

ORIGINALDecision No. 70248

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of THE PACIFIC TELEPHONE
AND TELEGRAPH COMPANY, a corporation,
for authority to increase certain
TELPAK and PRIVATE LINE TELEPHONE
SERVICE rates and charges applicable
within the State of California, and
to extend the tariffs applicable
thereto.

Application No. 47895
(Filed September 14, 1965)

Pillsbury, Madison & Sutro, John A. Sutro, George A. Sears, Richard W. Odgers and Arthur T. George, by George A. Sears and Richard W. Odgers, for The Pacific Telephone and Telegraph Company, applicant.
Vaughan, Paul & Lyons, by John G. Lyons, John H. Waters, and Walter S. Baker, for The Western Union Telegraph Company, interested party.
James G. Shields, for the Commission staff.

O P I N I O N

This application was heard before Examiner Gillanders at San Francisco on October 14, 1965, on which date it was submitted. Copies of the application and the notice of hearing were served in accordance with the Commission's procedural rules. There are no protests.

Applicant requests authority to extend the expiration date of its tariff schedule Cal. P.U.C. No. 122-T and to extend the expiration date of sections "Rates" C., D.1., and O. of its tariff schedule Cal. P.U.C. No. 45-T, from November 7, 1965 to November 7, 1966, subject to possible revision during that time, and for authority to increase certain of the rates and charges set forth in those tariff schedules.

Applicant's tariff schedule Cal. P.U.C. No. 122-T, which governs its offering of Telpak channels and services, became effective on May 7, 1962, and was to remain effective for an experimental period

of three years ending May 7, 1965. Concurrently with its offering of Telpak channels and services applicant reduced the rates applicable to interexchange and interdistrict private line telephone grade channels and introduced rates for channel terminals for use with such channels in place of rates for local channels on a mileage basis. These revisions were also experimental and were scheduled to expire with the expiration of the Telpak offering on May 7, 1965. The expiration date was subsequently extended to November 7, 1965.

Exhibit 1 shows the present rates and proposed increases in applicant's schedule Cal. P.U.C. No. 122-T and Schedule 45-T. Exhibit 2 shows that applicant estimates that its proposed rate increase would produce a total annual increase in operating revenue of \$1,259,300. Exhibit 3 shows that the proposed rate increase would produce a rate of return of 3.19 percent for State of California intrastate operations for toll private line service.

Applicant's General Rate Administrator testified in substance that it was seeking a further extension of the initial three-year period so that it might continue to offer its customers the large capacity communications services which it thinks are essential to such customers. He also testified that the extension would provide time to consider all factors necessary to determine a rate schedule for the permanent offering of Telpak service; that one consideration was the fact that the interstate Telpak tariff has been the subject of almost five years' investigation by the Federal Communications Commission and that an appeal from the FCC decisions is now before the U. S. Court of Appeals; and that applicant desires to improve the earnings level of intrastate private line services.

He further testified that applicant was desirous that its rates be set at a level which would induce Telpak users to continue such service rather than to install their own microwave systems.

Although applicant has had studies made regarding competition between Telpak and private microwave systems, it did not testify as to its conclusions regarding such studies.

Counsel for Western Union Telegraph Company stated that it does not object to applicant's proposal at this time and that further action should be taken either in Case No. 7409 or after FCC action.

A Senior Utilities Engineer of the Commission's staff produced testimony and exhibits which described private line services and rates and outlined the development of such services and rates. Chart 1 in Exhibit 7 shows that since the introduction of Telpak in May, 1962, the rate of return on intrastate toll private line on applicant's unadjusted basis dropped from almost 11 percent to approximately 2.5 percent in 1965. He recommended that applicant be authorized to increase its Telpak rates as requested and that regular private line telephone rates be authorized on a permanent basis.

Upon consideration of the evidence, the Commission finds as follows:

1. For the year 1964 the rate of return on the unadjusted company basis for intrastate toll private line was 2.03 percent.
2. Applicant's proposed rate increases would result in a rate of return for intrastate toll private line on an unadjusted basis of 3.19 percent. -
3. Applicant's proposed rates will not create an unreasonable burden on other ratepayers during the period of time the requested experimental rates are in effect.

We conclude that applicant should be authorized to extend to November 7, 1966, subject to possible revision during that time,

its experimental schedule Cal. P.U.C. No. 122-T and sections "Rates" C., D.1., and O. of its tariff schedule Cal. P.U.C. No. 45-T and that applicant should be authorized to increase certain of the rates and charges set forth in these schedules.

O R D E R

IT IS ORDERED that on or after the effective date of this order, applicant is authorized to file with this Commission in conformity with the provisions of General Order No. 96-A revised tariff schedules with changes in rates, charges and conditions as set forth in Exhibit A attached to the application and, on not less than five days' notice to the public and to the Commission, to make said rates effective for all service rendered on and after January 28, 1966.

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

Dated at San Francisco, California, this 18th day of JANUARY, 1966.

Frederick B. Hallock
President
George T. Hoover
William L. Bennett
Commissioners