

Decision No. 39219

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of

THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY, a corporation, SOUTHERN CALIFORNIA TELEPHONE COMPANY, a corporation, and THE WESTERN UNION TELEGRAPH COMPANY, a corporation,

for an order authorizing the execution of two agreements, one covering the leasing of circuits within exchange areas, certain items of telephone equipment, and duct and pole line attachment space, and one covering the leasing of circuits between exchange areas.

Application No. 27662

O P I N I O N

The Pacific Telephone and Telegraph Company, Southern California Telephone Company, and The Western Union Telegraph Company join in an application seeking an Order from the Commission authorizing them, under Section 51(a) of the Public Utilities Act, to execute two contracts and a letter modification for the leasing of facilities between the telephone companies and the telegraph company in accordance with the terms and conditions set forth in Exhibits A, B, and C to the application.

The proposed contractual arrangements, to be dated August 1, 1946, terminate the previous contracts, dated August 17, 1928, and all amendments and supplements thereto.

Generally, under the 1928 contracts, the telephone companies provided circuits and equipment required by the telegraph company when such were available. Under the new contracts, the telephone companies agree to furnish facilities required by the telegraph company for use in its telegraph business, subject however to the requirements of the telephone companies being given priority. The new agreements also permit the telegraph company to superimpose carrier upon the leased facilities thereby making greater use of the facilities.

Applicants propose to execute the contracts under date of August 1, 1946 and make them effective on the same date. Each contract provides that it will continue in force for a period of eight years from the date of execution and until terminated by three years' written notice of intention to terminate, which notice may be given by either party to the other at any time after five years from the date of execution.

Contract No. 1, attached as Exhibit A of the application, includes three separate schedules of rates and charges. Schedule A - Rentals for Circuit Facilities - covers the leasing of circuits within exchange areas. Schedule B - Rentals for Telephone Equipment - covers the leasing of telephone sets and certain other items of telephone equipment and Schedule C - Rentals for Duct and Pole Line Attachments - sets forth the charges for duct and pole line attachment space.

Contract No. 2 (Exhibit B) covers the leasing of circuits between exchange areas, the charges for which are shown in Schedule A of that contract.

The letter modification of Contract No. 1 (Exhibit C) accords to Western Union the right to use certain circuits for purposes other than those stated in Section 3 of the said contract for a period of one year in order that the telegraph company may have a reasonable time in which to make necessary re-arrangements of facilities. Section 3 does not permit use by the telegraph company of circuits leased from the telephone companies for the remote control and operation of clocks. Section 3 does not provide for the furnishing of circuits to the telegraph company for the use of American District Telegraph Company of New Jersey and its controlled companies in connection with burglar alarm, fire alarm, police alarm, sprinkler alarm, and watch signal services. Under the 1928 contracts, circuits leased to the telegraph company are permitted and used for the above-mentioned services. However, the new contracts eliminate such uses for leased circuits and, following the one-year period granted by the letter of modification, the commercial rates will apply for such circuits.

The 1928 contracts include an agreement covering the billing and collecting for telephoned telegrams by the telephone companies. As this arrangement

does not involve the leasing of facilities, it has been excluded from these new contracts and will be covered by a separate agreement between the parties.

While the figures set forth in this paragraph are not of record in this proceeding, the Commission's staff has been advised by the telephone companies that, based on the volume of business for the month of March, 1946 the estimated annual revenue effect<sup>(1)</sup> of the new contracts is to reduce charges for leased local exchange circuit facilities, excluding alarm and clock circuits, from \$67,160 to \$55,512, or a reduction of \$11,648. The estimated annual effect on charges for leased interexchange circuit facilities is to reduce charges from \$80,865 to \$50,520, or a reduction of \$30,345. The new contracts thus result in an estimated annual decrease in charges of about \$42,000 or 28.2%. The commercial rates applicable to clock and alarm circuits, following the one-year period granted by the letter of modification, will result in higher charges than under the 1928 contracts and the estimated annual revenue effect in connection with these facilities is an increase from \$73,271 to \$83,532, or an increase of \$10,261.

The telephone companies have also advised the staff that it is anticipated increased business resulting principally from the additional types of circuits offered under the new contracts will offset these reductions.

Applicants allege that under the new contracts, arrangements will be effected which will facilitate obtaining economically circuits and facilities which may be required by the respective parties in the furnishing of communication service to the public. Applicants further allege that the leasing of facilities by one Applicant to the other under the new contracts will in no manner impair the ability of the lessor to meet its obligations to the public in the furnishing of communication service.

The Commission, having considered the application, is of the opinion that the application should be granted and that a public hearing in the matter is not necessary.

(1) The figures shown are for The Pacific Telephone and Telegraph Company System including facilities in California, Nevada, Oregon, Washington, and a portion of Idaho.

O R D E R

IT IS HEREBY ORDERED that The Pacific Telephone and Telegraph Company, Southern California Telephone Company, and The Western Union Telegraph Company be and they hereby are authorized to enter into and carry out the terms of the contracts and letter modification thereof submitted in this application as Exhibits A, B, and C, respectively.

The effective date of this Order shall be the date hereof.

Dated at San Francisco, California, this 19<sup>th</sup> day of

July, 1946.

Harold Anderson

Francis Glenn

Wesley K. K. K.

Commissioners