

Decision No. 74283

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of

THE WESTERN UNION TELEGRAPH COMPANY,

a corporation, for an order authorizing it to revise certain intrastate rates and charges applicable to telegraph and other services within the State of California.

Application No. 49874
(Filed December 12, 1967)

O P I N I O N

Applicant, The Western Union Telegraph Company, provides telegraph service and related special services within the State of California and throughout the United States. The applicant filed an application requesting rate changes to yield increased revenue in the amount of \$188,000 per year and revenue reductions of \$58,000 for a net increase of \$130,000 per year. Corresponding rate changes for interstate services were requested and allowed by the Federal Communications Commission (FCC) effective November 1, 1967.

For message telegraph service, applicant proposes an increase from a uniform 3% surcharge (authorized by Decision No. 70975, dated July 19, 1966) to a uniform 6% surcharge for full rate, day letter, night letter, and personal opinion telegrams. The same increase is proposed for singing greeting service charges, messages filed by telephone or messenger, confirmation copies of messages, public facsimile service, and commercial news service. Also proposed is an increase of 25 cents in the present \$1 charge for Tel(T)ex service. This service is the local delivery of

telegraph exchange (Telex) messages sent to members of the public who are non-Telex subscribers.

The applicant proposes to increase the present volume discount for certain public message telegrams which are sent by users of tie-line equipment. Tie-line equipment is provided at customer premises for the purpose of sending and receiving public message telegrams. The present tariff schedule provides that a credit of 10 cents will be allowed for each message over 100 messages per month that are sent to points within the United States. The applicant proposes to extend the 10-cent discount to messages in excess of 25 per month.

In support of this request for increased rates, the company has stated in its application that, "In order to continue development of applicants' integrated record message system which is in progress, substantial amounts of additional capital will be required to completely implement the overall associable modernization plans". And, "that the modernization plans will provide an expansion of service offerings and at the same time improve efficiency in furnishing existing services while effecting savings in its operating costs". Applicant also states that its combined nationwide interstate and intrastate operating results showed a 5.0% rate of return for the 12 months' period ending August 31, 1967. Applicant believes that with its proposed rates effective for interstate and all intrastate services nationwide, its annual rate of return would be 5.7%.

The Commission staff undertook an investigation of applicant's operations and on April 4, 1968, issued a report on the company's application. The report includes certain recommendations concerning service, intercompany billing arrangements, income from

merchandising, tariff schedule revisions, and provision for the public availability of the utility's tariffs. This report is hereby received as Exhibit No. 1 in this proceeding. On April 22, 1968, the applicant sent a letter to the Commission which is hereby received as Exhibit No. 2 in this proceeding. In the letter, the company agreed with certain staff recommendations and took exception to others.

Results of Operation

Exhibit No. 4 attached to the application is a summary of applicant's California intrastate earnings. It shows that the applicant's intrastate operations for the year 1966 resulted in a deficit of \$1,504,626 with a computed rate of return of minus 15.6%. These results were obtained using separations methods generally used by the company since 1950.

The staff in its report shows that on its intrastate operations, the utility earned net revenues of \$152,000 for the year 1966 with a positive rate of return of 1.8%. These results were developed by use of an alternate separations method, which parallels the separations method used by telephone companies in obtaining intrastate results of operation, and as a result of several rate-making adjustments.

The company has indicated in its April 22 letter (Exhibit No. 2) that it does not accept the Commission staff's procedures used in the expense allocations based on telephone standards, but it does not wish to take issue at this time.

Even with the staff's adjustments and method of determining earnings, it appears that the utility would need additional revenues of approximately \$400,000 per year to obtain a 6.5% intrastate rate of return. Exhibit No. 5 to the application shows

that the proposed rate adjustments would amount to approximately \$130,000 per year in revenue which on the staff basis would give a rate of return of 3.3%. Therefore, it appears the proposed rates will not result in an excessive rate of return.

Errand Service

A comparison of errand service revenues and expenses in the staff report shows that the expenses exceed the revenues by approximately \$328,000 for the year 1966. The staff recommends that the utility take steps to insure that this service becomes compensatory in the company's operations and that Western Union furnish the Commission with semiannual contribution analyses for this service. In Exhibit No. 2, the company has stated that it has no objection to furnishing the analyses as recommended by the staff.

Billing of Telegrams by Telephone Companies

The staff report states that it appears Western Union is making payments to various telephone companies in excess of the telephone companies' probable cost for providing the billing service. The staff's estimate of the possible annual savings to Western Union is \$98,000 per year if contracts with the telephone companies could be renegotiated at a lower rate of compensation. Western Union is agreeable, it stated in its April 22 letter, to comply with the recommendation of reporting the progress of negotiations on this subject.

Merchandising Income

The staff recommends that the utility include in its operating revenue, net income from the sale of dolls under its dollygram service so that the income would be consistent with the treatment of costs. The utility has stated that this segment of

its operation is insignificant and would not affect its earnings. It therefore appears inappropriate to order a report of this revenue at this time.

Tariff Revisions

The following tariff schedule additions and changes are recommended by the staff:

1. File rates and special conditions for tie-line service.
2. Delete tariff sheets pertaining to commercial news quotation service which is no longer available.
3. Delete schedule for public Telex service which is no longer offered.
4. File a summary list of contracts and deviations.
5. File a complete schedule of rules.
6. Prepare and file appropriate tariff sheets for Telex equipment.
7. File service area maps for private wire service or adopt the map schedules of the telephone companies.
8. File FCC interstate tariff schedules for all services not presently on file.
9. Furnish two copies of Telex directories whenever they are distributed to subscribers.

The company has indicated in its correspondence to the Commission that it is agreeable to complying with this list of recommendations.

Inspection of Tariffs and Public Notice

Complete sets of Western Union intrastate tariff schedules have been recommended by the staff to be placed in its offices in cities of 100,000 population or greater. The staff also recommends that a notice stating where tariffs may be inspected should be posted in every telegraph office.

Western Union's April 22 letter informed us that a public notice in its small office agencies would have little practical value. Therefore, it will be ordered that the public notices shall be posted in every company owned and more important agency telegraph office where customers receive attention.

Tariff Format

The company's filed message telegraph tariff schedules show lower rates and charges than those actually applied to customers' bills or requested of customers for cash payment. A surcharge is later applied to those charges marked by an asterisk (*) in the schedules. The increase in rates is proposed by indicating that the applicable surcharge will become 6% in lieu of the present 3%.

This appears to be a complication in the presentation of the rates which could be avoided by the utility filing the rates and charges set forth in Appendix A to this decision.

Ex Parte Order and Future Proceedings

Because of evident low earnings computed on the staff and company basis, and the lack of general protest, the approximate \$130,000 per year net revenue increase will be granted without public hearings.

The Commission takes official notice of the FCC Public Notice-C dated May 3, 1968, Report No. 2857, which states that Western Union filed revised tariff schedules effective May 5, 1968, proposing selective increases in rates for message telegrams and other services. The notice further states the increases were not suspended or investigated and that fact was not to be construed as approval by the FCC or a finding that the increases were justified or that they will be effective in producing increased revenues.

If Western Union desires to apply for this further increase in rates for California intrastate services, the utility is placed on notice that it will be necessary to hold public hearings and it will be necessary for the utility to support fully its methods of determining California intrastate operations including all of its separations and cost allocation procedures and to fully justify the reasonableness of them. It will also be necessary for Western Union to demonstrate and prove that its public message service rates are not unnecessarily burdened by other private line, computer, or data handling services it offers.

Findings and Conclusions

The Commission finds that:

1. Applicant is in need of additional revenues for California intrastate operations.
2. The analysis of California operations shown in staff Exhibit No. 1 sets forth the intrastate operating revenues and operating expenses for the test year 1966 reasonably represents the results of applicant's future operations.
3. Applicant will not earn an excessive rate of return in its California intrastate operations at the proposed rates.
4. The increase in rates and charges authorized herein are justified and the present rates and charges insofar as they differ from those prescribed herein, are for the future unjust and unreasonable.
5. A public hearing is unnecessary.
6. The reports concerning the utility's errand service and reports of negotiations concerning billing of telegrams by telephone companies should be furnished the Commission.

7. Revision of the company's tariff schedules, placement of tariffs open to public inspection, and placement of public notices of tariff inspection should be made by Western Union.

Based on the findings herein, we conclude that Western Union rates and service should be prescribed in accordance with the following order and that Western Union should make such studies and reports as are prescribed in the following order:

O R D E R

IT IS ORDERED that:

1. Applicant is authorized to file in quadruplicate with this Commission on or after the effective date of this order and in conformity with the provisions of General Order No. 96-A, revised tariff schedules with rates, charges, and conditions modified as set forth in Appendix A attached to this order and, on not less than five days' notice to the public and to the Commission, to make said revised tariffs effective for all service rendered on and after July 21, 1968.
2. Applicant shall prepare an analysis showing revenue and expenses for its errand service in California and shall file same with this Commission on or before January 1, 1969.
3. Applicant shall make a summary report of the negotiation concerning the revision of contracts for telegraph tolls billed by telephone companies; such report shall include names of companies with whom negotiations have taken place, and conditions and terms of proposals made; and file same with this Commission on or before October 1, 1968, and quarterly thereafter for a period of one year.

4. Western Union shall maintain on file in conformity with General Order No. 96-A tariff schedules open for public inspection in its offices in the cities of 100,000 population or more; and shall post in conformity with General Order No. 96-A public notices in company offices and more important agencies where patrons receive attention.

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

Dated at San Francisco, California, this 25th day of JUNE 1, 1968.

Robert E. Dittus
President

William M. Bennett

Augustus

William Lyons Jr.

Harold P. Monro
Commissioners

APPENDIX A
Page 1 of 3

RATES

Applicant's rates, charges, and conditions are changed as set forth in this appendix.

Schedule No. 2-T
Message Telegraph Services

RATES

Full Rate Telegram Service:

<u>Airline Distance</u>		<u>15 Words or Less</u>	<u>Each Additional Word</u>
0 -	125 miles - - - - -	127.2¢	6.89¢
126 -	225 miles - - - - -	137.8	7.42
226 -	425 miles - - - - -	153.7	7.95
426 -	750 miles - - - - -	169.6	9.01
751 -	1,125 miles - - - - -	185.5	9.54

Day Letter Service:

<u>Airline Distance</u>		<u>50 Words or Less</u>	<u>Each Additional 5 Words or Less</u>
0 -	125 miles - - - - -	185.5¢	14.84¢
126 -	225 miles - - - - -	196.1	15.37
226 -	425 miles - - - - -	222.6	17.49
426 -	750 miles - - - - -	243.8	19.08
751 -	1,125 miles - - - - -	265.0	21.20

Night Letter Service:

<u>Airline Distance</u>		<u>50 Words or Less</u>	<u>Each Additional 5 Words or Less</u>
0 -	125 miles - - - - -	111.3¢	9.01¢
126 -	225 miles - - - - -	116.6	9.01
226 -	425 miles - - - - -	132.5	10.60
426 -	750 miles - - - - -	148.4	11.66
751 -	1,125 miles - - - - -	159.0	12.72

APPENDIX A
Page 2 of 3

RATES

Tipline Service:

Rates, charges, and conditions for teleprinter, facsimile, and other equipment shall be filed and shall be identical to those in effect in FCC Schedule No. 176. The reduction in charge applicable to tipline customers shall be allowed for each message in excess of 25.

Singing Greetings:

The service charge shall be 53 cents per message.

Message Pickup and Telephone Coin Box Service:

The service charge shall be 5.3 cents per message. The applicability shall be modified to indicate that this charge applies only to messages placed with the telegraph company over a telephone company exchange line.

Confirmation Copy Service:

The service charge shall be 26.5 cents per message.

Flat Rate Personal Opinion Messages:

For each message, the charge shall be 90 cents.

Schedule Format Revision:

This schedule shall be revised to include all rates under RATES headings and rules and other provisions under SPECIAL CONDITIONS headings. This schedule shall conform to Exhibit A-1 of G.O. No. 96-A.

Schedule No. 5-T

Commercial News Service

Part I., Quotation Service, of this schedule shall be cancelled.

Schedule No. 9-T

Private Wire Services

Service area maps shall be filed or adoption notices of telephone companies' service areas shall be filed.

APPENDIX A
Page 3 of 3

RATES

Schedule No. 11-T
Public Facsimile Service

RATES

	<u>For the First</u> <u>4 Space Units</u>	<u>For Each Additional</u> <u>Space Unit</u>
Between San Francisco and Los Angeles	\$2.438	\$0.424

Pickup Service:

<u>Distance From Designated Office</u>	<u>For Each Pickup</u>
Within one airline mile	\$1.06
Over one but less than 2 airline miles	1.59
Over 2 airline miles but within city limits	2.12

Schedule Format Revision:

This schedule shall be revised to include all rates under the RATES heading and other provisions under the SPECIAL CONDITIONS heading.

Schedule No. 12-T
Public Telex Service

This schedule shall be cancelled.

Schedule No. 15-T
Rules

In addition to the present rule, this schedule shall contain the rules set forth in G.O. No. 96-A, Section II.C. (4) and all other rules or practices in effect.

Schedule No. _____ (Utility Shall Use Next Number in Order)
List of Contracts and Deviations

This schedule shall contain the provisions of G.O. No. 96-A, Section II.C.(3).