

**ORIGINAL**

Decision No. 71349

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 PRIVATE LINE SERVICE rates and charges applicable within the State of California.

Application No. 48250  
(Filed February 11, 1966)

Application of THE WESTERN UNION TELEGRAPH COMPANY, a corporation, for an order authorizing it to increase certain intrastate rates and charges applicable to Private Line Service within the State of California.

Application No. 48293  
(Filed March 8, 1966;  
Amended May 16, 1966)

- A. T. George, Pillsbury, Madison & Sutro, by G. H. Eckhardt and R. W. Odgers, for The Pacific Telephone and Telegraph Company, applicant.
- John M. Score, for The Western Union Telegraph Company, applicant.
- Howard J. Tyler, for Scantlin Electronics, Incorporated, protestant.
- E. A. Westphal, for Bay Alarm Company and Western Alarm Association, protestants.
- Mrs. Phyllis I. Dalton, for California State Library, protestant.
- Michael B. Dorais, for California Newspaper Publishers Association, protestant.
- Harold J. McCarthy, for the Commission staff.

O P I N I O N

These applications were consolidated and heard before Examiner Gillanders at San Francisco on May 24 and 25, 1966, and were submitted on the latter date. Copies of the applications and the notice of hearing were served in accordance with the Commission's procedural rules. There are five protestants.<sup>1/</sup>

<sup>1/</sup> Since submission, 15 letters generally protesting the elimination of clock-hour schedules have been received.

Applicant, The Pacific Telephone and Telegraph Company,<sup>2/</sup> requests authority to increase certain private line service rates and charges. The proposed rates and charges are estimated to result in an annual revenue increase of approximately \$1,291,000. The increases requested are primarily in private-line teletypewriter channel and teletypewriter machine rates. Pacific also proposes the establishment of channel terminal charges in lieu of local channel charges for interexchange and interdistrict area channels and the adoption of V-H mileage measurements for all private-line services. Certain minor changes in installation charges, monthly charges and connection charges are also proposed. Based on separated results of operation for the year 1965, Pacific estimates that the rate of return for private-line services will be 2.86 percent. Exhibit 1 shows that for the year 1965, Pacific estimates that its results of intrastate toll private line operations, including the effects of the increases requested herein and the increases authorized by Decision No. 70248, dated January 18, 1966 in Application No. 47895 (Telpak) will produce a 4.99 percent rate of return.

Applicant, The Western Union Telegraph Company,<sup>3/</sup> requests authority to increase certain rates and charges which are basically identical to those requested by Pacific. Western estimates that the proposed increases would increase its annual revenue approximately \$300,000. Western estimates that its California intrastate operations will still be conducted at a deficit, but that the annual loss will be reduced to approximately \$820,000 if the proposed rates are authorized.

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<sup>2/</sup> Sometimes hereinafter referred to as Pacific.

<sup>3/</sup> Sometimes hereinafter referred to as Western.

A witness testifying on behalf of the Western Alarm Association and the Bay Alarm Company stated that the objection of the Association went to Pacific's request to double the installation charge for interexchange drops. The proposed schedule would only apply to new customers. During cross-examination, it developed that except for the item of drop charges, the net result of Pacific's proposals would be a reduction in the total bill to the Bay Alarm Company.

A witness testifying for Scantlin Electronics stated that while Pacific was requesting an average increase of 7 percent and Western was requesting an average increase of 32.8 percent overall, Scantlin's billing under the proposed rates would result in a 17.3 percent increase by Pacific and a 58 percent increase by Western. Scantlin uses 100 speed channels for data transmission on a 24-hour basis from Pacific and the same service on a clock-hour basis from Western. It was the witness's position that the applicants' claim that intrastate rates should be comparable to interstate rates is misleading. He produced two exhibits to substantiate his position.

A witness for Pacific testified that comparability between interstate and intrastate rates (for clock-hour service) did not mean comparability of rate levels but referred to the form of the service offering.

A witness for the California State Library testified that she was concerned that the proposed increases would have an adverse effect on public library service in California. Four cooperative library systems using private-line teletype are now in being and it is her belief that the entire State eventually will have cooperative library systems, but that the increases

requested will endanger this service. She further testified that these systems were on the clock-hour service, using it during the normal work week; that she could think of no way the systems could use it 24 hours per day; and that the substitutes for clock-hour schedules proposed by Pacific are not an adequate substitute as far as the library systems are concerned.

A witness representing the California Newspaper Publishers Association testified and presented evidence that the lowest percentage increase to some of the Association's members would be 38 percent and the highest would be 93 percent. It was his testimony that some of the smaller daily newspapers and news services would be profoundly affected as to their news gathering capabilities and flow of information in California.

All of the protestants testified that if the proposed increases were authorized they would either have to cut back on the service or find other means of obtaining the communication service they desire.

A witness testifying on behalf of the Commission staff stated that the rate of return on private-line teletypewriter service is too low and therefore the proposed rates on an overall basis are justified. He further testified that teletypewriter private-line service should earn a rate of return at least equal to 6.3 percent - the last rate of return found by the Commission for the total intrastate operations of Pacific on an adjusted basis.

A witness for Pacific testified that the average rate increase to its 241 customers now taking clock-hour service would be \$131 per month. If all of the 241 customers discontinued their service, Pacific would lose \$720,000 per year or approximately 56 percent of the requested increase.

It is a fundamental of rate making that a rate schedule should produce the necessary revenues with the lowest practicable unit rates that will distribute the charges among the classes of customers in a fair and reasonable manner. The rates should encourage more people to use the service, provide for a high quality of service and encourage an increasing use of the service by existing customers. e

Based upon the rate making principles stated above and the record in these proceedings, the Commission finds that:

1. It is fair and reasonable to continue the clock-hour private-line teletypewriter service.
2. It is fair and reasonable to increase rates for such service over a three-year period in order that existing customers will have the opportunity to adjust their service to the higher rate levels.
3. The record shows that applicants incur no greater cost for the installation of an interexchange drop than for an exchange drop. Applicants have failed to justify the proposed increase for installation of interexchange drops.
4. The service and the rates herein authorized will be for the future, just, reasonable and nondiscriminatory.
5. The increases in rates and charges authorized herein are justified.

The Commission concludes that the applications should be granted except that the clock-hour private-line teletypewriter service should be continued with rates therefor increased over a three-year period as herein set forth and that the proposals to increase the installation charge for interexchange drops should be denied.

O R D E R

IT IS ORDERED that The Pacific Telephone and Telegraph Company and The Western Union Telegraph Company are authorized to file with this Commission, on or after the effective date of this order and in conformance with the provisions of General Order No. 96-A, tariff sheets which are identical to those set forth in Exhibit A of Application No. 48250 and in Exhibit No. 6 of Application No. 48293 in this proceeding except as the same are modified by Appendix A attached to this order and, on not less than five days' notice to the public and to this Commission, to make said tariffs effective for service rendered thereunder on and after November 1, 1966.

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

Dated at San Francisco, California, this 14<sup>th</sup> day of OCTOBER, 1966.

*[Signature]*  
President

*George L. Brewer*

*Frederic B. Hill*

*Lawson*

*St. James*  
Commissioners

Appendix A

The Pacific Telephone and Telegraph Company

Rates and charges set forth in Exhibit A to Application No. 48250 are authorized except as herein specified.

Schedule Cal. P.U.C. No. 46-T

1. Interexchange and Interdistrict Area Channels - Monthly Charges

The charges set forth in Exhibit A to the application are authorized and, in addition, the following optional schedule of rates shall be filed applicable for a three-year period after the effective date of the tariffs filed pursuant to this decision. This schedule shall expire after such three-year period.

A. Modified Clock Hour Single Service - 60 or 75 Speed

<u>Service Period</u>	<u>Rate per Hour per Mile per Month Seven Days per Week</u>		
	<u>1st Year</u>	<u>2nd Year</u>	<u>3rd Year</u>
Hours between 6PM and 6AM	\$ 0.10	\$ 0.15	\$ 0.20
Hours between 6AM and 6PM	.20	.25	.30

B. Modified Clock Hour Single Service - 100 Speed

Charges are those for 60 or 75 speed single service plus 10 percent.

C. Modified Clock Hour Service for 53 Speed Teletypesetter Operation

Charges are those for 60 or 75 speed single service.

D. Modified Clock Hour Duplex Service

Charges are those for single service plus 10 percent.

Conditions

The above clock hour rates are subject to a minimum charge for eight continuous hours and are offered only on a 7 day per week basis. The minimum service period under this schedule is one month. The maximum charge for one month is the charge for continuous service.

2. Interexchange and Interdistrict Area Channels - Overtime Service

Overtime service in connection with the Modified Clock Hour service schedules will be offered during the three-year period specified. No charge is made for overtime of less than thirty minutes. Overtime service of thirty minutes or more is charged for in hourly multiples, thirty minutes or more being charged as one hour pursuant to the following schedule:

Appendix A

<u>Service Period</u>	<u>Rate per Hour of Overtime per Mile</u>		
	<u>1st Year</u>	<u>2nd Year</u>	<u>3rd Year</u>
Hours between 6PM and 6AM	\$0.01	\$ 0.015	\$0.02
Hours between 6AM and 6PM	.02	.025	.03

3. Interexchange and Interdistrict Area Channels - Temporary Service

Temporary Service shall be offered only on a 24 hour per day basis one or more days per week according to the following schedule:

A. 60 or 75 Speed Single Service

<u>Days per Week</u>	<u>Rate per Airline Mile</u>
1 day	\$0.25 per week
2 days	.35 " "
3 "	.45 " "
4 "	.55 " "
5 "	.65 " "
6 "	.75 " "
7 "	.85 " "
Each additional day	.10 per day

B. 100 Speed Single Service

Charges are those for 60 or 75 speed service plus ten percent.

C. 150 Baud Single Service

Charges are those for 60 or 75 speed service plus twenty-five percent.

D. Duplex Service

Charges are those for single service plus ten percent.

Conditions

Temporary service for a period of continuous days is offered at the above rates per week plus the rate for each additional day for periods exceeding seven days. Where temporary service is furnished on a noncontinuous basis, one or more days per week, for a period greater than one week, the charges will be computed separately for each calendar week starting with Sunday and ending with Saturday. Each day is computed on a calendar basis of 24 hours or any fraction thereof starting at midnight. The maximum charge for service during one month is that for continuous service.



Appendix A

Schedules Cal. P.U.C. Nos. 104-T, 107-T, 110-T and 115-T

The proposed increase from \$5.00 to \$10.00 in installation or nonrecurring charges for local channels with interexchange or interdistrict area channels and for channel terminals with interexchange or interdistrict area channels is not authorized.

The Western Union Telegraph Company

Rates and charges set forth in Exhibit 6 to Application No. 48293 are authorized except that The Western Union Telegraph Company shall make such changes or additions as are necessary to make its rates consistent with those herein authorized for The Pacific Telephone and Telegraph Company.