

**ORIGINAL**

Decision No. 76017

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of  
IMPERIAL COMMUNICATIONS CORPORATION,  
a California corporation, for  
authority to increase certain of its  
rates and charges for radiotelephone  
service.

Application No. 51040  
(Filed April 29, 1969)

O P I N I O N

Applicant's Request

By the above entitled application, Imperial Communications Corporation seeks an order of the Commission pursuant to Sections 454 and 728 of the Public Utilities Code to (1) authorize applicant to place in effect the proposed changes in rates and rate classifications set forth in Exhibit H to the application and (2) make such other provision or provisions as the Commission, within its discretion, shall deem just and proper.

Applicant's Operations

Applicant is a California corporation, having its principal place of business at 110 "C" Street, San Diego, California 92101. Applicant owns and operates a radiotelephone system in San Diego County, furnishing two-way mobile service, tone-only paging service and tone-with-voice message paging service. Applicant also furnishes telephone answering service which service is not involved in the application except as to the division of certain operating costs which overlap the radiotelephone and telephone answering services. Where reference is made herein to applicant's business and to its results of operations, the reference is to the radiotelephone part of the business.

Applicant alleges that it is operating at a deficiency and that a rate increase is required so that the deficiency in the net operating income of the radiotelephone portion of applicant's business will be substantially reduced. Applicant claims, however, that it is not feasible to use rates which would develop the full revenue requirement of the business so such rates are not sought in the application. Applicant seeks increases in its message service rates for two-way service and one-way tone-and-voice message paging service.

Applicant estimates present rates to produce revenues in a test period, 12 months ended November 30, 1968 of approximately \$42,928. Applicant estimates that its revenue in the test period would have been \$54,654 had the rates proposed in the application been effective. Revenues under proposed rates are as set forth in detail in Exhibit D attached to the application.

Applicant estimates expenses in the test period of approximately \$64,699. Expenses are as set forth in Exhibit E attached to the application. Applicant estimates that, with the rate changes proposed in the application, its annual revenue would have been approximately \$11,725 greater in the test period.

Applicant's balance sheet as of October 26, 1968, together with an income statement covering applicant's total business for the 12 months ended October 26, 1968, is attached to the application as Exhibit B.

A statement of net operating income and the rate of return on a depreciated rate base for the test period of 12 months ended October 26, 1968, under present and proposed rates for the radiotelephone portion of applicant's business is attached to the application as Exhibit C. Applicant alleges that the expenses included in its showing have been developed through careful allocation of total expenses of applicant where certain expenses of applicant

covered the furnishing of both radiotelephone and telephone answering services. A rate base is as set forth in Exhibit F attached to the application. Materials and supplies and working cash allowances have not been shown in the rate base since it appears to applicant the rate base would have no significance in this situation where applicant seeks rate increases under which a deficit in net operating income will remain. The net radiotelephone plant includes in some instances approximations of original cost. Applicant alleges that this results from the absence of original records being transferred to applicant by the prior owner. Accrued depreciation has been computed independently of the depreciation reserve as carried in the accounts of applicant.

A statement of the presently effective rates which are proposed to be increased and of the proposed increases which applicant requests authority to make effective, together with the proposed revenue increases, including the percentage of increase shown by rate classifications, is attached to the application as Exhibit D. A statement of proposed increases or changes which will result in increases in rates and rate classifications is included as Exhibit H.

In computing the depreciation deduction for the purpose of determining its federal income tax payments, applicant elected to employ the straight-line method.

#### Public Notice

A notice, stating in general terms, applicant's proposed increases in rates, Exhibit I attached to the application, was mailed to the State, County and City representatives listed in Exhibit J. Said notice states that a copy of the application and related exhibits will be furnished by applicant upon written request. Applicant, within ten days after the filing of the application, published a notice, in general terms, of the proposed increases in rates, in a newspaper of general circulation in the

County of San Diego which is the only County within which applicant provides service. An affidavit of publication was forwarded to the Commission by letter of applicant's counsel dated May 20, 1969.

In response to a request by the Commission staff, applicant, on May 7, 1969, sent a copy of the notice set forth in Exhibit I to each customer whose rates would be increased if the utility's request is granted. Such notice included a statement that any comments on the matter may be directed to the Commission.

Public Comments

Letters were received by the Commission from two individuals who opposed the increase in rates. Both of these comments were directed to the increase in minimum charge for two-way message service from a rate of \$10 per month including an allowance of 25 calls to a rate of \$20 per month including an allowance of 50 calls.

The Commission recognizes that rate increases for utility services may work a hardship on customers and, obviously, the greater the increase, the greater the hardship. Accordingly, the Commission must give careful consideration to the consumer interest in any rate increase authorization. On the other hand the Commission must allow adequate rates for reasonable service to permit a utility to finance its operation and to operate efficiently. In authorizing the rate increases provided for herein the Commission has attempted to balance all the factors to achieve a fair result. We are also aware of and take notice of the competing radiotelephone mobile service offered by the landline utility operating in the San Diego area. Such fact means that customers have some choice open to them that might not be available in other circumstances.

Commission Staff Investigation

In order to verify the allegations of the application and to determine the reasonableness of applicant's operations, a field

investigation was made by a staff engineer and a staff financial examiner. The report of the staff engineer is hereby received as Exhibit No. 1. The report of the staff financial examiner is hereby received as Exhibit No. 2.

These staff exhibits reveal that applicant was previously owned and operated by I.T.T. Mobile Telephone, Inc. By Decision No. 72710 dated July 6, 1967, the certificate was acquired by Imperial Communications Corporation. The stock of the present corporation was acquired by Bell and Howell Company of Chicago, September 22, 1968. The parent also has as a subsidiary, KEL Corporation, an electronics firm specializing in the manufacture of radio page and miniature two-way radiotelephone equipment (transceivers).

The new management is endeavoring to provide a full range of communication services, i.e. two-way mobile, two-way portable, tone-only pagers, tone-voice pagers and telephone answering service. The company has engaged in an extensive advertising program including the use of radio, television, direct mail, commission agents and personal solicitation. In an effort to provide top quality service, applicant is replacing a large percentage of its existing plant. It plans to spend more than \$500,000 in new plant facilities in the immediate future. By March 22, 1969, I.C.C. service had increased to a total of 335 total units and by May 24 to 431 units divided as follows:

	<u>September 1968</u>	<u>March 1969</u>	<u>May 1969</u>
Two-way	67	120	166
Page	<u>115</u>	<u>215</u>	<u>265</u>
Total	182	335	431

A staff review of applicant's current accounting statement indicates that a number of the amounts in this statement could be challenged as inappropriate charges for a small radiotelephone utility,

although these expenditures may have been essential to generate the kind of growth that has been produced. On the other hand even if different allocations of cost between utility and nonutility expenses were made and the remaining expenses were cut in half, the large expenditures for new plant, with related depreciation charges and return on investment would appear to justify the requested rate increases.

Both the staff engineer and financial examiner recommended that the proposed increases shown in the application be granted by the Commission.

Present and Proposed Rates

Applicant is seeking increases in its two-way message service rates and in its one-way paging service with voice message as shown in the following tabulation:

Two-Way Message Service (L-1 Schedule)

		<u>25-Message Unit Allow.</u>	<u>100-Message Unit Allow.</u>	<u>Each Add'l. Message Unit</u>
(Present)	1 Min. Message Unit	\$10/Month	\$20/Month	\$0.20
(Proposed)	1 Min. Message Unit		<u>50 Message Unit Allow.</u> \$20/Month	

One-Way Paging with Voice (L-2 Schedule)

	<u>25-Call Allow.</u>	<u>75-Call Allow.</u>	<u>100-Call Allow.</u>	<u>Each Add'l. Call</u>
(Present)	\$7.50/Month	\$12.50/Month	\$15.00/Month	\$0.15
(Proposed)		<u>No Limit on Allowance</u> \$16.00		

Applicant proposes no change in its rates for one-way tone-only paging service and no change in mobile equipment rates for the two-way service.

No change proposed in equipment rental for the new style paging receivers (presently: \$7.00/month rental plus \$3.00 maintenance = \$10.00), but it is proposed to reduce charge on old style pager rental to a total of \$7.50 per month.

The staff questioned the minimum level of \$16 for tone-and-voice message service. This matter was brought to the attention of applicant's management. By letter, dated June 16, 1969, applicant agreed to a rate of \$14 for unlimited calling. The remaining \$2 would be established as a rate for the provision of a rechargeable battery and battery charger. Applicant also agreed to clarify its tariffs to reflect its current practice of requiring the customer to provide replacement nonrechargeable batteries. It is noted that tone-and-voice receivers soon to be available to applicant, have a considerably lower battery drain, reducing the frequency of replacing nonrechargeable batteries and eliminating the need for using rechargeable batteries. As all tone and voice customers now use equipment requiring rechargeable batteries, the staff recommended rates will not reduce applicant's sought revenue. Applicant's letter is received as Exhibit No. 3, herein, and the rates provided in this order will be consistent therewith.

The staff has questioned the unlimited call allowance proposed by applicant for tone-and-voice message paging service as subject to abuse by some customers. Since evidence of actual abuse is unclear, the unlimited call allowance will be adopted but applicant is directed to report to the Commission at the end of 6 months of operation at the new rates on customers using in excess of 50 calls per month per paging unit and, should abuse be demonstrated, establish reasonable call allowance and charge for overcalls.

Authorized Rates

The following rates per customer unit will be authorized for applicant.

Two-Way Message Service (L-1 Schedule)

<u>50-Message Unit Allow.</u>	<u>Each Additional 1-minute Message Unit</u>
\$20/Month	\$0.25

One-Way Tone-and-Voice Message Paging (L-2 Schedule)

Message Service .. \$14/Month, Unlimited Calling

Receiver Rental:

Old Style Receiver .....	\$4.50/Month
New Style Receiver .....	7.00/Month

Receiver Maintenance .....

3.00/Month

Rechargeable Battery and Charger .....

2.00/Month

Replacement nonrechargeable batteries will be furnished by the customer.

Findings and Conclusion

The Commission has considered the above-entitled application and finds that a public hearing thereon is not necessary, that applicant is in need of and entitled to increased revenues in the total amount sought, and that granting of the application, as provided for herein, is justified. The rates hereinafter authorized are just and reasonable and present rates, insofar as they differ from those herein prescribed are for the future unjust and unreasonable.

The Commission concludes that the application should be granted as modified herein.

O R D E R

IT IS ORDERED that:

1. Imperial Communications Corporation 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 set forth herein and, on not less than five days' notice to the public and to this Commission.



2. Upon completion of six months' operation of the unlimited calling for tone-and-voice message paging, Imperial Communications Corporation shall file a report on paging units having over fifty calls per month.

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

Dated at San Francisco, California, this 12<sup>th</sup> day of AUGUST, 1969.

William Squares, Jr.  
President

August

A. S. P. Morrissey

J. P. Vukasin, Jr.  
Commissioners

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