

**ORIGINAL**

Decision No. 57553

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, and THE )  
 WESTERN UNION TELEGRAPH COMPANY, a )  
 corporation, for authority to carry )  
 out the terms of an agreement amend- )  
 ing Contract No. 1, pertaining to )  
 the leasing of circuits within )  
 exchange areas, and an agreement )  
 amending Contract No. 2, pertaining )  
 to the leasing of circuits between )  
 exchange areas. )

Application No. 40431

OPINION AND ORDER

The Pacific Telephone and Telegraph Company and The Western Union Telegraph Company by this application filed on September 15, 1958, seek authority under Section 851 of the Public Utilities Code to carry out the terms of an agreement, dated June 1, 1958, modifying Contract No. 1, as amended, pertaining to the leasing of circuits within exchange areas, and of an agreement, dated June 1, 1958, modifying Contract No. 2, as amended, pertaining to the leasing of circuits between exchange areas.

Contracts No. 1 and No. 2 were authorized by Decision No. 39219, dated July 19, 1946, in Application No. 27662 (46 CRC 870). Said contracts have been amended from time to time since 1946.

Contract No. 1, as amended, attached to this application as Exhibit A, provides in part that each party will lease to the other, upon reasonable notice, circuits within Pacific Company's exchange areas, of the kinds and at the terms and under the rates and conditions therein stated for operation by the lessee as part of its plant to furnish communication service to the public.

Said Contract No. 1 also provides that unless otherwise terminated as provided therein, it shall continue until terminated by three years' written notice of intention to terminate by either party. Three separate schedules of rates and charges are attached to said Contract No. 1. 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 of Duct and Pole Line attachments - sets forth the charges for duct and pole line attachment space. Applicants now propose to further amend said Contract No. 1 by entering into an agreement, a copy of which is attached to the application as Exhibit B. The application shows that the principal effects of the proposed amendment to said Contract No. 1, would be to (1) increase the purposes for which circuits are leased by Pacific Company to Western Union to include (a) teleprinter and facsimile exchange service and (b) distance writing service (such as telautograph); (2) permit circuits leased by Pacific Company to Western Union to be connected with circuits owned by (a) connecting telephone companies, (b) United States Government on military bases, (c) railroads where Western Union circuits are looped through railroad company testboards by means of railroad company circuits, and (d) international telegraph carriers at United States terminals; (3) permit Western Union to subdivide on a frequency or time subdivision basis circuits which are only indirectly connected to intercity circuits; and (4) include repeater equipment on circuits for facsimile operation or data transmission in Schedule A covering rentals for circuit facilities.

Contract No. 2, as amended, attached to this application as Exhibit C, covers the leasing of circuits between exchange areas, the charges for which are shown in Schedule A of said contract. Contract

No. 2 also provides that unless otherwise terminated as provided therein, it shall continue until terminated by ten years' written notice of intention to terminate by either party with provision for reopening the matter of charges for circuits.

Applicants now propose to further amend said Contract No. 2 by an agreement, a copy of which is attached to the application as Exhibit D. The application shows that the principal effects of the proposed amendment to said Contract No. 2, as amended, would be to (1) increase the purposes for which circuits are leased to Western Union to include (a) teleprinter and facsimile exchange service and (b) distant writing service (such as telautograph); (2) permit circuits leased to Western Union to be connected with circuits owned by (a) connecting telephone companies, (b) United States Government on military bases, (c) railroads where Western Union circuits are looped through railroad company testboards by means of railroad company circuits, and (d) international telegraph carriers at United States terminals; (3) reduce the minimum monthly charge for fully operative telegraph circuit sections from \$25 to \$15; (4) furnish circuit sections suitable for facsimile or data transmission of wider frequency bands; (5) extend the period for retention of existing nonoperative type (b) circuits for a five-year period after June 1, 1958; and (6) introduce multiple channel rental plan for type (a) circuits in Schedule A.

The application reveals that the estimated loss in Pacific Company's annual revenues resulting from the reduction in the minimum monthly charge for fully operative telegraph circuit sections from \$25 to \$15 pursuant to said Contract No. 2 is \$12,000. Introduction of the multiple channel rental plan for type (a) circuits furnished under said Contract No. 2 is estimated to result in a further revenue reduction of \$3,500 on an annual basis to Pacific Company. The total

estimated reduction to Pacific Company revenues is \$15,500 per year in the State of California. Pacific Company expects that this reduction will be offset to some extent by revenues derived from the furnishing to Western Union of circuit sections suitable for facsimile or data transmission of wider frequency bands.

Applicants allege that under the proposed amendments to said agreements, 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 proposed agreements will in no manner impair the ability of either applicant to meet its obligations to the public in the furnishing of communication service.

Said contracts, as amended, include the following provision insofar as California intrastate operations are concerned:

"The parties hereby agree that this contract shall be subject to such changes or modifications as may be required or authorized by any regulatory commission in the exercise of its lawful jurisdiction, and any modification, revision, renewal or extension of this contract shall so state."

The Commission, having considered the request of applicants, finds that the proposed leasing arrangements will not be adverse to the public interest at this time, that a public hearing is not necessary and that the application should be granted. However, the action taken herein should not be construed as a finding of the value of the properties herein authorized to be leased.

IT IS ORDERED that:

1. The Pacific Telephone and Telegraph Company and The Western Union Telegraph Company be and they are authorized to carry out the terms and conditions of the written agreements dated June 1, 1958 attached to the application as Exhibits B and D, and to render the

services described therein under the terms, charges and conditions stated therein.

2. Applicants shall file with the Commission within thirty days after the effective date of this order, two certified copies of the contract as executed, together with a statement of the date on which the contract is deemed to have become effective.

3. If the authority herein granted is exercised applicants shall, within sixty days thereafter, file the following statements with respect to facilities leased under Contracts Nos. 1 and 2, as amended, relating to California intrastate operations:

- (a) Telephone Company shall file a detailed summary of the plant and equipment being leased to Telegraph Company showing its regularly filed rate as of July 1, 1958 for such service and the rate being provided in the agreement.
- (b) Telegraph Company shall file a detailed summary of the plant and equipment being leased to Telephone Company showing its regularly filed rate as of July 1, 1958 for such service and the rate being provided in the agreement.
- (c) The Telephone Company shall file a summary showing the computation of the amount by which charges for its services provided under the agreement differ from the charges computed at the Telephone Company's filed tariff rates.
- (d) The Telegraph Company shall file a summary showing the computation of the amount by which charges for its services provided under the agreement differ from the charges computed at Telegraph Company's filed tariff rates.

4. Within sixty days after June 30 of each year applicants shall file a statement of any changes in the equipment being leased as provided in sections (a), (b), (c), and (d) of ordering Paragraph 3 above, as of June 30 of each year.

5. Applicants shall notify this Commission of the date of termination of said agreement within thirty days from and after said date of termination.

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

Dated at San Francisco, California, this 3rd day of November, 1958.

E. Lynn Fox  
President  
E. Mitchell  
Robert G. ...  
...  
Richard J. ...  
Commissioners