

Decision No. 40186

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 THE WESTERN UNION TELEGRAPH COMPANY
 for an order authorizing increase in
 rates and elimination of, and revision
 of, rates covered by specific Schedules
 now on file with this Commission and
 as enumerated herein, all between
 points within the State of California.

ORIGINAL

Application No. 28245

Wheat, May, Shannon and St. Clair by Orla St. Clair
 for the Applicant, The Western Union Telegraph Company;
John J. O'Toole, City Attorney, Dion R. Holm,
 Assistant City Attorney, and Paul L. Beck, Chief
 Valuation and Rate Engineer, by Paul L. Beck for the
 City and County of San Francisco protesting that portion
 of the application referring to the elimination of
 exception rates.

ROWELL, COMMISSIONER:

O P I N I O N

The Western Union Telegraph Company, hereinafter termed Western Union, requests authority to eliminate city-to-city and city-to-state exception rates and to increase its rates for intrastate telegraph service in California to augment its over-all gross annual receipts by \$465,610. At the hearing in this proceeding held in San Francisco on April 14, 1947, evidence was presented and the matter was submitted for decision.

Effective on December 29, 1945, substantial wage awards were granted by the National War Labor Board to employees of Western Union Company. These wage increases were retroactive in the approximate amount of \$31,000,000 and recurring in the amount then estimated to be almost \$25,000,000, of which \$23,500,000 was chargeable to operating expenses (the remainder being capitalized). Following these increases Western Union applied to this Commission in July, 1946 for an over-all California intrastate rate increase of some 10% to

offset partially its added wage cost applicable to operations in this state. The rate increases requested, which previously had been made effective for the interstate business and for intrastate business in certain states, were placed into effect in California on September 3, 1946 after public hearing in the matter and pursuant to the authorization contained in Decision No. 39338, dated August 27, 1946.

Subsequent to placing into effect the above-mentioned rate changes, Western Union made further wage increases estimated at \$24,000,000 annually of which \$22,600,000 is chargeable to operating expenses and which became effective retroactive to June 2, 1946. These increases were made pursuant to the report and recommendation of the fact finding board appointed by the Secretary of Labor. Western Union estimates that the proportion of the annual wage increases applicable to California intrastate operations is \$592,912 of which \$577,662 covers wages and \$15,250 covers the social security taxes thereon. The revenue requirement of the company as a whole was examined fully by the Federal Communications Commission in Docket No. 7445. The orders in that docket, dated October 31, 1946 and December 26, 1946, authorized Western Union to eliminate city-to-city and city-to-state exception rates and to make effective a general rate increase for interstate business comparable to that herein requested by the company for intrastate business. As a result, such exception rates have been eliminated and the rate increases are now in effect for interstate business. Up to this time like general rate increases also have been made effective in 43 of the states and in the District of Columbia.

Western Union presented evidence relating to its intrastate operations for the year 1946 after giving effect to the current additional wage cost increases since June 2, 1946 as follows:

Operating revenues, including September 3, 1946 rate increase on an annual basis	\$4,162,397
Operating expenses, including additional wage costs effective June 2, 1946 expressed on an annual basis, but not including taxes or depreciation	5,004,853
Estimated net operating revenues	(842,456)
Estimated increase in revenue from increased rates requested in application	465,610
Estimated net operating revenues under requested rates	(376,846)

(Red Figure)

The estimated increases in revenue of \$465,610 shown above include \$233,156 due to the elimination of exception rates and \$232,454 as a result of increases in rates of 9.1% for public message, U.S. government message, press, money order message, and contract (CAK) services; 19.6% for news (CND) service; and 4.3% for money order premium charges. Losses in business of 1.4% and 3%, respectively, have been estimated due to the elimination of exception rates and the increasing of rates for the above-mentioned services.

These estimates of California intrastate revenues and expenses are based upon methods which include sampling and allocations between interstate and intrastate operations. While the methods of allocation may not be accurate in all respects, it is evident that possible inaccuracies would not affect the showing for a rate increase in the amount requested. However, the methods of separation will be left open for further study.

The specific request of Western Union for changes in rates is set forth in Exhibit 21. Objection was made by the City of San Francisco to the elimination of certain city-to-state exception rates. The staff of the Commission in this proceeding and in a prior proceeding, Case No. 4692, has recommended that these exception rates be eliminated. The exception rates are between southern California points and certain cities in northern California, including San Francisco, Oakland, and Sacramento. The basic rate is 60 cents while the exception rate is 48 cents for a ten-word telegram. There is also a special rate between Stockton and Bakersfield less than the basic rate. These types of exception rates are being eliminated throughout the nation, having already been removed as noted above, over interstate routes. In view of Western Union's present need for additional revenues, elimination of these exception rates should be accomplished by increasing the exception rates to the level of the standard square or state rates whichever may be applicable.

A review of the evidence presented leads to the conclusion that these exception rates should be eliminated and that the requested increases in rates should be authorized. The company is now proceeding with a nationwide rate study with a view to suggesting an improved rate structure for consideration

by the Federal Communications Commission. In making our order it is anticipated that when the results of this study are available, there will be further study and investigation of the company's California rate structure and service.

The following Order is recommended:

O R D E R

The Western Union Telegraph Company having applied to the Public Utilities Commission of the State of California for an order authorizing the elimination of city-to-city and city-to-state exception rates and for certain increases in California intrastate telegraph rates, a public hearing having been held, and the matter having been submitted for decision, the California Public Utilities Commission hereby finds as a fact that the elimination of these exception rates and increases in rates herein ordered are justified, therefore

IT IS ORDERED that The Western Union Telegraph Company be and hereby is authorized to file and publish, in accordance with General Order No. 96, the schedule of rates and conditions set forth in Exhibit 21 filed in this proceeding, and, after not less than three (3) days' notice to the Commission and to the public, make said rates and conditions effective on and after the effective date of this Order.

This Order shall become effective twenty (20) days after the date hereof.

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

Dated at San Francisco, California, this 22nd day of April, 1947.

Harold H. Hays
James H. Powell
A. F. ...
Commissioners.