

Decision No. 43996

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 it to install
a new rate structure applicable to
intrastate message telegraph service
within the State of California.

ORIGINAL

Application No. 31026

Pillsbury, Madison, and Sutro, by
Turner H. McBaine, and G. H. Eckhardt,
for applicant; Edson Abel, for the
California Farm Bureau Federation;
Dion R. Holm and Paul L. Beck, for the
City and County of San Francisco;
John R. Aye, for the Board of Supervisors,
County of Solano; John W. Collier and
Loren W. East, for the City of Oakland.

O P I N I O N

The Western Union Telegraph Company, hereinafter termed Western Union, requests authority to place in effect a new general rate structure applicable to its intrastate message telegraph services within the State of California which will result in an over-all increase in annual revenues of approximately \$120,000, or 2.85%, based on operations for the year 1949. At the hearing in this proceeding held before Commissioner Huls and Examiner Wessells in San Francisco on March 27, 1950, evidence was presented and the matter was submitted for decision.

The evidence shows that certain defects, inconsistencies and anomalies exist in Western Union's present California intrastate message telegraph rate schedules. These irregularities stem primarily from the use of city and state boundaries to define geographical units for rate-making purposes. Irregularities exist in local city rates,

and in certain inter-city rates which apply in the San Francisco and Los Angeles areas. There are cases where rates are higher for certain distances than they are for other longer distances. Irregularities also exist in a number of the present rate "squares" due to the fact that their boundaries have been altered to follow railroad lines, natural barriers such as mountains or rivers, or state boundaries.

For the past several years, Western Union has been working on the development of a new message telegraph rate structure designed to eliminate irregularities and undesirable features of the present rate structure and to provide equal charges for equal service, both intrastate and interstate, throughout the United States. Such a new rate structure was filed by Western Union with the Federal Communications Commission on December 15, 1949, and became effective for interstate service nationwide on February 1, 1950. Also, Western Union's new rate structure is either in effect or has been approved for intrastate service in 40 states. In this proceeding, Western Union seeks authority to place its new rate structure in effect for California intrastate service.

The specific request of Western Union for changes in rates is set forth in Exhibit 2 attached to the application. The requested word rates for the principal classifications of service may be summarized as follows:

: Air-line:		: Day Letter							
: Mileage : Full Rate Telegram		: For : Ea. Add. 5 Words or Fraction :							
: Zones		: For 10 Words : Ea. Add. :		: 50 Words :		: 51 - 100 : .101 - 200 :		: Over 200 :	
: From: To		: or Less : Word		: or Less : Words		: Words		: Words :	
0	75	\$0.35	\$0.02	\$0.50	\$0.03	\$0.03	\$0.02		
76	125	.40	.03	.60	.04	.03	.02		
126	225	.50	.04	.75	.05	.04	.03		
226	425	.60	.05	.95	.06	.05	.04		
426	750	.75	.06	1.15	.07	.06	.05		
751	1,125	.90	.07	1.35	.09	.07	.06		

: Air-line:		: Night Letter			: Serial		
: Mileage		: For : Ea. Add. 5 Words or Fraction :			: For : Ea. Add. :		
: Zones		: 25 Words :		: 26-50 : 51-100 :		: Over 100 : 50 Words : 10 Words :	
: From: To		: or Less : Words :		: Words :		: Words : or Less : or Fraction :	
0	75	\$0.30	\$0.03	\$0.03	\$0.02	\$0.60	\$0.12
76	125	.30	.04	.03	.02	.75	.15
126	225	.35	.05	.03	.02	.95	.19
226	425	.45	.06	.04	.03	1.15	.23
426	750	.55	.07	.05	.04	1.40	.28
751	1,125	.65	.08	.06	.04	1.65	.33

The new rate structure is based on the division of the area of the United States into 50-mile square blocks, arranged in brick fashion, for the purpose of delineating rate zones or areas. Six rate zones are applicable to intrastate service in California as indicated by the tabulation of rates above. The mileages are determined on the basis of air-line distance from rate square center to rate square center. Under this plan, the same rate applies from any office in a given rate square to all other offices in rate squares equidistant from the originating office square. This results in complete uniformity of rates with respect to distance both interstate and intrastate throughout Western Union's telegraph system.

The requested changes in Western Union's rates do not apply to rates and services applicable between any of Western Union's offices in California and any cities or toll stations where telegraph service is furnished exclusively by The Pacific Telephone and Telegraph

Company. In such cases, the rates of the Pacific Company will continue to apply.^{1/}

Under the proposed new rate structure for message telegraph service, both increases and decreases in rates ranging up to more than 40% would apply in individual cases. The net annual increase of approximately \$120,000 consists of gross increases approximating \$310,000 and gross decreases approximating \$190,000.

Western Union presented evidence relating to its intrastate operations for the year 1949 under present and requested rates as follows:

Item	Under Present Rates	Under Rates Requested	Difference
Operating Revenues	\$ 4,127,303	\$ 4,246,979	\$119,676
Uncollectible	8,409	8,718	309
Operating Revenues Less Uncollectibles	4,118,894	4,238,261	119,367
Operating Expenses, Depreciation, and Taxes	5,295,222	5,295,222	-
Net Operating Revenues	<u>(1,176,328)</u>	<u>(1,056,961)</u>	119,367

(Red Figure)

Witness for Western Union testified that the investment in plant assignable to California intrastate operations would be 38% of \$17,747,937, or \$6,744,216 for the year 1949. He also testified it would be reasonable to apply Western Union's system ratio of depreciation reserve to investment to the California intrastate investment in developing the reserve for depreciation assignable to intrastate operations.

^{1/} The Pacific Telephone and Telegraph Company filed an application with the Federal Communications Commission on February 1, 1949, requesting authorization to discontinue message telegram service furnished by said company. Attached to the application and made a part thereof is an agreement covering the sale and purchase of message telegram business of the Pacific Company by The Western Union Telegraph Company, subject to the approval of federal and state regulatory authorities. Hearings before the Federal Communications Commission were concluded in January, 1950, and the matter was submitted on briefs.

The California intrastate revenues and expenses presented by Western Union are based upon allocations among states and separations between interstate and intrastate operations. Exhibit 15 contains the separation methods and procedures used by Western Union in developing the California intrastate operating results. These methods differ from those used by Western Union in prior proceedings before this Commission. The new methods give recognition to recent changes in methods of handling traffic with the introduction of reperforator offices at Oakland and at Los Angeles. These reperforator centers not only handle intrastate and interstate traffic originating in California, but also handle intrastate and interstate traffic originating in several other states in the reperforator areas.

The message revenues have been separated between interstate and intrastate operations on the basis of actual studies of message traffic which are made currently. All costs within each of the two reperforator areas have been segregated as between (a) costs of operating the reperforator switching station, (b) costs affected by distance, or area transmission costs, and (c) costs directly assignable to the traffic of each particular state served by the reperforator switching station. By the use of certain factors developed from message statistics, an allocation was made of California's portion of reperforator switching center costs, transmission costs, and directly assignable state costs as between interstate and intrastate traffic. While these 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.

No one appeared at the hearing to protest the granting of this application. A review of the evidence presented leads to the conclusion that the new general message telegraph rate structure

which Western Union seeks to place in effect for California intrastate traffic will eliminate present defects and irregularities in rates and establish the same rates for service between all rate squares which are the same distance apart, and that the requested increases in rate should be authorized.

O R D E R

The Western Union Telegraph Company having applied to this Commission for an order authorizing the establishment of a new general rate structure for message telegraph service resulting in certain increases in California intrastate telegraph rates, a public hearing having been held and the matter having been submitted for decision,

IT IS HEREBY FOUND AS A FACT that the increases in rates authorized herein are justified, therefore,

IT IS HEREBY ORDERED that The Western Union Telegraph Company is authorized to file in quadruplicate after the effective date of this order, in conformity with General Order No. 96, a schedule of rates and conditions consistent with those set forth in exhibit 2 attached to the application and, after not less than five (5) days' notice to the Commission and to the public, make said rates and conditions effective for service rendered on and after May 1, 1950.

The effective date of this order shall be twenty (20) days after the date hereof.

Dated at Los Angeles, California, this 4th day of April, 1950.

R. Z. [Signature]
Justice J. Craven
Robert L. [Signature]
Harold P. [Signature]
Kenneth P. [Signature]
 Commissioners.