

Decision No. 50402**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 THE PACIFIC TELEPHONE AND TELEGRAPH)
 COMPANY, a corporation, for authority)
 to increase certain intrastate rates.) Application No. 33935
 and charges applicable to telephone)
 service furnished within the State of)
 California.)

FIRST SUPPLEMENTAL OPINION AND ORDER

By its First Supplemental Application in the above-entitled proceeding filed August 4, 1954, The Pacific Telephone and Telegraph Company, a corporation, seeks authorization to file for increased rates to produce additional gross revenues of \$7,071,000 which is equivalent to increased federal income taxes imposed upon applicant by the Revenue Code of 1954. Under such code applicant will be obligated to pay federal income taxes, from and after April 1, 1954, at a rate of 52 per cent rather than the 47 per cent rate upon which its presently effective tariffs are based. With respect to the provisions of said code which would permit applicant to adopt a liberalized method of depreciation accounting for its property; applicant states that it is advised such regulations will not be prescribed until about December 1, 1954.

Applicant alleges that special rulings by the Internal Revenue Service will be necessary following the prescription of said regulations before the applicability of said alternative methods of depreciation accounting to the telephone industry can be determined. Applicant further states that it does not presently contemplate the exercise of any of the new optional provisions for calculating depreciation for income tax proposed for the year 1954 and that it will not undertake the exercise of any of said provisions without the prior approval of this Commission.

The telephone rates authorized by this Commission's Decision No. 50258 issued July 6, 1954 in this matter were based upon revenues and expenses that reflected the 47 per cent income tax rate in effect at that time. To produce the amount of additional annual intrastate revenue of \$7,071,000 which is hereby found to be necessary to offset the increase in applicant's federal income taxes resulting from the higher tax rate of 52 per cent, applicant proposes that this Commission authorize such part or parts of the proposed increased rates set forth in Exhibit A to the original application of December 10, 1952, Exhibit D to the amendment to application dated March 6, 1953, and Exhibit H to the second amendment to application dated December 2, 1953, or such other rates as this Commission deems appropriate.

It is the rule established by the Supreme Court of the United States that income taxes, both State and Federal, are a proper charge to operating expense. (Galveston Electric Company v. City of Galveston - decided in 1922 - 258 U.S. 388, 399, 66 L.ed. 678, 684; Georgia Railway and Power Company v. Railroad Commission - decided in 1923 - 262 U.S. 625, 632-633, 67 L.ed. 1144, 1148.) The Court stated unequivocally that income taxes are a proper charge to operating expense and that it is error not to allow such charge. In the circumstances, we are of the opinion that this Commission is bound by the rule laid down by the Supreme Court of the United States concerning the subject in question. Therefore the additional income taxes levied against this applicant at the 52 per cent rate must now be allowed as a proper charge to its operating expense.

Applicant has heretofore made a full showing of the facts justifying the increased rates authorized by Decision No. 50258, dated July 6, 1954, and we have so found.

The following method, which is in keeping with the findings in said decision, will be used to spread the increase in charges:

<u>Category</u>	<u>Amount</u>
Service Connection and Move and Change Charges ...	\$1,946,000
PBX Equipment, Installation Charges and Monthly Rates	1,879,000
Key Telephone Equipment, Installation Charges and Monthly Rates	586,000
Other Exchange Services, Installation Charges and Monthly Rates	120,000
Toll (Increases in certain station rates over 100 miles, and certain person rates over 36 miles)	<u>2,540,000</u>
Total	7,071,000

The Commission is of the opinion and finds that applicant's instant request is reasonable, that the spread of rates being authorized herein is reasonable, and that applicant's request should be granted without delay. Being of the further opinion that a public hearing hereon is not necessary,

IT IS FOUND AS A FACT that the increases in telephone rates and charges authorized herein are justified and that present rates and charges, in so far as they differ therefrom, are for the future unjust and unreasonable, therefore,

IT IS HEREBY ORDERED that The Pacific Telephone and Telegraph Company is authorized to file in quadruplicate with this Commission, on or after the effective date of this order, revised tariff schedules containing changes as set forth in Appendix A attached to this order, and after not less than one day's notice to the public and to this Commission to make said tariffs effective

for all service rendered on and after the effective date of said filing, excepting that increases in service connection charges, move and change charges, and installation charges, shall be effective on applications received by applicant on and after the effective date of said filing.

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

Dated at San Francisco, California, this 17th day of August, 1954.

Robert L. Mitchell
President

Justin J. Adams

Bennett Pottel

Gene Higgins

Commissioners

APPENDIX A
Page 1 of 4

RATES

The presently effective rates, charges, and conditions are changed as set forth in this appendix.

Schedule No. 12-T
Private Branch Exchange Service

Commercial, Hotel, and Residence Manual and Dial PBX Service

The increases and changes in monthly rates and conditions set forth on pages 43 and 44 of Exhibit A attached to Application No. 33935 are authorized to be made, except that no increases are authorized for PBX stations.

Business and Residence Key Station Dial PBX Service

The increases in installation charges and monthly rates set forth on page 44 of Exhibit A attached to Application No. 33935 are authorized to be made except that no increases are authorized for keyless stations and rates for key stations are authorized as follows:

	<u>Business Service</u>		<u>Residence</u>
	<u>Flat</u>	<u>Message</u>	<u>Service</u>
	<u>Rate</u>	<u>Rate</u>	
Key Stations			
On same premises as switching equipment			
Each hand set with key unit in base	\$2.25	\$1.75	\$1.75
Each station with separate key unit	2.25	1.75	1.75
Not on same premises as switching equipment			
Each hand set with key unit in base	3.00	2.50	2.50
Each station with separate key unit	3.00	2.50	2.50

Order Receiving Equipment Service

The increases in monthly rates set forth on page 45 of Exhibit A attached to Application No. 33935 are authorized to be made except that no increase is authorized for stations in connection with message rate service.

Order Receiving Equipment Service Type D
Order Receiving Equipment - Automatic Call Distributing System

The increases in monthly rates set forth on page 45 of Exhibit A attached to Application No. 33935 are authorized to be made.

Schedule No. 15-T
Annunciator Equipment - San Francisco-East Bay

Schedule No. 16-T
Apartment House Private System

The increases in installation charges and monthly rates set forth on pages 45 and 46 of Exhibit A attached to Application No. 33935 are authorized.

APPENDIX A
Page 2 of 4

Schedule No. 18-T
Intercommunicating System Service

The increases in monthly rates set forth on page 47 of Exhibit A attached to Application No. 33935 are authorized except that no increases are authorized in rates for stations.

Schedule No. 22-T
Key Equipment Service

The increases in installation charges and monthly rates set forth on pages 47, 48, 49, 50 and 51 of Exhibit A attached to Application No. 33935 are authorized, except that no increase is authorized in rates for stations in connection with multiple line key cabinet service.

Schedule No. 27-T
Private Intercommunicating System Service

The increases in monthly rates set forth on page 52 of Exhibit A attached to Application No. 33935 are authorized to be made.

Schedule No. 28-T
Service Connection Charges - Move and Change Charges

The increases in service connection and move and change charges set forth on pages 52 and 53 of Exhibit A attached to Application No. 33935 are authorized to be made.

Schedule No. 29-T
Special Order Receiving Equipment - Los Angeles

The increases in monthly rates set forth on page 53 of Exhibit A attached to Application No. 33935 are authorized to be made.

Schedule No. 32-T
Supplemental Equipment

The increases in installation charges and monthly rates set forth on page 54 of Exhibit A attached to Application No. 33935 are authorized to be made.

Schedule No. 44-T
Private Line Services and Channels - General Regulations

Revise the definition of station to read as follows:

Station

The term "Station" as used in connection with private line services designates the transmitting and receiving equipment, located on the premises of a customer or authorized user and connected for private

line service. The "main station" is the equipment at such a location which has been designated by the customer as the principal location; an "extension station" is the equipment connected to the same service at any other location on the same premises.

The term "Station" as used in connection with channels denotes the premises of a customer or authorized user at which the channel terminates. The "main station" is the termination at the location designated by the customer as the principal location; an "extension station" is a termination of the same channel at any other location on the same premises.

Schedules Nos. 45-T, 46-T, 47-T, 50-T, 51-T, and 52-T
Private Line Services and Channels

The increases and changes in charges, monthly rates, and conditions including local channel mileage measurements to station premises set forth on pages 58, 59, 60, 61, 62 and 63 of Exhibit A attached to Application No. 33935 are authorized to be made.

Schedule No. 54-T
Toll Stations

The installation charge in connection with semipublic toll stations for each primary telephone instrument or circuit termination is authorized to be increased to \$10.

Schedule No. 83-T
Special Assemblies of Equipment

The increases and changes in installation charges, and monthly rates set forth on page 68 of Exhibit A attached to Application No. 33935 are authorized to be made.

Schedule No. 100-T
Telephone Answering Service

Rates for switchboards are authorized as follows:

	<u>Rate per Month</u>
Telephone Answering Equipment	
Switchboard	
Cord Type - Nonmultiple	
15 trunks and 80 lines	\$22.00
15 trunks and 81-100 lines	30.00
Cord Type - Multiple	
15 trunks and 100 lines	45.00

APPENDIX A
Page 4 of 4

Schedule No. 53-T
Message Toll Telephone Service

Two-point Service California Schedule A:

		Rate						
		Day and Night and Sunday						
		Station Service			Person Service			
		Collect			Paid and Collect			
		First	Each Add.	Min.	First	Each Add.	Min.	
Air-Line:	Paid	3	First	After	3	First	After	
Mileage:	Initial : Overtime	Mins.	3	3	Mins.	3	3	
0-8	.10-3m .05-2m	.30	.10	.05	.30	.10	.05	
9-12	.15-3m .05-1m	.30	.10	.05	.35	.10	.05	
13-16	.20-3m .05-1m	.30	.10	.05	.40	.10	.05	
17-20	.25-3m .05-1m	.30	.10	.05	.45	.15	.05	
21-25	.30-3m .10-1m	.30	.10	.10	.50	.15	.10	
26-30	.35-3m .10-1m	.35	.10	.10	.55	.15	.10	

		Paid and Collect									
		Day (Except Sunday)					Night and Sunday				
		Station Service		Person Service			Station Service		Person Service		
		First	Each	First	Each Add.	Min.	First	Each	First	Each Add.	Min.
Air-Line:	3	Add.	3	First	After	3	Add.	3	First	After	
Mileage:	Min.	Min.	Min.	3	3	Mins.	Min.	Mins.	3	3	
31-35	.40	.10	.60	.20	.10	.40	.10	.60	.20	.10	
36-40	.45	.15	.70	.20	.15	.45	.15	.70	.20	.15	
41-50	.50	.15	.75	.25	.15	.50	.15	.75	.25	.15	
51-60	.55	.15	.85	.25	.15	.50	.15	.80	.25	.15	
61-70	.60	.20	.95	.30	.20	.50	.15	.85	.25	.15	
71-85	.65	.20	1.00	.30	.20	.55	.15	.90	.30	.15	
86-100	.70	.20	1.10	.35	.20	.60	.20	1.00	.30	.20	
101-115	.75	.25	1.15	.35	.25	.65	.20	1.05	.35	.20	
116-130	.80	.25	1.25	.40	.25	.70	.20	1.15	.35	.20	
131-150	.85	.25	1.30	.40	.25	.70	.20	1.15	.35	.20	
151-175	.90	.30	1.40	.45	.30	.75	.25	1.25	.40	.25	
176-200	.95	.30	1.45	.45	.30	.80	.25	1.30	.40	.25	
201-225	1.00	.30	1.55	.50	.30	.85	.25	1.40	.45	.25	
226-250	1.05	.35	1.65	.55	.35	.90	.30	1.50	.50	.30	
251-275	1.10	.35	1.70	.55	.35	.95	.30	1.55	.50	.30	
276-300	1.15	.35	1.80	.60	.35	1.00	.30	1.65	.55	.30	
301-330	1.20	.40	1.85	.60	.40	1.00	.30	1.65	.55	.30	
331-360	1.25	.40	1.95	.65	.40	1.05	.35	1.75	.55	.35	
361-395	1.30	.40	2.00	.65	.40	1.10	.35	1.80	.60	.35	
396-430	1.35	.45	2.10	.70	.45	1.15	.35	1.90	.60	.35	
431-470	1.40	.45	2.15	.70	.45	1.20	.40	1.95	.65	.40	
471-510	1.45	.45	2.25	.75	.45	1.25	.40	2.05	.65	.40	
511-550	1.50	.50	2.30	.75	.50	1.25	.40	2.05	.65	.40	
551-590	1.55	.50	2.40	.80	.50	1.30	.40	2.15	.70	.40	
591-630	1.60	.50	2.50	.80	.50	1.35	.45	2.25	.75	.45	
631-685	1.65	.55	2.55	.85	.55	1.40	.45	2.30	.75	.45	
686-740	1.70	.55	2.65	.85	.55	1.45	.45	2.40	.80	.45	
741-795	1.75	.55	2.70	.90	.55	1.50	.50	2.45	.80	.50	
796-850	1.80	.60	2.80	.90	.60	1.55	.50	2.55	.85	.50	
851-905	1.85	.60	2.85	.95	.60	1.55	.50	2.55	.85	.50	

Conference Service:

Rates and conditions applicable to conference service are authorized to be revised to the extent necessary by the authorized changes in two-point service.