

Decision No. 9180

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the matter of the investigation
 into all the rates, charges, rules
 and regulations of The Western Union
 Telegraph Company.

Case No. 1355.

Beverly L. Hodghead, for The Western Union
 Telegraph Company.

Martin, Commissioner,

O P I N I O N

The Western Union Telegraph Company, having been under the exclusive jurisdiction and control, both as to rates and service and all other phases of operation, of the Postmaster General of the United States, acting for and on behalf of the President, from August 1, 1918 to August 1, 1919, and it having during the time of such control increased the rates theretofore in effect for service rendered by it between points within the State of California, under direction of the Postmaster General; and the Federal enactment authorizing the release of telegraph and telephone systems from Federal control at midnight July 31, 1919, having provided for the continuance of all of the rates established during such control for a period not to exceed four months from the effective date of the Act unless sooner modified or changed by the public authorities having jurisdiction thereof, the Railroad Commission, on August 1, 1919, issued its General Order No. 56 continuing in effect the rates which were established during Federal control

until changed by the Commission in a proceeding at the time instituted on its own initiative to determine the reasonableness thereof. It is this proceeding, known as Case No. 1355, that is now before the Commission for determination.

Public hearings were held in San Francisco on September 16, 1919, and October 18, 1920, and the matter submitted on the latter date, permission to submit additional evidence being allowed. This additional evidence relating to investment and operation has been submitted and the case is now ready for decision.

The Western Union Telegraph Company is engaged in a general commercial telegraph business throughout the United States and the increased rates which were made effective in California during Federal control were those which were made uniformly effective throughout the United States.

The business of The Western Union Telegraph Company within California is both interstate and intrastate in character. All of its facilities for conducting its business, its plant and property and its working forces, are subject to both, but only a portion of its revenues and expenses arise directly from its intrastate business. The amount of its investment in physical plant and property devoted to intrastate as distinguished from interstate service and the amount of revenues and expenses arising therefrom and which it is necessary to consider in a determination of what constitutes reasonable rates in this Case, can be determined only by apportionment to interstate and intrastate service.

At the hearing of October 18th the Company filed various exhibits which include a statement of its investment in plant within California and statements of its revenues and operating expenses, both intrastate and interstate, together with a detailed statement of the methods by which its intrastate revenues and operating expenses are apportioned. The investment figures presented are based

upon its appraisal of the reproduction cost now, of its entire physical property within the State, as of June 30, 1919. These figures show only the total appraisal amounts of the various items of property without inventory quantities and unit costs, but upon the request of the Commission's engineers the items upon which they are based were submitted in detail for their examination subsequent to the hearing. The revenue and expense statements presented at the hearing were for the year 1919. Since that time similar statements for the year 1920 have been presented.

It is claimed by the Company that the rate increase authorized during the period of Federal control was granted to offset increases in operating costs which had been incurred but that since the increase was made effective on April 1, 1919, further increases in wages have absorbed the rate increase and urges that it has not profited from the increase in rates. This claim is supported by the evidence.

In comparison with appraisals of other properties made by other utilities and by the engineers of the Commission, as far as those properties are comparable with the physical plant of The Western Union Telegraph Company, the unit costs of some of the major items of plant upon which the Company's valuation is based appear to be high. If, as it appears from the Company's operating statements, however, the net income from intrastate service for the year 1919 was sufficient to show an earning of only 1.63% on its claimed valuation of the property devoted to that service, the difference in valuation which may be disclosed by an independent appraisal would not be sufficient to show that under present rates the Company is earning an excessive rate of return. The statements presented for the year 1920 show further that operating expenses, taxes, etc., were approximately \$41,000.00 in excess of revenues from intrastate business. A sufficient check of the Company's appraisal has been made by engineers

of the Commission to indicate that a complete re-appraisal is not necessary under the circumstances.

In certain respects we are not in agreement with the methods employed by the Company in its apportionment of revenues and expenses to interstate and intrastate service. The conclusions which it has reached however are based on studies of actual business handled over a period of thirty days and such modification or alteration of the methods of apportioning revenues and expenses as may reasonably be made would not seem to result in a finding that the present rates are excessive. We are accordingly of the opinion and it is our finding that the present rates of The Western Union Telegraph Company within this State are not unreasonable and that they should be continued in effect.

O R D E R

The Railroad Commission having ordered that an investigation be instituted on its own motion into the reasonableness of all of the rates and charges and rules and regulations of The Western Union Telegraph Company for telegraph service rendered entirely within the State of California, public hearings having been held, the matter having been submitted and being now ready for decision,

IT IS HEREBY FOUND AS A FACT, that the rates and charges and rules and regulations of The Western Union Telegraph Company for telegraph service rendered entirely within the State of California are just and reasonable. Basing its conclusions on this finding of fact and on the other findings of fact referred to in the opinion preceeding this order,

IT IS HEREBY ORDERED, that the complaint herein be and it is hereby dismissed.

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 29th day
of June, 1921.

H. T. Boudier,

Dwight Martin

J. P. Remondet
Commissioners.