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Decision No. 75631 ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of TEL-PAGE, INC. a California Corporation, for authority to increase rates and charges for one-way paging service on the selective paging involving selective signal to receiver; selective signal to mobile unit; and the subscriber-owned pocket or mobile unit.	Application No. 50579 (Filed September 30, 1968)

Bacigalupi, Elkus, Salinger & Rosenberg, by Michael B. Foley, for applicant.
John J. Gibbons and R. T. Perry, for the Commission staff.

O P I N I O N

Tel-Page, Inc. seeks authority to increase rates and charges for radiotelephone utility one-way paging service in the San Francisco Bay Area.

Public hearings were held before Examiner Coffey in San Francisco on March 3 and 7, 1969. Copies of the application had been served and notice of hearing had been mailed to customers in accordance with this Commission's rules of procedure.

Testimony on behalf of applicant was presented by its president. The Commission staff presentation was made by an accountant and an engineer. No customers offered any testimony.

Service Area and System

Applicant is located in San Francisco. As of September, 1968, it provided one-way radio paging service in the San Francisco Bay Area to 271 subscribers with a total of 81 voice and 190 tone paging sets. The paging service as authorized by two Federal Communications Commission licenses, KMB-305 and KMB-306, uses three frequency channels. Channel "A" 35.22 Megahertz (MHz) is broadcast from a transmitter at 450 Sutter Street, San Francisco; Channel "B" 43.58 MHz is broadcast from San Bruno Mountain, South San Francisco; and Channel "C" 35.58 MHz is broadcast from 5170 Grizzly Peak Boulevard, Oakland, Florac Voice and Pagemaster Tone paging receivers are used.

Tel-Page does not have any employees of its own. Managerial functions are performed part time by an employee of the parent company, Ventec, Inc. Tel-Page operations are performed by other employees of Ventec and its subsidiary, the Consolidated Communications, Inc., a telephone answering service (TAS), located at 450 Sutter Street, San Francisco. The TAS provides an operator who monitors incoming subscriber paging requirements at all hours during each day of the week. Normally, one TAS operator receives messages and makes the required paging during the day period. One TAS operator performs all TAS and radio paging functions during the evening and night period. The Tel-Page message center includes required encoders and tape transmission facilities. Complaints are received at this location and are processed by a Tel-Page representative who also represents Tel-Page for selling paging service to subscribers. Artsons Answering System has arranged with Tel-Page to sell Tel-Page service to some of its customers. Artsons is compensated by the equivalent of one month's charge to the new paging service subscriber. Tel-Page has a leased line to Artsons so that Artsons can place paging messages with the Tel-Page message center operator to page the Artson subscriber having Tel-Page service. Tel-Page leases its landline facilities from the Pacific Telephone and Telegraph Company.

Rates

Applicant has proposed rate increases for the following services:

Type of Service	Present Rates: Monthly Rate	Present Rates: Msg. Allow.	Present Rates: Each Add'l. Msg.	Proposed Rates: Monthly Rate	Proposed Rates: Msg. Allow.	Proposed Rates: Each Add'l. Msg.
Selective Tone Paging						
Selective Signal to Receiver	$16.00	75	$0.10	$19.00	75	$0.10
Selective Signal to Mobile Unit	19.00	75	.10	21.00	75	.10
Subscriber-owned Pocket or Mobile Unit	11.00	75	.10	13.00	75	.10

At present there are no subscribers to the Selective Signal to Mobile Unit and Subscriber-owned Pocket or Mobile Unit services.

Applicant proposes to withdraw the following services and to apply the individual receiver rate if customers desire to continue subscribing to the service:

Type of Service	Present Rates: Monthly Rate	Present Rates: Msg. Allow.	Present Rates: Each Add'l. Msg.	As of Dec. 31, 1968 No. of Accounts and Services: No. of Accounts	As of Dec. 31, 1968 No. of Accounts and Services: No. of Receivers
Selective Tone Paging					
Separate Code, 2 Receivers	$29.25	125	$0.10	6	12
Separate Code, 3 Receivers	39.75	150	.10	1	3
Separate Code, 4 Receivers	50.00	175	.10	1	4
Separate Code, 5 Receivers	60.00	200	.10	3	15
Separate Code, Each Add'l.	7.50	-	.10	3*	29
Subscriber-owned, 2 Receivers	19.25	125	.10	None	-
Subscriber-owned, 3 Receivers	24.75	150	.10	None	-
Subscriber-owned, 4 Receivers	30.00	175	.10	None	-
Subscriber-owned, 5 Receivers	35.00	200	.10	None	-
Subscriber-owned, Each Add'l.	2.50	-	.10	None	-

* Two accounts have a total of 24 receivers.

The minimum monthly bill for selective tone paging for a utility-owned receiver would be increased from $16.00 to $19.00 an increase of 19%.

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Results of Operation

The following table compares the results of operation for the test year 1968 under present and proposed rates as estimated by the staff and applicant:

SUMMARY OF EARNINGS

Year 1968

Item	Staff	Applicant
	Present Rates	
Revenues	$39,240	$39,240
Operating Expenses	36,220	39,500
Depreciation Expense	8,610	16,320
Amortization Expense	220	220
Taxes	880	880
Total	45,930	56,920
Net Revenue	(6,690)	(17,680)
Rate Base	41,420	70,790
Rate of Return	(16.2)%	(25.0)%
	Proposed Rates	
Revenues	$48,180	$46,360
Operating Expenses	36,220	39,500
Depreciation Expense	8,610	16,320
Amortization Expense	220	220
Taxes	880	880
Total	45,930	56,920
Net Revenue	2,250	(10,560)
Rate Base	41,420	70,790
Rate of Return	5.4%	(14.9)%

(Red Figure)

The difference in operating expenses arises from the allocation of operator's wages and the elimination by the staff of a consulting fee which terminates with the year 1968.

The difference in depreciation expense results from the application by the staff of longer lives than used by the applicant and of the remaining life principle. Applicant used the 4-year term of a lease-purchase contract as the life of Pagemaster receivers and unit accounting.

The difference in rate base is due largely to applicant's inclusion of $42,636 for what it terms radio licenses which in reality is the excess of purchase price over original cost.

Service

The staff report, Exhibit No. 8, discusses in detail service deficiencies which include limited transmission coverage, unreliable service, excessive service outages, false tones, and failure of operators to identify themselves. Some major users of the service are considering obtaining other service or installing their own system.

Recommendations

The staff recommended that:

1. The rates proposed by the applicant be approved.

2. The withdrawal of services as proposed by the applicant be authorized.

3. Applicant maintain a written accurate record showing all transmission channel outages, including the trouble found and the time of service restoration.

4. Applicant develop procedures for handling service complaints, including the maintenance of appropriate written records showing the subscribers complaining, the trouble found and disposition of the service problem.

5. Applicant arrange for a complete maintenance contract which will indicate specifically (a) the types of maintenance to be done under the contract, and (b) require prompt maintenance be performed to provide reliable service.

6. Applicant provide a written report to the Commission indicating what action has been taken regarding the development of written procedures and maintenance of continuing records regarding the handling of complaints.

7. Applicant shall determine the accruals for depreciation by dividing the original cost of utility plant less estimated future net salvage less depreciation reserve by the estimated remaining life of the plant; applicant shall review the accruals when major changes in utility plant composition occur and for each plant account at intervals of not more than three years. Results of these reviews shall be submitted to the Commission.

Findings and Conclusions

We find that:

1. Applicant is in need of additional revenues.

2. The staff estimates of operating revenues, expenses and rate base for the test year 1968 reasonably represent the results of applicant's operations for the immediate future.

3. Applicant will earn less than a reasonable rate of return under proposed rates in the immediate future.

4. The increases in rates and charges authorized herein are reasonable, and the present rates and charges, insofar as they differ from those prescribed herein, are for the future unjust and unreasonable.

5. The recommendations of the staff are reasonable, but we will defer action on the depreciation recommendation pending the results of the Commission's investigation of radiotelephone utilities.

We conclude that the application should be granted and that the recommendations found reasonable should be implemented.

On December 17, 1968, we ordered a comprehensive investigation, Case No. 8880, into the operations, practices, rules, regulations, classifications, services, contracts and procedures of all radiotelephone utilities in California. Part of the purpose of this investigation is to determine whether general principles and procedures for allocating plant and expenses between public utility and non-public utility operations should be developed and to prescribe appropriate methods of determining earning levels or rates for radiotelephone utilities for rate fixing purposes. Nothing in this decision is to be considered as a precedent pending the completion of the investigation in Case No. 8880.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, Tel-Page, Inc. is authorized to file the rates as proposed in Exhibit "D" attached to the application and to eliminate those services identified with an asterisk in Exhibit "C" attached to the application. Such filing shall comply with General Order No. 96-A. The effective date of the revised rate schedules shall be the effective date of this order, or four days after the date of filing, whichever is later. The revised schedule shall apply only to service rendered on or after the effective date thereof.

2. Tel-Page, Inc. shall maintain an accurate written record of transmission channel outages which shall include a description of the cause and duration of the outages.

3. Tel-Page, Inc. shall develop and follow procedures for processing service complaints. These procedures shall include the maintenance of appropriate written records showing the name of complainant, complaint, and disposition of complaint.

4. Tel-Page, Inc. shall improve its service by arranging for its maintenance to be performed under a contract which specified the types of maintenance to be performed under the contract and which requires the prompt performance of maintenance necessary to provide reliable service.

5. Tel-Page, Inc., within 60 days after the effective date of this order in writing shall inform the Commission of the action it has taken to comply with Ordering Paragraphs Nos. 2, 3 and 4 above.

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

Dated at San Francisco, California, this 2nd day of MAY, 1969.

William Symons Jr.
President

Fred P. Morrissey

Commissioners

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.