

ORIGINAL

Decision No. 75790

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
INTRASTATE RADIO TELEPHONE, INC.)
OF SAN FRANCISCO, a Corporation, for)
Authority to Increase its Charges)
Applicable to One-way Radio Paging)
Service.)

Application No. 50341
(Filed June 24, 1968)

Donald R. Cook, for applicant.
Janice E. Kerr, Counsel for the Commission
staff.

O P I N I O N

By this application, Intrastate Radio Telephone, Inc. of San Francisco, (Intrastate) a California corporation, seeks authority to increase charges applicable to one-way radio paging service.

Public hearing in the matter was held before Examiner Gillanders on July 16, 17, and September 30, 1968 in San Francisco. On the latter date adjournment was taken for the purpose of allowing a Commission staff analysis and the preparation of a staff report thereon. The fourth and final day of hearing was held before Examiner Emerson on March 27, 1969 in San Francisco and submission was taken subject to the late-filing of an additional staff exhibit. Said exhibit was filed on March 31, 1969; thus the matter is now submitted and is ready for decision.

Intrastate offers three types of service: one-way paging service, two-way mobiltelephone service and telephone answering service. Currently, only the first two of these services receive the regulatory attention of this Commission. As of August 31, 1968, Intrastate served 169 one-way paging customers who used 196 receiving

units, 90 two-way customers who used 120 units and 119 answering service customers who utilized 128 telephone answering lines.

Intrastate seeks increased annual revenues of \$19,500 for its one-way paging service, an increase of approximately 60 percent. Although Intrastate alleges that it is incurring losses in all three of its services, it seeks a rate increase only in one-way paging.

The staff's accounting analysis of Intrastate's operations confirms that Intrastate is in fact operating at a loss on an overall basis and shows that when expenses are allocated among the three services on an equitable basis each of the three services is operating at a loss.

Neither Intrastate nor other RTU's presently have a uniform system of accounts. As one result, the presentation of evidence respecting the financial "results of operations" becomes more complex than need be and numerous "adjustments" and "pro-forma" statements are relied upon, all subject to cross-examination at length and to critical argument. Also, because of the several types of services rendered to the public, the "results of operations" of the various segments are greatly influenced by the methods of allocating revenues, expenses and items of plant. Further, the application of the concept of a "rate of return" relationship to a "depreciated rate base", as a measure of the reasonableness of earnings or as one indicator as to the reasonableness of rates, may not be the most appropriate yardstick for a radiotelephone utility wherein the bulk of plant used may be leased rather than owned. This being a relatively recently regulated industry, the guidelines of long precedent found in other classes of utilities are not at hand for the guidance of either the RTU's or the staff in a proceeding such

as this. Solution of the problems arising from these subjects hopefully will be found during the course of this Commission's investigation of the RTU industry (Case No. 8880) currently under way. For the purposes of the instant proceeding it will suffice, therefore, to broadly summarize the evidence respecting Intrastate's operations by finding that Column A in the following tabulation reasonably depicts Intrastate's earnings position for the "estimated year 1968" and that Column B thereof reasonably depicts what Intrastate's earnings would have been during such year if its proposed rates had been in effect throughout the year.

EARNINGS SUMMARY
(Estimated Year 1968)

<u>Item</u>	<u>Column A</u> <u>Present Rates</u>	<u>Column B</u> <u>Proposed Rates</u>
One-Way Service		
Revenues	\$32,551	\$52,082
Expenses before taxes	39,888	39,888
Net before taxes	<u>\$(7,337)</u>	<u>\$12,194</u>
Two-Way Service		
Revenues	\$30,581	\$30,581
Expenses before taxes	31,932	31,932
Net before taxes	<u>\$(1,351)</u>	<u>\$(1,351)</u>
Total Regulated Services		
Revenues	\$63,132	\$82,663
Expenses before taxes	71,820	71,820
Taxes	100	2,357
Net Revenue	<u>\$(8,788)</u>	<u>\$ 8,846</u>

(Red Figure)

With the increased revenues sought by Intrastate and the related reasonable expenses shown above (Column B), an "operating ratio" of 89.7 percent is indicated. Such ratio is not unreasonable for this operation.

Intrastate proposes to increase its monthly rates as follows:

<u>Service</u>	<u>Present Charge</u>	<u>Proposed Charge</u>
Minimum charge (75 message unit allowance)	\$ 8.50	\$12.00
Provision of pocket paging receiving equip.	<u>6.50</u>	<u>12.00</u>
Total Basic Charge per Month	\$15.00	\$24.00

The staff engineering witness recommended that in view of the loss resulting from two-way service, rates for such service should be increased and that a lesser-than-sought increase be authorized for the one-way service. Intrastate's position in such regard is that it is faced with direct competition in the two-way field and that increasing rates for such service would mean a loss of customers and a resulting greater overall deficit. On the other hand, it claims that its one-way service is in a number of respects a service superior to that offered by others and that it can readily sell such service at the proposed rates. We are convinced that Intrastate's position is sound in this respect. Its proposal will be authorized.

In the present absence of a prescribed "uniform system of accounts" for RTU's, the Commission strongly recommends to Intrastate that in its own best interest it should immediately implement the recommendations numbered lb, d, e, f, g, h and i set forth on page IV-1 of Exhibit No. 16 in this proceeding.

In view of the evidence, the Commission finds that:

1. Applicant is in need of and entitled to increased revenues in the total amount sought.
2. The rates hereinafter authorized are just and reasonable and existing rates, insofar as they differ therefrom, are for the future unjust and unreasonable.

The Commission concludes that the application herein should be granted.

ORDER

IT IS ORDERED that Intrastate Radio Telephone, Inc. of San Francisco is 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 revised to reflect the rates and charges as proposed in Exhibit D attached to the application herein and, on not less than five days' notice to the public and to this Commission, to make said revised tariffs effective for service rendered on and after July 1, 1969.

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

Dated at San Francisco, California, this 17th day of JUNE, 1969.

William S. Lyons, Jr.
President

Augustine

Robert P. Monassey

William L. Hall

Thomas A. ...
Commissioners