

Decision No. 38675

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of  
LOS GATOS TELEPHONE COMPANY, a corporation,  
for an order authorizing proposed changes  
in schedule covering directory advertising  
rates and conditions pertaining thereto.

**ORIGINAL**

Application No. 27209

BY THE COMMISSION:

OPINION AND ORDER

Los Gatos Telephone Company, applicant in this proceeding, requests authority to modify its telephone directory advertising rates and conditions effective with the next issue of the directory scheduled for April 1, 1946.

The present rates for directory advertising were established several years ago since which time the number of subscribers has grown substantially resulting in an increase in circulation, and in the cost of compiling, publishing, and delivering the directory. It is stated in the application that the revenue from directory advertising in recent issues has not been sufficient to cover the cost of issuing the directory. Accordingly, applicant now proposes to make certain changes in the billing practice for directory advertising charges, to offer trade-mark and trade-name advertising, and to increase the charges for advertisements.

It is proposed to bill the customers for advertising service on a monthly basis rather than on a per issue basis as at present. This change would place the directory on a billing period basis like other directories for comparable service. Applicant in Exhibits "A" and "B", attached to the application has shown present and proposed directory advertising rates. The level of the rates proposed is comparable to that for similar directory service of other California telephone utilities furnished under similar conditions. Exhibit "C" attached to the application is a form of advertising contract similar to those on file with the Commission by other telephone utilities.

Directory advertising rates of California telephone public utilities are under the regulation of the Railroad Commission. The revenue from directory advertising service in accordance with the classification of accounts prescribed by the Commission is included in operating revenues and the expenses incurred in preparing copy, printing, binding, and distributing directories and the cost of securing advertisements for directories are included in operating expense. The increases in rates requested in the application are expected to provide additional directory revenues to offset directory costs.

Exhibit "D" attached to the application is a comparison of the revenues and expenses of the Los Gatos Telephone Company for the five-month period, August through December, 1944 and 1945. This statement indicates that the net revenues for the five-month period of 1945 were \$1,905.93 compared with \$7,363.81 for the five-month period in 1944, or a reduction in net revenue of \$5,457.88.

Applicant gave notice by letter dated February 4, 1946 to the Office of Price Administration of the proposed directory advertising rate increases herein involved.

Los Gatos Telephone Company having made application for authority to increase rates and modify conditions, relating to its directory advertising service, the Railroad Commission having considered applicant's request and being of the opinion that a public hearing in the matter is not required and that the application should be granted,

THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA hereby finds as a fact that the increases in directory advertising rates herein ordered are justified, therefore,

IT IS ORDERED as follows:

- I. Los Gatos Telephone Company may make effective, beginning with the next issue of its Los Gatos Telephone Directory, the rates and conditions as shown in Exhibit "B" attached to the application.

2. The above directory advertising rates and conditions authorized and ordered and the advertising contract form as shown in Exhibit "C" attached to the application shall be filed with the Railroad Commission not later than five (5) days immediately preceding their effective date.
3. The effective date of this Order shall be thirty (30) days from and after the date hereof.

Dated at San Francisco, California, this 13<sup>th</sup> day of

February, 1946.

Edward C. Culver

Frank W. Dwyer  
James H. Russell  
Harold H. Huls  
Commissioners.