plan. A great majority of letters and petitions were from the Boulder, Colorado area, and for the most part these letters and petitions were in opposition to the proposed Metro Plan, as it concerned the City of Boulder and the Boulder Exchange of the Mountain States Telephone & Telegraph Company. After the formal filing of the rates with the Commission, the Commission again received numerous letters and petitions, both for and against the proposed Metro Plan, from various customers within the Metro '65 Area. Again a preponderance of the letters and petitions from the Boulder Area were opposed to the Metro '65 Plan. Other than the Boulder Area, there was wide acceptance of the Metro '65 concept.

In general, the Metro '65 Plan provides that in the area as designated by the tariffs of the Company, any customer within the area will be able to call any other customer in the Area without a zone or toll charge. At the present time, anyone calling to the towns not presently included in the Denver Area pays either a toll charge or an interzone charge if the call goes beyond an adjacent exchange. By virtue of the proposed service, a customer would be able to call any one of approximately 327,000 main telephones in the Metro '65 Area. There would be no limit in the number of calls made or the length of time of the call.

The Telephone Company desires to put its Metro Plan into effect on July 1, 1965.

In order to avoid as much as possible any confusion or ambiguity herein, the following terms will be used with the following meanings: Denver Metro refers to the present telephone service which went into effect in 1947 and includes for the most part the exchanges surrounding the Denver core area. Metro '65 means the new proposed service of the Telephone Company in the expanded area which includes Boulder-Brighton on the north, Castle Rock on the south, and the Coal Creek, Lookout Mountain and Evergreen Areas to the west and the eastern exchanges of Aurora and Sullivan.

In order to consummate the Plan, it will be necessary to spend approximately \$7,000,000 for new plant and equipment to take care of the

telephone service as proposed. Also as a part of the over-all proposed Metro '65 Plan, the Telephone Company proposes to place into effect in July of 1964, limited toll-free calling in the Lookout Mountain, Morrison and Evergreen Exchanges. In addition, the Broomfield-Northglenn Exchange, which is also a part of the proposed Metro '65 Plan, which presently has a higher rate than the rates proposed in Metro '65, will have reduced rates to the level of the approved Metro '65 rates, also to be effective July 1, 1964.

At the hearings, both in Denver and in Boulder, it became apparent that Metro '65, as it pertained to business service, was highly desirable. The businessmen all testified in favor of Metro '65, and apparently they would all benefit by the elimination of the interzone and toll charges. No business witness objected to the telephone rates as proposed by the Company, since apparently at least the majority of those testifying would save money, even though the rates as proposed for business service by the Telephone Company would be increased. Witnesses were unanimous in their support of the Metro concept, as far as business was concerned.

The witnesses that appeared in regard to the proposed Metro '65 Plan as it pertained to residential service rates were not unanimously in support of Metro '65. Exclusive of the Boulder witnesses, the resident telephone users objected to the increase in rates, although many of them concurred in the view that the Metro concept could conceivably be good for the community as a whole. The residential witnesses in the Boulder Area objected strenuously, not only to the proposed rates, but also to the concept of Metro '65. The consensus of these witnesses opposed any idea that would include Boulder as a part of the Denver Metropolitan Area. While several businessmen from the Boulder Area testified in favor of the Metro '65 Plan, the preponderance of testimony from the Boulder Area opposed the Metro '65 Plan.

The Commission has carefully evaluated the testimony presented by all of the witnesses, and has concluded that the Metro '65 Plan, as far as the concept of toll-free wide-area calling, is good and should be approved, except as to the City of Boulder and the Boulder Exchange of the Mountain States Telephone & Telegraph Company. It is quite apparent in this record, as far as the

residential customers of the Boulder Area are concerned, that they do not want or desire to have the Metro '65 service. In view of this fact, we will not authorize Metro '65 service for the Boulder Exchange. As far as the rest of the proposed area under Metro '65, it is equally apparent that this service is needed and desired by the majority of the customers, both residential and business. Our Order to follow will approve the Metro '65 concept, but will eliminate the Boulder Exchange. This, in effect, however, will permit all of the other customers outside of the Boulder Exchange to call into the Boulder Exchange toll-free, and conversely the Boulder customers, both business and residential, will remain as at present and be charged for toll calls beyond the Boulder Exchange; that is, the Boulder Exchange rates will remain as at present for business, residential, and extension telephones, and any other exchange services proposed to be changed by the Metro '65 Plan.

Exclusive of those witnesses from the Boulder Area, the other residential witnesses, in part, opposed the rate increase for residential service. Many of these people were in the fixed-income group, i. e., living on pensions or Social Security. In addition, the majority of these people testified that they had no occasion to call within the bounds of the enlarged Metro '65 Area. The principal use of their telephone was for emergencies, in case of the need to call friends, relatives, or a doctor in time of sickness. These people consider their telephone a necessity and the continued offering by Mountain States Telephone & Telegraph Company of four-party flat-rate service, the lowest cost service presently offered, should satisfy their needs.

The exhibits submitted at the hearing set forth present and proposed rates for the various types of service as proposed in Metro '65 and on a pro-forma basis the results as far as investment, income and expenses are concerned under the Metro '65 Plan. These exhibits have enabled the Commission to determine if the rates as proposed by the Telephone Company produce results which places their over-all operation within a zone of reasonableness. It is our opinion this result is not achieved. The present rates are based on "value of service" concept, and were approved by this Commission by Decision No. 41423, of October 28, 1953. The "value of service" concept has also been approved heretofore by this Commission by Decision No. 38836, and affirmed

by the Colorado Supreme Court, in 129 Colorado 54. We will again apply the same concept in setting the rates herein for Metro '65.

Having in mind the present earnings position of the Telephone Company, both on an actual and a pro-forma basis, assuming Metro '65 as proposed be instituted, certain modifications are necessary in the rates and service as proposed in addition to the elimination of the Boulder Area. The last formal rate case which approved the existing rates of the Telephone Company was in the Year 1953, and there is evidence in this record that the cost of debt to Applicant is higher at this time than when the Commission set the rate of return. The adjustments we will make herein will reduce the earnings of the Telephone Company and having in mind the present cost of debt capital, we believe that the rates will bring Applicant's present earnings within a zone of reasonableness in light of today's money market.

The Telephone Company proposed to decrease the charges for extension telephones for both business and residence service in its proposed Metro '65 Plan. Based on the evidence in this record, we fail to see where this decrease is justified. While this decrease amounted to 30¢ per month for extension telephones and would provide a uniform charge in the Metro Area, we do not believe that this is in line with the value of service concept, and therefore will disallow the proposed rate. Some of the areas that will be included in the Metro '65 Plan now have a lower rate for extension telephones than the present Denver Metro Rate. We will require that the Telephone Company file a new tariff to provide that all extension telephones, both business and residence, in the Metro Area, be brought to the level of the present Denver Metro Rate. We repeat that this does not affect the Boulder Exchange.

Having in mind the value of service concept, we believe that the rates as proposed for business and related services, again excluding the Boulder Exchange, are just and reasonable and should be permitted to become effective, with the exception of the extension rate referred to above. The evidence in this record, as far as business service is concerned, is overwhelmingly in favor of the Metro '65 concept and the business people desire it. We note that there are possibilities that certain types of business in the proposed Metro '65 Area would not benefit as much as other types of business. Under the proposed rates,

however, the Telephone Company is offering throughout the Metro '65 Area a one-party measured business service for \$8.30, which should meet the needs of those types of businesses not benefitted by the one-party flat-rate service. This one-party measured business service will be offered in all of the exchanges in the Metro '65 area, and will provide this type of service in several exchanges not heretofore offered. Again, the Boulder Exchange is not to be included. The rate will be increased \$1.20 per month over the existing rate, except in Broomfield, which will have a reduction to conform to the uniform Metro '65 Rate.

Having in mind the financial position of the Company and the value of service as it pertains to residential service in the Metro '65 Area, again excluding the Boulder Exchange, we fail to see where the company is justified in proposing an increase in rates for residential service. While it is true there will be additional investment and the elimination of certain toll and inter-exchange revenues, we believe the company can inaugurate this service without the need for increased rates at the residential level. While there is no need, as we believe, to increase the present Metro residential rates, it will be necessary, however, as to those exchanges outside the present Denver Metro now to be included in the Metro '65 Area to adjust the residential rates to the level of the present Denver Metro Rates. It would be inequitable not to adjust these residential rates to the level of the present Denver Metro because with the institution of this new service, these outlying exchanges will have the same calling privileges as the present Denver Metro customers, and therefore the value of service to them is at least equal to the present Denver Metro Area. Again we are not including the Boulder Exchange in the Metro '65 Plan. This, in effect, means that exchanges such as Brighton, Castle Rock, Coal Creek, Lafayette, etc., will receive an increase in residential rates, but only to the level of the present Denver Metro Rates. Also, when the Evergreen-Lookout Mountain-Morrison Exchanges are cut over as a part of the Metro '65 Plan, residential rates will be increased to the existing Denver Metro Rates. Broomfield concurrently will be reduced from its present rate-level to conform to the Denver Metro Rates.

In an undertaking of the magnitude of Metro '65, it is not feasible

to put the Plan into effect in its entirety at one time, insofar as it concerns the construction of additional facilities. For this reason the Telephone Company has been approaching the Metro '65 Plan in increments. At the present time, the Broomfield-Northglenn Exchange has limited outward toll-free calling privileges into the Denver Metro Area until the date of final cut-over of Metro '65 when the service will go in both directions to the entire Metro '65 Area on a toll-free basis. The company proposes the same incremental approach to Metro '65 as far as Lookout Mountain-Evergreen-Morrison Exchanges are concerned. By its proposal it would put into effect, as of July 1, 1964, the approved Metro '65 rates with only toll-free calling from these exchanges to Denver and to contiguous exchanges on a one-way basis from these exchanges outward. When Metro '65 is fully implemented, the toll-free calling would then apply in both directions to the entire Metro '65 Area. Since we here approve Metro '65 with the modifications outlined herein, Mountain States may proceed with its cut-over plans as scheduled in the Lookout Mountain-Evergreen-Morrison Exchanges. Also the existing rates in the Broomfield-Northglenn Exchange should be reduced to the level of the approved Metro '65 Rates, as of July 1, 1964.

F I N D I N G S

THE COMMISSION FINDS:

That the above Statement be made a part hereof, by reference.

That public convenience and necessity require the Metro '65 Plan, as modified by our Order herein.

That the City of Boulder and the Boulder Exchange of the Mountain States Telephone & Telegraph Company should be deleted from the Metro '65 Plan as proposed by the Telephone Company, as far as outgoing calls to other exchanges are concerned.

That the City of Boulder and the Boulder Exchange should be a part of the Metro '65 Area, in order to receive incoming calls from other exchanges in the Metro '65 Plan.

That there should be no change in the rates for telephone service to the City of Boulder or the Boulder Exchange of the Mountain States Telephone & Telegraph Company for residential, business and general exchange telephone services

in said exchange.

That the local service rates for business service and all general exchange services for business, excluding the Boulder Exchange, as proposed by the Mountain States Telephone & Telegraph Company and as filed with this Commission in its Metro '65 Plan are just, reasonable, and should be permitted to become effective as set forth in our Order to follow.

That the local service rates for residential and related telephone service as proposed by Mountain States Telephone & Telegraph Company in its Metro '65 Plan are unjust, unreasonable, and should not be permitted to become effective.

That the rates as proposed for business and residence extension telephone service are unjust, unreasonable and should not be permitted to become effective as proposed in the Metro '65 Plan.

That Mountain States Telephone & Telegraph Company should file revised tariff sheets restoring the rates for business and residence extension telephone service, for all exchanges in Metro '65 authorized herein, to the level now existing for Denver Metro.

That the Mountain States Telephone & Telegraph Company should file revised tariff sheets to decrease the rates for residence telephone service for the exchanges in Metro '65 as authorized herein, to the level now existing for Denver Metro and revised tariff sheets, as required, to conform general exchange service prices to Denver Metro.

That the rates to be approved herein for residential and business service under the Metro '65 Plan as they pertain to one-way service to the exchanges of Morrison, Lookout Mountain and Evergreen should be permitted to become effective on July 1, 1964, on the filing of said tariff sheets with the Commission on not less than one day's notice.

That the rates for residential and business service to the Broomfield-Northglenn Exchange as authorized herein should be permitted to become effective July 1, 1964 on the filing of said tariff sheets with the Commission on not less than one day's notice.

That all suburban rate areas should be eliminated and combined with base rate areas in accordance with the proposed Metro '65 Plan.

That the Telephone Company should file tariff sheets with the rates as approved herein for the balance of the Metro '65 Area, excepting Boulder, to become effective in the Year 1965 at the time that the Metro '65 Plan is finally inaugurated.

That all of the rates authorized herein are just and reasonable and should be permitted to be filed in accordance with the Findings and Order herein.

O R D E R

THE COMMISSION ORDERS:

That public convenience and necessity require the Metro '65 Plan of the Mountain States Telephone & Telegraph Company as modified by the above Statement and Findings, and this Order shall be taken, deemed, and held to be a certificate of public convenience and necessity therefor.

That the Mountain States Telephone & Telegraph Company be, and hereby is, authorized to file with this Commission on not less than one day's notice revised tariff sheets, all in accordance with the above Statement and Findings, made a part hereof, by reference.

That except as noted specifically in the above Statement and Findings, all other rates and services as proposed in Metro '65 are just and reasonable, and should be permitted to become effective in accordance with the Order herein.

That the rates as approved shall become effective with all telephone bills mailed on or after July 1, 1964, or 1965, as applicable.

That this Order shall become effective forthwith.

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

HENRY E. ZARLENGO

HOWARD S. BJELLAND

RALPH C. HORTON

Commissioners

Dated at Denver, Colorado,
this 26th day of June, 1964.

mw

(S E A L)

ATTEST: A true copy:

J. J. Mahoney
Secretary