

ORIGINALDecision No. 52602

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)

of)

THE WESTERN UNION TELEGRAPH)
COMPANY, a corporation,)for an order authorizing it to install)
a revised schedule of rates and amended)
regulations applicable to intrastate)
leased facility private wire service)
within the State of California.)

Application No. 37451

Pillsbury, Madison & Sutro, John A. Sutro and
Noel Dyer, for The Western Union Telegraph Company.
Bert Buzzini, for California Farm Bureau Federation,
interested party.
William W. Dunlop, for the Commission staff.

O P I N I O NNature of Proceeding

The Western Union Telegraph Company, by application filed on November 1, 1955, seeks an order of this Commission authorizing it to revise its California intrastate rates and regulations for leased facility private wire services.

The rate increases proposed by applicant are estimated to produce an over-all increase in annual intrastate revenues of approximately \$37,856, or 0.7 per cent, based on operations for the first nine months of 1955.

Public Hearing

The application was submitted for decision at a public hearing held, after due notice, on January 11, 1956, at San Francisco, before Examiner F. Everett Emerson. Notice of the hearing was given, among others, to each of the 114 customers who are affected by this application. No one appeared in protest to the application. Applicant

presented seven exhibits through three witnesses in support of its request. The Commission's staff, represented by its Telephone Engineer, cross-examined applicant's witnesses as did the representative of the California Farm Bureau Federation.

Rates, Present and Proposed

Applicant seeks to increase its intrastate rates for leased facility private-wire service to the same level as those of The Pacific Telephone and Telegraph Company applicable to corresponding competitive service. Such private-wire rates of applicant have been increased once in the post-war period, while intrastate rates for other services of applicant have been increased six times. In connection with applicant's request for general increases in intrastate rates in 1952, applicant's intrastate rates for leased circuits between cities in California were increased by 40 per cent effective on February 18, 1952.^{1/}

The evidence shows that applicant has sought increases in intrastate rates for leased facility services in 38 states, that 35 states have authorized the increases as sought, and that no state has denied such request. It appears that the rates sought for this service in the various states are not uniform but in each case are designed to raise the level to those of the Bell System operating company in the particular state. The record further reveals that applicant's interstate rates for this service, while the same as the interstate rates of the Bell System, are generally lower for circuit facilities and generally higher for station equipment than those proposed for the California intrastate service.

The rates which applicant requests for the principal items involved are compared with existing rates in the following tabulation:

^{1/} Decision No. 46661 dated January 22, 1952, in Application No. 32759 (51 CPUC 411).

	<u>Monthly Rental Rate</u>	
	<u>Present</u>	<u>Proposed</u>
<u>Circuit Facilities</u>		
Intercity circuits, maximum rate per airline mile	\$2.10	\$2.25
Local circuits (loops), Rate per 1/4 airline mile	.75	1.00
Minimum charge	3.00	3.00
Local circuits (intracity) Rate per 1/4 airline mile	1.00	1.00
Minimum charge	4.00	3.00
<u>Station Equipment</u>		
Teleprinter Control Clock: Type permitting 2 settings per day: Spring driven, electrically wound:		
Without rectifier	2.15	1.25
With rectifier	3.00	2.10
Connect and Disconnect Selector: With position indicating lamps, busy lamp, and monitoring feature:		
Without answer back	10.75	10.00
Counter, word	1.10	1.25
End-of-line indicator	1.60	6.00
End-of-tape indicator	.55	1.00
Tabulator, teleprinter attachment	1.35	1.25

Based on leased facility service furnished in September, 1955, applicant estimates annual California intrastate revenues from this service at present and at proposed rates as follows:

	<u>Estimated Annual Revenue</u>			
	<u>At Present Rates</u>	<u>At Proposed Rates</u>	<u>Increase Amount Percent</u>	
Leased circuit rentals	\$450,108	\$488,370	\$38,262	8.50%
Leased equipment rentals	157,272	156,866	(406)	(.26)
Total leased facility service rentals	\$607,380	\$645,236	\$37,856	6.23
			<u>(Decrease)</u>	

Evidence of Earnings

The estimated rate of return as presented by applicant for California intrastate operations at present and company proposed rates, based on operations for the first nine months of 1955 annualized, appears in the tabulation following:

<u>Item</u>	<u>First Nine Months of 1955 Annualized</u>	
	<u>At Present Rates</u>	<u>At Company Proposed Rates</u>
Operating Revenues	\$5,617,803	\$5,655,659
Operating Expenses and Taxes	<u>5,531,642</u>	<u>5,551,556</u>
Net Operating Revenues	86,161	104,103
Rate Base at December 31, 1954 Depreciated	4,178,706	4,178,706
Rate of Return	2.1%	2.5%

In developing its California intrastate operating results, applicant has applied separation methods as set forth in Exhibit No.2 filed in this proceeding. The company's separation study is accepted for the purpose of this proceeding. Further experience, however, may show that changes or refinements therein may be justified.

A witness for applicant testified that applicant's estimated system-wide rate of return for the year 1955 approximates 6.5 per cent on a depreciated rate base.

Applicant presented (in Exhibits Nos. 5 and 7) its studies of the plant, revenue and expenses of California intrastate leased facility private wire service based on the level of business during September, 1954. These studies reveal that at present rates for this service applicant realized a rate of return of 6.21 per cent compared with 7.77 per cent at company proposed rates.

Conclusions and Findings

In view of the evidence we find that applicant's system-wide rate of return for 1955 approximates 6.5 per cent. Comparable figures for California intrastate operations indicate a rate of return of about 2.5 per cent on a rate base of \$4,178,706 at the rates proposed by applicant. The rate of return on California intrastate leased facility private wire operations of applicant approximates 7.8 per cent at the rates requested in the application.

Leased facility private wire operations are a specialized service of Western Union which provides an economical and expeditious

communication service to the subscriber. We find the rate levels requested in this application to be reasonable and that the request of applicant should be granted.

We find that the increases in rates and charges authorized herein are justified and that present rates, in so far as they differ from those herein authorized, for the future are unjust and unreasonable.

O R D E R

The Western Union Telegraph Company, having applied to this Commission for an order authorizing increases in rates and charges for leased facility private wire service, a public hearing having been held, the matter having been submitted, and based upon the findings herein,

IT IS HEREBY ORDERED that applicant is authorized to file in quadruplicate with this Commission on or after the effective date of this order and in conformity with General Order No. 96, the schedules of rates shown in Exhibit No. 4 attached to the application herein as amended by testimony at the hearing and by Exhibit No. 6 filed at the hearing, and after not less than three days' notice to ~~this Commission and to the public~~, to make said rates effective for service furnished on and after March 1, 1956.

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

Dated at San Francisco, California, this 7th day of February, 1956.

[Signature]
President
[Signature]
[Signature]
[Signature]
Commissioners

-5- Commissioner Rex Hardy, being necessarily absent, did not participate in the disposition of this proceeding.