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Decision No. 78519

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 message
telegraph and other services within the
State of California.

Application No. 52298
(Filed November 13, 1970)

Noel Dyer, Attorney at Law, for The Western
Union Telegraph Company, applicant.
Lawrence Ross, for United Telegraph Workers
Locals 208-34 & 48; Mrs. Sylvia Siegel, for
Association of California Consumers; and William
B. Foglesong, for Locals 34, 48 and 208, United
Telegraph Workers, protestants.
William C. Bricca, Attorney at Law, Sesto F. Lucchi
and Russell J. Leonard, for the Commission staff.

INTERIM OPINION

The Western Union Telegraph Company by application dated November 13, 1970, requested authority to increase its California intrastate rates. The bases therefor were sharply increased wage and pension expenses and the need for revenues to carry forward a modernization program to update services. Data underlying applicant's request was presented to the staff and hearings were held on March 10, 11 and 12, 1971 at San Francisco before Examiner Gillanders. The testimony and exhibits offered by applicant were received in evidence and the staff and a consumer representative cross-examined those witnesses who testified as to cost of service and the effect of the proposed rate increase on traffic volumes. Applicant then made a motion for interim relief in the sum of \$2,525,900. The motion was based on:

A. 52298 hjh

1. The absence of any significant rate relief in California during the past seven years.

2. Sharply increased expenses incurred by applicant during that period, including wages and pensions, and an urgent need to attract funds to continue applicant's modernization program.

3. The fact that recorded actual results of applicant's operations intrastate within California for the year 1969 showed:

- a. A loss from the public message telegram service of \$2,850,000 before negative income taxes (Exh. 18, Schedule H).
- b. A loss from its total California intrastate service of \$2,378,564 before negative income taxes (Exh. 18, Schedule H).

4. The fact that based on latest available data, applicant's estimates for 1971 showed that applicant would:

- a. Sustain a loss from its public message service of \$3,994,723 before negative income taxes (Exh. 18, Schedule K). After reduction of the loss for negative income taxes, this would be a minus rate of return of 35.1 percent (Exh. 18, Schedule K).
- b. Sustain a loss from its total intrastate operations in California of \$3,532,206 before negative income taxes and the effect of the TWX acquisition (Exh. 18, Schedule K). After the reduction of the loss for negative income taxes, the rate of return would be a minus 19.1 percent.

5. If applicant's request was granted in full it would earn on its basis a return of 3.6 percent from its public message services and 5.8 percent from its total California operations, excluding TWX acquisition (Exh. 18, Schedule K).

6. Applicant's total request was \$3,535,615. The interim relief of \$2,525,900, if granted, would enable applicant to substantially meet its deficit but pending final determination of this application, Western Union would continue to have a zero rate of return from its California operations.

A. 52298 hjh

7. The labor contracts of applicant which were executed in 1968 expire on May 31, 1971. Wage negotiations which will result in new labor contracts are underway and the new contracts will be executed within the next few months. No interim allowance for any anticipated increased labor expense referable to the new contracts was asked but the fact of the expiration of the existing contracts, the negotiations and the high probability of added labor expenses this year was brought to the attention of the presiding examiner.

Applicant proposed interim rate revisions to California intrastate service are as follows:

1. \$2.30 base Telegram for Public Full Rate and Day Money Orders	\$2,320,300
2. Money Order fees to level proposed in Application 52298	71,400
3. Delivery charge to 75¢	<u>134,200</u>
	\$2,525,900

The motion was opposed by Sylvia Siegel, a consumer representative, on the ground of unspecified deficiencies in service. The staff did not oppose, stating that it appeared that whatever adjustments it might make, a granting of interim relief would not result in an unreasonable return. The examiner denied the motion.

Finding

The Commission finds that the requested interim rates are justified subject to the condition that if the complete record does not support a finding that such interim rates are reasonable, all or part of said increase will be subject to refund with interest.

INTERIM ORDER

IT IS ORDERED that after the effective date of this order and until further order of this Commission, applicant, The Western Union Telegraph Company, is authorized to file the revised rates and conditions attached to the order as Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall apply only to service rendered on or after the effective date thereof.

IT IS FURTHER ORDERED that applicant establish a special reserve for the purpose of accruing the amount of the increase in rates, and that applicant accrue to that fund the difference between estimated gross revenues at present rates and revenues at the interim rates until further ordered by this Commission. Revenues collected in excess of those ultimately established in this proceeding will be refunded to customers together with 7 percent per annum interest.

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

Dated at San Francisco, California, this 2nd day of APRIL, 1971.

[Signature]
Chairman
[Signature]
[Signature]

Commissioners

Commissioner Thomas Moran, being necessarily absent, did not participate in the disposition of this proceeding.

-4- Commissioner D. W. Holmes, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A
Page 1 of 2

RATES AND CONDITIONS

Schedule No. 2-T

MESSAGE TELEGRAPH SERVICES - PUBLIC MESSAGES

BASIS OF COMPUTING CHARGES

Delete the "rate square" mileage basis for determination of rates and substitute the following:

The rate for a telegram between any two Western Union points in this state is dependent upon the number of words in the message. A basic charge applies for 15 words or less in the case of a Telegram and for 100 words or less in the case of an Overnight Telegram. Words in excess of 15 words in the case of a Telegram, and in excess of 100 words in the case of an Overnight Telegram, are charged for at additional word rates. The rates are set forth in (2) following.

Telegram Service

For 15 words or less - - - - -	\$2.30
For each additional word between 16 and 50 words - - -	.09
For each additional word over 50 words - - - - -	.06

Overnight Telegram Service

For 100 words or less - - - - -	\$1.30
For each additional word over 100 - - - - -	.01

Additional Charges

A charge of 75¢ applies for the physical delivery of a telegram to an addressee within the established city or community limits of an office or agency of the Utility listed in the Preliminary Statement when the sender specifies that delivery service by messenger be provided.

Day Letter - Delete

Night Letter - Delete

APPENDIX A
Page 2 of 2

Schedule 4-T

MONEY ORDER SERVICES - REGULAR MONEY ORDERS

The total charge for a money order is made up of the money order fee and the telegraph tolls.

(a) Money Order Fee:

<u>Amount of Order</u>	<u>Fee</u>
\$ 25.00 or less - - - - -	\$.65
25.01 - \$ 50.00 - - - - -	.85
50.01 - 75.00 - - - - -	1.25
75.01 - 100.00 - - - - -	1.65
100.01 - 200.00 - - - - -	2.85
200.01 - 300.00 - - - - -	4.40
300.01 - 400.00 - - - - -	5.95
400.01 - 500.00 - - - - -	7.50
500.01 - 750.00 - - - - -	9.30
750.01 - 1,000.00 - - - - -	11.15
Each additional \$500.00 or fraction thereof over \$1,000.00 - - - - -	\$ 3.50

(b) Telegraph Tolls on Money Orders:

Telegraph tolls on a money order are the tolls on a 15-word Telegram or 100 word Overnight Telegram, between the same points, whichever is requested by the sender. A supplementary message may be included, the charge for which is at the additional word rates. Telegram rates are on file in Schedule Cal. P.U.C. No. 2-T.