

BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA.

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ORIGINAL

Decision No. 1318

In the Matter of the Application of
PACIFIC TELEPHONE AND TELEGRAPH COM-
PANY for leave to continue to charge
the toll rates in effect on the 10th
day of October, 1911, until the further
order of the Commission.

Application No. 2.

In the Matter of the Investigation into
the rates, charges, rules and regulations
in connection with the interexchange tele-
phone service of the PACIFIC TELEPHONE
AND TELEGRAPH COMPANY within the State of
California.

Case No. 407.

James T. Shaw for applicant.

ESHELEMAN, Commissioner.

OPINION.

This is an application to modify the previous order of
this Commission entered in these cases. The application involves
primarily two changes in the Commission's order, first, it changes
the first three multiples embodied in the Commission's schedule of
rates; and, second, it involves the application of the schedule for
two number rates as modified by the changes in the three multiples
involved. The Commission's schedule fixes the three multiples
referred to as follows:

	<u>Initial Rate</u>	<u>Overtime</u>
Up to and including 19 miles	10¢	5¢
From 19 miles up to and including 34 miles	15¢	5¢
" 34 " " " " 44 "	20¢	10¢

The modification involved in this application would change
these three multiples as follows:

	<u>Initial Rate</u>	<u>Overtime</u>
Up to and including 14 miles	10¢	5¢
From 14 miles up to and including 29 miles	15¢	5¢
" 29 " " " " 44 "	20¢	10¢

By comparison the two schedules appear as follows:

<u>Distance</u>	<u>Commission's schedule</u>	<u>Modified schedule</u>
Up to 14 miles	10 - 5	10 - 5
From 15 to 19 miles	10 - 5	15 - 5
" 20 " 29 "	15 - 5	15 - 5
" 30 " 34 "	15 - 5	20 - 10
" 35 " 44 "	20 - 10	20 - 10

From this comparison it will be seen that the rates under either of these schedules will be the same except in two classes of toll rates, namely, those falling within distance of 15 to 19 miles and those falling within distance of 30 to 35 miles. In these two classes of routes the rates provided in the Commission's order will be increased 5 cents by the modified schedule, and this increase will apply both to particular party and to two number rates.

The Commission's order, heretofore rendered, contains a clause reading as follows:

"All existing two number rates and free exchange zone routes to remain as at present until acted on after separate consideration by the Commission."

According to the evidence, there are approximately 54 present toll routes having two number rates. Under the provisions of the clause quoted, the Telephone Company will be allowed to continue the present two number rates now in effect over these 54 two number routes until acted upon by the Commission; and if separate consideration were given in each case, approximately 54 hearings before the Commission would be required, but by the adoption of the Commission's two number schedule at this time the necessity of these hearings will be eliminated.

The Telephone Company claims that according to computations which it has made, based upon business for the year 1912, the application of the schedule to particular party business only, as proposed to be modified, would result in a saving in annual revenues of approximately \$28,000. In other words, the reduction in the company's revenue under the modification herein applied for would be \$28,000 less than the reduction in revenue under the Commission's order.

On the other hand, the application of the Commission's schedule, as modified, to two number rates which under the order heretofore rendered are to be left as they now are, would result in a reduction of approximately \$84,000 in annual revenues, or by the application of the schedule as modified to particular party business and also to two number business, a net reduction in annual revenue in excess of the reduction which would result from the application of the Commission's order as applied to particular party business only, and without this modification, would be approximately \$56,000. In short, one change which the company asks to be made would result in an increase in revenue of \$28,000 per annum, while the other change which contemplates the application of the Commission's schedule to two number rates and free exchange zone routes, which by the order are to remain unchanged, would result in a loss to the company of \$84,000 per annum; and the net result of giving to the company all that it asks in this application would be a reduction in its income of \$56,000 per annum. The Company explains that it is willing to do this because of the fact that it desires to clear up the entire situation at this time and that it is felt if the two number rates are left as they are inevitably hearings will be held thereon and the Commission will bring about the reductions which are herein voluntarily accorded. The company explains its desire to change the rates for short distances on the ground that dissatisfaction will inevitably arise between the localities affected by these short distance rates when it appears that in some instances rates for short distances are the same as rates for considerably longer distances.

The results that would follow from the granting of the application are as follows:

Reduction in revenue from 1912 resulting from
the application of the Commission's order
for particular party business only.....\$450,000.00

Reduction from modified schedule for particular
party business only.....\$450,000.00

Less..... 28,000.00
\$422,000.00

Reduction in particular party revenues plus
reduction in two number revenues by the ap-
plication of the modified schedule for both
particular party and two number business.....\$422,000.00

Plus..... 84,000.00
\$506,000.00

Therefore, the net result, as has already been said
will be a reduction in the revenue of this company of \$506,000.00
per annum instead of \$450,000.00 per annum.

The Commission's order provides that where optional
particular party and two number rates are quoted the two number
rates shall be based upon standard particular party rates and the
particular party rates in such instances to become 5 cents higher
than otherwise. The association of optional particular party and
two number rates is what the Telephone Company refers to in the
evidence as "associated rates".

A matter of vital importance is involved in the adoption
of the Commission's order with reference to two number rates. The
minimum rate for two number tolls under the Commission's schedule
is 10 cents for the initial period of three minutes and 5 cents for
each additional minute or fraction as an overtime charge. A few
of the present two number rates, noticably the so-called transbay
rate, by which is meant the rate between San Francisco and Oakland,
Alameda and Berkeley, allow a rate of 3 cents for overtime, hence
the adoption of the Commission's two number schedule in its entirety
would increase the overtime charge over those routes which now carry
the 3 cent rate from 3 cents to 5 cents. The figure of \$56,000.00,
which it is estimated the changes herein desired to be made will be
brought about, does not contemplate the effect of increasing the

transbay rate for overtime from 3 cents to 5 cents. The Telephone Company frankly states that it was not its purpose when applying for a modification of the Commission's order to increase that particular rate, and it is admitted that the application does not formally present this issue. However, all other existing two number routes having a overtime rate of 3 cents have been considered in this figure of \$56,000. There are four two number routes involved in which the overtime rate will be increased from 3 cents to 5 cents, as follows:

Palo Alto	-	Los Altos
Palo Alto	-	Mountain View
Los Angeles	-	Sunland
Riverside	-	San Bernardino.

Of the two number routes affected by the modified schedule, there are nine in which the initial rate will be increased from 10 cents to 15 cents, namely:

San Francisco	-	San Leandro
San Francisco	-	San Mateo
San Francisco	-	San Rafael
Oakland	-	San Rafael
Oakland	-	Mill Valley
Oakland	-	San Mateo
San Jose	-	Palo Alto
Santa Clara	-	Redwood City
Los Angeles	-	Redondo

This, however, does not bring about an increase over the present rate or bring about an increase of 5 cents over the changed rate prescribed in the order, but in either event if the modification is allowed the rate hereafter becoming effective will be less than the present rate.

Were the overtime rate between San Francisco and the bay cities to be increased from 3 cents to 5 cents, the effect would be the saving of approximately \$19,000 per year to the company and would reduce the loss of \$56,000 above mentioned to approximately \$37,000.

With respect to increasing the overtime charge from 3 cents to 5 cents in the transbay rate, while, as has already been said, this was not contemplated in the application, it is nevertheless apparent that the Commission's approval of this increase is, from the company's standpoint, very much to be desired. That the

result of such approval would arouse inevitable comment and dissatisfaction from residents of these cities is highly probable, but it is not less probable that were approval denied the fact of these cities having a preferential rate would likewise meet with disfavor from those other cities which were discriminated against if they were denied a similar rate for overtime. It probably is true that of the two situations the one involving the adoption of the two number schedule in its entirety, which, of course, involves the approval of the transbay overtime charge, is the one which will be most easily defended because of the inconsistency of the other, unless it be shown that the conditions affecting the transbay situation are different from those in other territory involved.

It appears to me, without a careful investigation, that there may be conditions involved in the relationship between these transbay cities that do not exist elsewhere, and that it might be found that a different overtime rate might be justified on the ground of the close relationship and large population involved. However this may be, I believe it wise to defer a determination of this question until it can be determined whether or not the discrimination as to overtime charges for transbay rates is justified, and I shall recommend no order at this time with reference thereto.

I submit the following order:

O R D E R

Application having been made to this Commission by The Pacific Telephone and Telegraph Company on the 19th day of January, 1914, for a modification of the Commission's Decision No. 1082, by which the Commission fixed a schedule of rates to be charged by said telephone company for particular party and two-number toll service between points within the State of California; and a public hearing having been held thereon; and the Commission having duly considered the effect which the said modification would have upon the rates heretofore ordered to be placed into effect; and it having further duly considered the effect which the said modification would have upon the toll revenues of the applicant telephone company; and it thereupon appearing to the Commission that the granting of this application would result in a more consistent and reasonable schedule of rates with respect to the first three multiples of the Commission's schedule hereinabove referred to,

IT IS HEREBY ORDERED: That Exhibit No. 1 attached to and made a part of the original Order contained in said Decision No. 1082, be modified as follows and not otherwise, to-wit:

- (1) The first four lines of the schedule hereinabove referred to shall be modified to read as follows:

<u>Air Line Mileage</u>	<u>Initial Rate Two Minutes or Less</u>	<u>Overtime Rate Each Add'l. Minute or Fraction Thereof</u>
Up to and including 14 miles	10¢	5¢
Over 14 up to and including 29 miles	15¢	5¢
Over 29 up to and including 44 miles	20¢	10¢

- (2) In the next to the last line of Page 2 of Exhibit No. 1, hereinabove referred to, the words "two-number rates and" be stricken out so that the clause (referring to existing two-number rates and free exchange zone routes),

shall read as follows:

"All existing free exchange zone routes to remain as at present until acted on after separate consideration by the Commission."

PROVIDED, that the present two-number toll rates now in effect between San Francisco, Oakland, Berkeley, and Alameda will not be altered without the further authorization of this Commission.

AND PROVIDED FURTHER, that the schedule of rates as modified by this order and as hereinabove referred to shall become effective on or before the 21st day of March, 1914.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 2nd day of March, 1914.

John W. Eickelman
H. S. Leland
Edwin C. Edgerton

Commissioners.