

Decision No. 38420

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of  
INTERSTATE TELEGRAPH COMPANY, a corpo-  
ration, for an Order Authorizing said  
Company to Adopt and Make Effective  
Through or Direct Toll Telephone  
Message Rates in Inyo and Mono  
Counties, California, for California  
Intrastate Toll Telephone Messages  
Interchanged with Southern California  
Telephone Company, a Corporation.

Application No. 26892

Willard Wade and H. M. Hammack, for Applicant,  
Interstate Telegraph Company.  
Lawler, Felix and Hall, by Leslie C. Tupper,  
for Southern California Telephone Company  
Frank V. Rhodes, for California Independent  
Telephone Association

BY THE COMMISSION:

O P I N I O N

In this application Interstate Telegraph Company seeks authority to adopt and make effective through or direct toll telephone message rates in Inyo and Mono Counties, California, for California intrastate toll telephone messages interchanged with Southern California Telephone Company and to revise certain toll telephone tariff sheets coincident with making effective such direct toll telephone rates.

At the hearing in this proceeding held before Examiner Wessells in Independence on November 8, 1945, evidence was presented and the matter was submitted for decision.

Interstate Telegraph Company, hereinafter also termed Interstate Company, is engaged in a general exchange and toll telephone and telegraph business in the Counties of Inyo, Kern, Mono, and San Bernardino, in the State of California, and in the Counties of Esmeraldo, Lyon, and Nye, in the State of

Nevada. Within this area, Interstate Company serves thirteen exchanges, all located in California as shown on the map filed as Exhibit 3 in this proceeding, and had connected to its system at the end of 1944 a total of 2,958 stations, 2,931 of which were in California and 27 in Nevada. Applicant also furnishes toll telephone service within and into its service territory and reaches 86 toll points on its system in California, 80% of which are located in Inyo and Mono Counties. Toll telephone messages are interchanged with Southern California Telephone Company at Highland, Mojave, and San Bernardino, and with United Farmers Telephone and Telegraph Company at Coleville, Mono County, California. Interstate Company's financial statement as of June 30, 1945, Exhibit 7, shows telephone plant in service of approximately \$1,644,000 and gross operating revenues for the six-month period ending June 30, 1945, of approximately \$344,000, of which 18% was from local service, 81% from toll service, and 1% from miscellaneous services. A substantial portion of Interstate Company's revenues, particularly in Kern and San Bernardino Counties, is derived from military activities.

Message toll telephone rates applicable to messages interchanged between Interstate Company and companies with which it connects are on an other-line rate basis, except for "long line" messages and Big Bear Lake area messages interchanged with Southern California Telephone Company, which excepted messages are on a direct rate basis. Under other-line rates the toll charge is based on the combination of two or more companies' charges between connecting points and the originating and terminating stations and may vary with routing of a particular message. Under direct rates the toll charge is based on the direct airline distance between originating and terminating toll rate points without regard to routing. The direct rate basis of quoting toll rates is the method generally in effect throughout California and the nation.

Mr. W. G. Wade, Manager of Interstate Company, testified that due to the increased charge for telephone toll service arising from the application of other-line rates compared with toll charges under direct rates, Interstate

Company has experienced much misunderstanding and numerous complaints from telephone users, particularly in Mono and Inyo Counties, the area with relatively higher toll charges because of its greater distance from the connecting points to the south. This proceeding is the culmination of studies initiated in 1943 between the Railroad Commission and Interstate Company, looking toward a solution of the other-line rate situation, particularly as it affects the northern portion of the system.

After study and consideration of several rate plans, the introduction of direct message toll telephone rates in Inyo and Mono Counties as proposed in the application was the plan selected as the initial step in the making effective of direct rates over the entire system. Under the rate plan toll messages interchanged with United Farmers Telephone and Telegraph Company will be transmitted either on an other-line rate basis through the Coleville connecting point or on a direct rate basis through facilities of Southern California Telephone Company, the routing and rate to be determined in each instance by the lowest charge to the user. In addition, Applicant plans to make effective concurrently with the adoption of direct rates for California intrastate interchanged traffic requested in the application, direct rates for all interstate toll telephone messages interchanged between all of its California rate points and all rate points of Southern California Telephone Company in the States of Idaho, Nevada, Oregon, and Washington.

The testimony shows that the adoption by Interstate Company of direct rates in Inyo and Mono Counties will necessitate the revision of certain toll rate tariff sheets as set forth in Exhibit 1 and as modified by Exhibit 2. These tariff revisions include a general statement setting forth that direct rates apply to the Inyo and Mono County points and provide for a change in rate from Interstate Company level to Southern California Telephone Company level applicable to traffic between Inyo and Mono County points and the connecting points at San Bernardino and Mojave.

Mr. Frank Freeland, Commercial and Rate Engineer of Interstate Company, testified that the revenue effects of introducing direct rates for California

intrastate and Pacific interstate messages as proposed in this application are an annual net reduction of \$46,682 in Interstate Company's revenues, of \$24,609 in Southern California Telephone Company's revenues, or a total annual net reduction of \$71,291 to both companies. Of the total annual net reduction of \$71,291, it is estimated \$57,738 is applicable to California intrastate messages and \$13,553 is applicable to Pacific interstate messages. Toll charges on approximately 41,972 California intrastate messages and 10,855 Pacific interstate messages or a total of 52,827 messages will be reduced by the application of direct rates as proposed. The above estimates include increases estimated at \$72 annually involving rate increases ranging from \$0.05 to \$0.20 on 600 night and Sunday station-to-station messages. Details of these estimates are set forth in Exhibit 5.

Substantial reductions in toll rates, ranging up to \$3.45 for a three-minute person-to-person night and Sunday message between Leevining and Truckee, result under the proposed direct rates. Exhibit 4 gives a comparison between present other-line rates and proposed direct rates over typical routes.

Under the proposed rates there will be certain instances where the initial period rate is greater for a shorter than for a longer distance over the same line in the same direction, the shorter being included within the longer distance. Such exceptions to Section 24(b) of the Public Utilities Act as may result from the different rate structures will be terminated upon the achievement of the ultimate objective which is a uniform direct rate structure for both intracompany and intercompany traffic. We are of the opinion that such exceptions are justified.

Mr. Howard Boylan, Comptroller of Interstate Company, testified concerning the effect of introducing direct rates on Applicant's earnings. For the twelve months ending April 30, 1945, Interstate Company's average depreciated rate base is reported at \$1,530,333, with a return earned under present rates of \$91,185 and under proposed direct rates of \$82,446 or a reduction of \$8,739.

The record shows that Southern California Telephone Company addressed a letter to Interstate Telegraph Company, under date of October 30, 1945, stating

in part that it is in accord with the objective of the application, and is willing to cooperate with Interstate Company in the necessary tariff filings and to make the direct rates effective on the date ordered by the California Railroad Commission.

No one appeared at the hearing in opposition to the proposed rates. Mr. W. W. Dunlop, Senior Engineer of the Commission's Telephone and Telegraph Division, at the hearing recommended the adoption of the rates as proposed by Applicant.

We are of the opinion that the requests contained in this application are in the public interest and should be granted.

O R D E R

Interstate Telegraph Company having made application to adopt and make effective through or direct toll telephone message rates in Inyo and Mono Counties, California, for California intrastate toll telephone messages interchanged with Southern California Telephone Company and to make revisions in toll telephone tariff sheets, a public hearing having been held, and the matter being ready for decision.

THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA hereby finds as a fact that the proposed changes in rates are in the public interest and justified, therefore,

IT IS HEREBY ORDERED as follows:

1. That Interstate Telegraph Company hereby is authorized to file with the Railroad Commission on or before January 20, 1946, in accordance with the provisions of General Order No. 96 and not later than five (5) days immediately preceding their effective date, the rates for message toll telephone service set forth in Exhibit 1 as modified by Exhibit 2.
2. That Interstate Telegraph Company hereby is relieved from the operation and requirements of the long and short haul provisions contained in Section 24(b) of the Public Utilities Act to the extent the rates herein authorized depart from the long and short haul provisions.

This Order shall become effective on the twentieth day after the date hereof.

Dated at San Francisco, California, this 20<sup>th</sup> day of November, 1945.

Harold K. Hudson  
Justin F. Quisenberry  
Thomas W. Barry  
James F. Powell  
Harold P. Hule  
Commissioners.