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Decision No. 69667

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of THE PACIFIC TELE-
 PHONE AND TELEGRAPH COMPANY, a
 corporation, and THE WESTERN UNION
 TELEGRAPH COMPANY, a corporation,
 for authority to carry out the
 terms of an agreement amending
 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 ex-
 change areas.

Application No. 47430
(Filed March 24, 1965)

Arthur T. George and Richard W. Odgers, for The
Pacific Telephone and Telegraph Company, applicant.
Noel Dyer, for The Western Union Telegraph Company,
applicant.

James H. Kreiger, and John H. Barrows, for California
Interstate Telephone Company, interested party.

R. T. Perry, for the Commission staff.

O P I N I O N

Public hearing was held before Examiner Gillanders at San Francisco on May 24, 1965, and the matter was submitted upon receipt of late-filed Exhibit 3 on June 8, 1965.

Evidence was submitted by applicants. No one opposed the authority sought. Representatives of California Interstate Telephone Company and the Commission staff assisted in the development of the record.

Pursuant to authority granted by the Commission in Decision No. 39219, dated July 19, 1946, applicants, The Pacific Telephone and Telegraph Company (Pacific), and The Western Union Telegraph Company (Western Union) entered into two agreements, designated Contracts Nos. 1 and 2, respectively. In Decision

No. 57553, dated November 3, 1958, and in Decision No. 64152, dated August 21, 1962, the Commission authorized applicants to carry out amendments to said contracts.

Contracts Nos. 1 and 2 cover the leasing of circuits within Pacific's exchange areas and the leasing of circuits between Pacific's exchange areas, respectively. Both contracts provide, in part, that each party will lease to the other upon reasonable notice and under the terms and conditions stated therein, circuits for operation by lessee in the conduct of its public communications business.

Applicants now propose to further amend Contracts Nos. 1 and 2. Contract No. 1 would be amended to:

1. Delete the detailed statement of purposes for which circuits leased to Western Union by Pacific may be used. The detailed statement would be replaced by a general statement to the effect that circuits leased to Western Union by Pacific may be used for all of Western Union's public communications business subject to the exception that insofar as the use of circuits for local exchange or interexchange switched service (other than private line switched service) is concerned, Western Union must use such circuits principally for nonvoice transmission.

2. Provide that lessor may, if requested by lessee, furnish telephone circuit terminal equipment located in a central office of lessor.

3. Increase the charge for terminal loops from \$2.00 to \$2.50 per month.

Contract No. 2 would be amended to:

1. Provide that in the case of circuit sections suitable for voice frequency transmission and in the case of circuit

sections of wider band width suitable for facsimile or data transmission, the lessor will provide all equipment located in or between its own principal central offices, and lessee will provide all other equipment required to be associated with the circuit section.

2. Change the statement of purposes for which circuits leased to Western Union may be used, in a manner similar to Contract No. 1.

3. Reduce the charge per airline mile for circuit sections suitable for voice frequency transmissions.

Certain other minor changes for consistency would be made in each contract.

The general traffic engineer for Pacific testified regarding the provisions of Contracts Nos. 1 and 2 and the proposed amendments to said contracts. He further testified that the increases in charges under the amendments to Contract No. 1 will result in an estimated annualized intrastate revenue increase of \$53,130; the corresponding decrease under Contract No. 2 will be \$55,299; and the net revenue effect upon Pacific's intrastate operations will be an estimated decrease of \$2,169 annually. He stated that such revenue decrease would not impair Pacific's ability to discharge its responsibilities to the public. Exhibit 3, prepared by Pacific, shows that for the California intrastate facilities furnished by it to Western Union as of June 30, 1964, the annual revenue earned under Contract No. 1 was \$477,704, under Contract No. 2 was \$669,871, and the total revenue under both Contracts was \$1,177,575.

Pacific's witness also testified that similar contracts to those proposed herein have been entered into between Western

Union and other Bell System telephone companies throughout the nation; that the revised bases of charges are uniform in all such contracts; that such charges were developed in consideration of cost studies prepared by Bell System engineers; and that the cost studies reflect the average of the costs incurred by Bell System companies under all such contracts. The witness also averred that the revised contracts proposed herein would have no adverse effect on operations of independent telephone companies in California.

Western Union's division manager of real estate and regulatory matters also testified in support of the application. His testimony related to operations under such contracts and to the economic benefits to Western Union from leasing facilities from Pacific in lieu of providing and maintaining separate circuit facilities of its own.

The Commission staff representative urged that the Commission modify the content of statements required to be filed by Pacific and Western Union pursuant to Decisions Nos. 57533 and 64152 (supra), in order to simplify the information required to be furnished to the Commission.

The Commission finds that the agreements described in the application herein amending Contract No. 1 and Contract No. 2 will not be adverse to the public interest and concludes that the application should be granted. Ordering paragraphs 3 and 4 of Decision No. 57553 and ordering paragraphs 4 and 5 of Decision No. 64152 will be rescinded and Pacific and Western Union each will be required to file reports as of June 30 of each year showing its California intrastate equipment leased to the other under Contracts Nos. 1 and 2, the monthly and/or annual rates therefor, and the annualized revenue based thereon.

O R D E R

IT IS ORDERED that:

1. The Pacific Telephone and Telegraph Company and The Western Union Telegraph Company, applicants herein, are authorized to carry out the terms and conditions of the written agreements dated January 1, 1965 attached to the application as Exhibit C, amending Contract No. 1 described in and attached to said application as Exhibit A, and Contract No. 2 described in and attached to said application as Exhibit B.

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

3. Ordering paragraphs 3 and 4 of Decision No. 57553 and ordering paragraphs 4 and 5 of Decision No. 64152 are hereby rescinded.

4. As of June 30 of each year that Contracts Nos. 1 and 2 (as amended) are in force and effect, and within sixty days thereafter, Pacific and Western Union shall each submit to the Commission a statement, similar to Exhibit 2 in this proceeding, showing its California intrastate equipment and facilities leased to the other party under said Contracts Nos. 1 and 2, the monthly and/or annual rates therefor, and the annualized revenue based thereon. In addition, on each annual statement shall be shown the total of the prior twelve-months' California intrastate charges on equipment and facilities leased to the other party.

5. The authority granted herein shall expire unless exercised within thirty days after the effective date hereof.

This order shall become effective twenty days after the date hereof.

Dated at Los Angeles, California, this 14th day of SEPTEMBER, 1965.

Frederick B. Holdcroft
President
Edward E. Mitchell
George L. Hoover
Augustus
William L. Bennett
Commissioners