

**ORIGINAL**Decision No. 63208

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
 WESTERN CALIFORNIA TELEPHONE COMPANY,  
 a corporation, for authority to  
 increase certain rates and charges  
 applicable to the sale of advertising  
 in its telephone classified directories.

Application No. 43924

Orrick, Dahlquist, Herrington & Sutcliffe by  
Warren A. Palmer, for Western California  
 Telephone Company, applicant.  
Neal C. Hasbrook, for California Independent  
 Telephone Association, interested party.  
Ermet J. Macario, for the Commission staff.

O P I N I O N

On November 16, 1961, applicant Western California Telephone Company filed its application herein and on November 20, 1961, an amendment thereto requesting authority to place in effect the increased rates for classified telephone directory advertising service as set forth in Exhibit E, Revised attached to the amendment to the application and in Exhibit No. 10 herein.

Public hearing on the application was held before Examiner Wilson E. Cline at Los Gatos on December 27, 1961. The matter was then taken under submission subject to the filing of late filed Exhibits Nos. 7, 8 and 15, which were filed on December 29, 1961.

Applicant's present "standard" level of directory advertising rates was originally authorized to become effective January 15, 1952. Applicant alleges that since this date the directory advertising rates have been increased by changing rate groups within the "standard" schedule as the circulation of the

company's directories has increased, and that unit costs of preparing, publishing and issuing applicant's directories have also increased since 1952 as a result of increased labor and material costs.

Applicant estimates that the directory advertising rate increase proposed herein will result in a gross revenue increase after regrades of approximately \$47,200 per year.

The rate of return last authorized by this Commission on applicant's 1960 operation was 6.72 percent. Applicant contends that had the proposed increases been fully effective during the 12 months ending September 30, 1961, with applicant retaining 50 percent of the directory advertising revenue as provided in its agreement with the General Telephone Directory Company, its over-all adjusted rate of return would have been increased from 6.27 percent under present rates to 6.42 percent under proposed rates.

Present and Proposed Rates

Applicant owns and operates telephone systems in various cities and territories in the counties of Santa Clara, Santa Cruz, Marin, Sonoma and Siskiyou.

The present directory rates in effect throughout applicant's service area are arranged for five circulation rate groups. The rate groups range from the smallest, Group 1, covering up to 1,500 circulation, to the largest, Group 5, covering from 7,501 to 12,500 circulation.

Increases are sought by applicant for all types of advertising in all of the circulation rate groups, and applicant proposes to add two other circulation rate groups, Group 6, covering from 12,501 to 20,000 circulation, and Group 7, covering from

20,001 to 30,000 circulation. The following tabulation compares certain present and proposed monthly advertising rates for directories in Rate Groups 1, 3 and 5, and proposed rates for directories in proposed Rate Group 7.

Type of Advertising	Circulation Rate Group							
	Group 1		Group 3		Group 5		Group 7	
	Pres.	Prop.	Pres.	Prop.	Pres.	Prop.	Proposed	
Regular Type Listing	.25	.30	.30	.40	.40	.50		.65
Bold Type Listing	.40	.50	.60	.75	1.00	1.25		1.55
Trade Name Listing	.50	.65	.75	1.00	1.25	1.55		1.90
Trade Mark Heading	1.75	2.25	2.50	3.15	4.00	5.00		6.25
Informational Listing								
$\frac{1}{2}$ Inch	.75	1.00	1.05	1.30	1.75	2.25		2.95
1 Inch	1.25	1.55	1.75	2.25	3.00	3.75		5.00
Display Advertising								
$\frac{1}{2}$ Column	1.75	2.25	3.00	3.75	4.50	5.75		8.00
$\frac{1}{3}$ Column	3.50	4.50	6.00	7.50	9.00	11.50		16.00
2- $\frac{1}{2}$ Column	7.00	9.00	12.00	15.00	18.00	23.00		32.00

The level of rates proposed by applicant is the same as that approved by this Commission for California Water and Telephone Company in Decision No. 59772 in Application No. 41298 and Decision No. 62550 in Application No. 43622.

#### Revenue Effects

Estimates introduced by applicant show that the proposed rates would produce a gross annual increase of \$47,208 after regrading or an over-all increase of 28.3 percent in total billings to advertisers.

Under the terms of applicant's present telephone directory contract with General Telephone Directory Company applicant will retain 48 percent of directory revenues until June 1, 1962, and 49 percent thereafter. Under the terms of an agreement recently negotiated with General Telephone Directory Company to become effective with the effective date of the proposed rates, if authorized by this

Commission, applicant will retain 50 percent of the directory advertising revenues until June 1, 1962, and 51 percent thereafter.

After deducting \$1,652 for uncollectibles and \$22,778 for the 50 percent settlement to the General Telephone Directory Company from the \$47,208 increase in directory revenues, and adding \$2,830 estimated decrease in directory expense due to the improved settlement, applicant estimates the total increase to net revenue before taxes on income will amount to \$25,608.

Exhibit No. 14 shows that applicant would have realized on an adjusted basis a rate of return for the year ending September 30, 1961, of 6.42 percent at proposed rates as compared to 6.27 percent at present rates.

Proposed Effective Dates of Proposed Directory Rates

Applicant requests that the proposed rates be made effective on the 1962 dates of issue of its directories, which are as follows:

<u>Directory</u>	<u>Rate Group</u>		<u>Date of Issue</u>
	<u>Present</u>	<u>Proposed</u>	
Los Gatos	5	6	2-1-62
Morgan Hill	2	2	2-1-62
Novato	4	4	4-16-62
Kenwood	1	1	9-16-62
McCloud	Directory advertising is not presently offered		

Inasmuch as the sales campaign for the Los Gatos and Morgan Hill directories had to start in September, the advertising in these directories has been sold at the proposed rates subject to the Commission's approval of the application herein.

Findings and Conclusions

The Commission has considered the above-entitled application and finds and concludes that the application should be granted and that the increases in rates and charges authorized herein are justified and that present rates,

insofar as they differ from those herein prescribed, subsequent to the effective dates for the authorized rates set forth in the order below are unjust and unreasonable. The Commission further finds that the increases in rates and charges authorized herein should be made effective on the dates requested by applicant.

ORDER

A public hearing having been held, the matter having been submitted, and the Commission having considered the application herein,

IT IS ORDERED that applicant is authorized to file in quadruplicate with this Commission on or after the effective date of this order, in conformity with General Order No. 96, the increased rates for directory advertising service set forth in Exhibit E, Revised attached to the amendment to the application and in Exhibit No. 10 herein and upon not less than five days' notice to the Commission and to the public, to make said rates effective for advertising service commencing in the February 1, 1962 issues of its Los Gatos directory and its Morgan Hill directory, the April 16, 1962 issue of its Novato directory and the September 16, 1962 issue of its Kenwood directory.

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

Dated at San Francisco, California, this 6th day of FEBRUARY, 1962.

[Signature]  
 President

[Signature]

[Signature]  
 F.P.H.  
 Commissioners