

Decision No. 80214

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application  
of CONTINENTAL TELEPHONE COMPANY  
OF CALIFORNIA and GOLDEN WEST  
TELEPHONE COMPANY for an order  
authorizing applicants to increase  
their rates for classified tele-  
phone directory advertising  
services.

Application No. 52805  
(Filed August 11, 1971;  
Amended January 10, 1972)

Orrick, Herrington, Rowley & Sutcliffe, by James F. Crafts, Jr. and Robert Gloistein, Attorneys at Law, for Continental Telephone Company of California, applicant.

Robert E. Michalski, Attorney at Law, for The Pacific Telephone and Telegraph Company; Neal C. Hasbrook, for California Independent Telephone Association; William L. Knecht, Attorney at Law, and Ralph O. Hubbard, for California Farm Bureau Federation; Robert H. Bigham, for Commercial Security Patrol; Edward A. Boehler, for Occidental Chemical Company; and Richard D. Vance, for Weaverville Miracle Mile Association; interested parties.

B. A. Peeters, Attorney at Law, James G. Shields and John J. Gibbons, for the Commission staff.

INTERIM OPINION

Proceedings

By this application Continental Telephone Company of California (Continental) and Golden West Telephone Company (Golden West) jointly sought an increase in classified directory advertising rates. On August 27, 1971, Golden West was merged into Continental which adopted the filed tariffs of Golden West in accordance with Decision No. 78709. Hereinafter, Continental is referred to as the sole applicant. On September 13, 1971, applicant filed Application No. 52859 (amended on February 4, 1972) seeking a general increase in its rates for telephone service. On November 30, 1971, the Commission issued an Order Instituting Investigation, Case No. 9296.

Applications Nos. 52805 and 52859 and Case No. 9296 were consolidated for the purpose of hearing. After due notice, hearings were held before Examiner Coffey in applicant's service areas: Victorville, Manteca, Gilroy, Sanger, Taft, Garberville, Weaverville, Ridgecrest, Bishop and Blythe. In addition, a number of days of hearing were conducted in San Francisco.

Classified directory advertising is customarily sold several months in advance of publication. Subsequent to the filing of Application No. 52805 and since February 7, 1972, applicant has been contracting with classified directory advertisers on the basis of the higher proposed rates, subject to the condition that such rates are authorized by the Commission prior to billing for the directories. Applicant has requested earlier determination of Application No. 52805 so that it might use the rates finally adopted herein for sales of advertising in 1972 directories to be published commencing in August. Neither the staff nor the California Farm Bureau Federation have any objection to the proposed directory rates which are designed to produce directory advertising rates comparable to those of other major telephone companies approved by the Commission. Application No. 52805 will be decided on an interim basis pending completion of the receipt of evidence in Application No. 52859 and Case No. 9296.

Applicant's Directories

Applicant provides 17 different directories throughout its California service areas. It also provides a directory in Nevada and one in Arizona each of which include contiguous California exchanges.

Applicant's directories are printed by an unaffiliated independent publisher under a contract providing for the retention by the applicant of 52.33 percent of the gross revenues derived from classified advertising sales.

Present and Proposed Rates

In order to partially offset increased costs of operations, applicant proposes to increase its directory advertising rates such that, based upon recorded sales for the editions of its directories published through February 1971, gross revenues would have increased after regrading from \$950,000 at present rates to \$1,512,000 at proposed rates, of which applicant would retain \$294,000 before federal and state income taxes and \$142,000 after such taxes. The proposed rates would amount to a 59 percent increase after regrading. Applicant has accounted for regrading (advertiser changes to less expensive advertisements after the rate increase) in accordance with the method followed by the Commission's staff in proceedings involving Application No. 49835 of General Telephone Company of California (Decision No. 75873, July 1, 1969).

Applicant proposes to adopt the rate group classification procedure found reasonable and used by the Commission in Decision No. 75873 mentioned above. That is, the circulation of a given directory is calculated as the sum of 100 percent of the total stations of the largest exchange in the directory plus 50 percent of the total stations of other exchanges included in the directory. Applicant's directories are rated according to their respective ranges of circulation, with higher rates being charged for classified directory advertising in directories having greater circulation. This is comparable to the relationship between newspaper circulation and newspaper advertising rates. Applicant also proposes that it be authorized to change the rate group classification of its directories by advice letter in accordance with General Order No. 96-A, coincident with future station growth.

Since applicant is composed of 18 smaller telephone companies which have been merged into applicant, and since in many instances applicant's directory advertising tariffs for various service areas consist of adopted tariffs previously filed by predecessor companies, there is some disparity among classified directory advertising rates in applicant's service areas, thus varying the impact of the proposed increased uniform rate structure.

The directory advertising rates proposed by applicant are generally comparable with those found reasonable for General Telephone Company of California in Decision No. 75873. In the course of hearings there were some public witnesses who objected to the increases; however, it has been shown that the proposed rates will do no more than bring applicant's rates into line with the rates of other major telephone companies in the State.

Federal Economic Stabilization Program

Phase I, the wage-price freeze phase of the Federal Economic Stabilization Program, was in effect from August 15 to November 15, 1971. Phase II, the wage-price controlled phase of the program, then went into effect, with regulations and amendments and modifications thereto being announced from time to time. This Commission has not yet had its rules and procedures for considering requests for price increases approved by the Price Commission under Section 300.16a of Part 300, Title 6 of the Code of Federal Regulations, adopted March 18, 1972. Consequently, the regulations currently in effect for regulated public utilities such as applicant are as follows, of which we take official notice:

Section 300.16, paragraph (e), of the current regulations provides, where regulatory approval is granted subsequent to May 25, 1972 but before regulatory agency certification under Section 300.16a:

- "(e) Regulatory agency certification. With respect to each price increase it approves, each regulatory agency shall certify in the order granting the increase or in a separate document the following:
- (1) The former price, the new price and the percentage increase;
  - (2) The dollar amount of increased revenue which the increase is expected to provide;
  - (3) The amount by which the increase will increase the utility's profits as a percentage of its total sales;
  - (4) The amount by which the increase will increase the utility's overall rate of return on capital;

- (5) That sufficient evidence was taken in the course of its proceedings to determine whether the criteria set forth in paragraph (d), (1) through (4) of this section, as in effect on January 17, 1972, are or are not met by the price increase; and
- (6) That the price increase does or does not meet those criteria or meets them only to a particular extent, with a statement of reasons why the price increase does or does not meet the criteria or meets them only to a particular extent."

The criteria referred to in the foregoing subparagraphs (5) and (6) of paragraph (e) were set forth in paragraph (d) of the regulations in effect on January 17, 1972, which provide:

- "(d) General. A public utility may charge a price in excess of a final price (a price which is not subject to accounting and refund) in effect on January 16, 1972, only if, within the appropriate period specified in this section for review by the Price Commission, the Commission does not make a negative finding on any of the following:
- (1) The increase is cost-based and does not, unless specifically provided otherwise by the Price Commission, reflect future inflationary expectations;
  - (2) The increase is the minimum required to assure continued, adequate, and safe service or to provide for necessary expansion to meet future requirements;
  - (3) The increase will achieve the minimum rate of return or profit margin needed to attract capital at reasonable costs and not to impair the credit of the public utility;
  - (4) The public utility has obtained a certificate in accordance with paragraph (e) of this section,...; and
  - (5) In the opinion of the Price Commission, the increase is consistent with the Commission's overall goal of holding average price increases across the economy to a rate of not more than 2-1/2 percent a year."

In compliance with the foregoing regulations, Appendix A to the order herein includes the requisite items which constitute the certification referred to in the regulations.

In making the foregoing certification to the Price Commission, we have adopted recorded 1971 results of operations as the test year, solely for the purpose of determining the revenue effect of the authorized increases in classified directory advertising rates in rendering this interim decision in Application No. 52805. In Application No. 52859, estimated results of operations for 1972 will be adopted as the test year, and the revenue effects of the increase herein authorized will be included in calculating applicant's total revenue requirement.

Based on recorded 1971 intrastate results of operations, the estimated effect of the rates authorized herein would have been to increase gross revenues 1.5 percent from \$35,930,000 to \$36,464,000 and to increase rate of return for California operations from 6.83 percent to 6.93 percent.

In view of the evidence, the Commission finds that:

1. The classified directory advertising rates and rate group classifications proposed by applicant are fair and reasonable for the services to be rendered and the increases in rates authorized herein are justified.

2. Applicant's existing classified directory advertising rates, insofar as they differ from the rates authorized herein, are for the future unjust and unreasonable.

3. Applicant's proposal to change rate group classifications for its directories by filing advice letters in accordance with General Order No. 96-A coincident with station growth is fair and reasonable.

4. Appendix A to the order herein accurately reflects data regarding the increases authorized herein and we so certify to the Price Commission.

We conclude that Application No. 52805 should be granted. If at the conclusion of this proceeding we find applicant's overall earnings are excessive, we will make appropriate reductions in exchange rates.

INTERIM ORDER

IT IS ORDERED that:

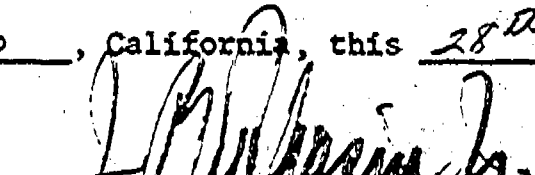
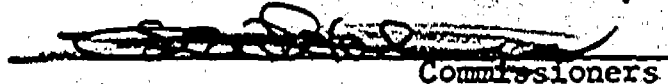
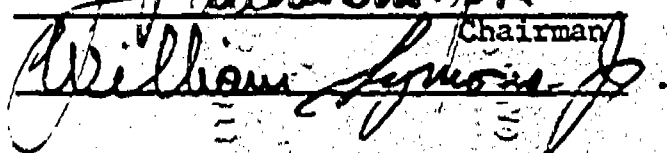
1. Applicant is authorized to file with this Commission, on or after the effective date of this order and in conformity with the provisions of General Order No. 96-A, revised tariff schedules for classified directory advertising as set forth in Appendix B and upon not less than five days' notice to the public and to this Commission to make said revised tariffs effective coincident with the issuance of its telephone directories published subsequent to said notice.
2. Applicant is authorized to file with this Commission from time to time, in conformity with the provisions of General Order No. 96-A, revisions to the tariff schedules filed pursuant to paragraph 1 of this order in order to reflect changes in the rate group classification for any of its directories caused by changes in the

number of stations in the exchanges included in such directories and upon not less than five days' notice to the public and to this Commission to make any such revision effective coincident with the issuance of the directory or directories involved subsequent to said notice.

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

Dated at San Francisco, California, this 28<sup>th</sup> day of JUNE, 1972.

I dissent

  
Chairman  
  
Commissioners

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



APPENDIX A

DATA REGARDING RATE INCREASES AUTHORIZED FOR  
CONTINENTAL TELEPHONE COMPANY OF CALIFORNIA  
INTRASTATE OPERATIONS  
1971

(1) Intrastate Revenues

At Present Rates	\$35,930,000
At Increased Rates Authorized	36,464,000
Percentage Increase	1.5%

(2) Revenue Increase Authorized \$534,000

(3) Net revenue as a percent of gross revenue is expected to be 23.7% under both present and proposed rates.

(4) Rate of return on total capitalization assignable to intrastate operations is expected to be 6.93%, an increase of 0.1% from 6.83%.

(5) Sufficient evidence was taken in the course of the proceeding to determine whether or not the criteria set forth in paragraph (d), (1) through (4) of Title 6, Chapter III, Part 300, Sect. 300.16 of the Code of Federal Regulations, as amended, effective January 17, 1972, are or are not met by the rate increase.

(6) The rate increase is cost-based related to the total operation of the utility and does not reflect future inflationary expectations; the increase is in part the minimum required to assure continued, adequate and safe service and to provide for necessary expansion to meet future requirements; the increase will achieve in part the minimum rate of return needed to attract capital at reasonable costs and not to impair the credit of the public utility. This appendix to the rate decision constitutes the certification required by the Code of Federal Regulations.

APPENDIX B  
Page 1 of 3CONTINENTAL TELEPHONE COMPANY OF CALIFORNIA  
RATE GROUP CIRCULATION DETERMINATION

<u>CLASSIFIED DIRECTORY</u>	<u>TOTAL STATIONS</u>	<u>TOTAL STATIONS OF LARGEST EXCHANGE</u>	<u>*PROPOSED RATE GROUP CIRCULATION</u>	<u>RATE GROUP NUMBER</u>
Blythe	7,613	7,367	7,490	6
Corcoran	4,091	3,894	3,993	4
Dos Palos	3,658	3,658	3,658	4
East Kern County	20,026	10,166	15,096	11
Eastern Sierra	11,543	5,506	8,525	7
Exeter	5,439	4,738	5,089	5
Garberville	3,372	1,443	2,408	2
Gilroy	8,407	8,407	8,407	7
High Desert	46,104	21,692	33,898	15
Knights Landing	687	438	563	1
Linden	1,530	1,057	1,294	1
Manteca (incl. Ripon)	14,100	11,543	12,822	9
McFarland	2,019	2,019	2,019	2
San Joaquin	1,417	1,417	1,417	1
Sanger	7,031	6,400	6,716	6
Taft	11,034	9,186	10,110	8
Weaverville	4,055	1,632	2,844	3
Parker, Arizona	2,918	1,928	2,423	2
Western Nevada	9,739	4,576	7,158	6

\*Based on total stations of largest exchange plus 50% of total stations of other exchanges.

APPENDIX B  
Page 2 of 3

CONTINENTAL TELEPHONE COMPANY OF CALIFORNIA  
PROPOSED MONTHLY RATES FOR DIRECTORY ADVERTISING  
BY CIRCULATION GROUPS

A. 52805 JR

CIRCULATION GROUPS		LISTINGS				TRADE MARK ITEMS			INFORMATIONAL LISTINGS						DISPLAY			
DATE GROUP	CLASSIFIED	WBL	(AC) (EL) (TEL) (TRL) (RL)	(BL) (TBL)	(TN)	TH	CTH	TC	1HS	2HS	3HS	3DHS	4HS	4DHS	QC	* (2QC) (EC)	* 3QC	BHC
1	1- 1,500	1.50	.30	.75	1.00	3.00	4.50	1.00	1.60	2.80	3.30	3.65	3.80	4.20	3.50	7.00	10.50	14.00
2	1,501- 2,500	1.50	.30	.75	1.00	3.00	4.50	1.00	1.60	2.80	3.30	3.65	3.80	4.20	3.50	7.00	10.50	14.00
3	2,501- 3,500	1.50	.35	.75	1.00	3.00	5.00	1.00	1.70	3.00	3.65	4.00	4.30	4.65	4.00	8.00	12.00	16.00
4	3,501- 4,500	1.50	.35	1.00	1.25	3.50	5.50	1.25	1.80	3.20	4.00	4.40	4.80	5.20	4.50	9.00	13.50	18.00
5	4,501- 6,000	1.75	.35	1.00	1.25	3.50	6.00	1.25	1.90	3.40	4.35	4.75	5.30	5.70	5.00	10.00	15.00	20.00
6	6,001- 7,500	1.75	.35	1.25	1.50	4.00	6.50	1.50	2.00	3.60	4.70	5.20	5.80	6.30	5.50	11.00	16.50	22.00
7	7,501- 9,000	2.00	.40	1.25	1.50	4.00	7.00	1.50	2.10	3.80	5.05	5.55	6.30	6.80	6.00	12.00	18.00	24.00
8	9,001- 11,000	2.00	.40	1.25	1.50	4.50	7.50	1.50	2.20	4.00	5.40	6.00	6.80	7.40	6.50	13.00	19.50	26.00
9	11,001- 13,000	2.00	.40	1.50	1.75	4.50	8.00	1.75	2.30	4.20	5.75	6.35	7.20	7.80	7.00	14.00	21.00	28.00
10	13,001- 15,000	2.25	.50	1.50	1.75	5.00	8.50	1.75	2.40	4.40	6.10	6.75	7.60	8.25	7.50	15.00	22.50	30.00
11	15,001- 17,500	2.25	.50	1.50	1.75	5.50	9.00	1.75	2.55	4.60	6.45	7.05	8.00	8.60	8.00	16.00	24.00	32.00
12	17,501- 20,000	2.25	.50	1.50	1.75	6.00	10.00	1.75	2.75	4.80	6.80	7.50	8.35	9.00	9.00	18.00	27.00	36.00
13	20,001- 25,000	2.50	.60	1.50	2.00	6.50	11.00	2.00	2.75	5.00	7.15	7.90	8.60	9.50	10.00	20.00	30.00	40.00
14	25,001- 30,000	2.50	.60	1.75	2.00	6.50	12.00	2.00	3.00	5.25	7.50	8.40	9.00	10.00	11.00	22.00	33.00	44.00
15	30,001- 35,000	2.50	.60	1.75	2.00	7.00	13.00	2.00	3.25	5.50	8.00	9.00	9.75	10.75	12.00	24.00	36.00	48.00
16	35,001- 40,000	2.75	.70	1.75	2.00	7.50	14.00	2.00	3.50	5.75	8.50	9.50	10.50	11.50	13.00	26.00	39.00	52.00
17	40,001- 47,500	2.75	.70	2.00	2.25	8.00	15.00	2.25	3.75	6.00	9.00	10.00	11.25	12.25	14.00	28.00	42.00	56.00
18	47,501- 55,000	2.75	.70	2.00	2.25	8.50	16.00	2.25	3.75	6.25	9.50	10.50	12.00	13.00	15.00	30.00	45.00	60.00
19	55,001- 65,000	3.00	.80	2.00	2.25	9.00	17.00	2.25	4.00	6.50	10.00	11.00	12.75	13.75	16.00	32.00	48.00	64.00
20	65,001- 75,000	3.00	.80	2.25	2.50	9.50	18.00	2.50	4.00	6.75	10.50	11.50	13.50	14.50	17.00	34.00	51.00	68.00
21	75,001- 87,500	3.00	.80	2.25	2.50	10.00	19.00	2.50	4.25	7.00	11.00	12.00	14.25	15.25	18.00	36.00	54.00	72.00
22	87,501- 100,000	3.50	1.00	2.25	2.50	11.00	20.00	2.50	4.50	7.50	11.50	12.50	15.00	16.00	19.00	38.00	57.00	76.00
23	100,001- 115,000	3.50	1.00	2.50	2.75	11.00	21.00	2.75	4.75	8.00	12.00	13.00	16.00	17.00	20.00	40.00	60.00	80.00
24	115,001- 130,000	3.50	1.00	2.50	2.75	12.00	22.00	2.75	5.00	8.50	13.00	14.00	17.00	18.00	21.00	42.00	63.00	84.00
25	130,001- 150,000	4.00	1.00	2.50	2.75	12.00	23.50	2.75	5.00	9.00	14.00	15.00	18.00	19.00	22.50	45.00	67.50	90.00
26	150,001- 175,000	4.00	1.00	2.50	2.75	13.00	25.00	2.75	5.50	9.50	15.00	16.00	19.00	20.00	24.00	48.00	72.00	96.00
27	175,001- 200,000	4.00	1.00	2.75	3.00	14.00	26.50	3.00	5.50	10.00	16.00	17.00	20.00	21.00	25.50	51.00	76.50	102.00
28	200,001- 225,000	4.50	1.25	2.75	3.00	15.00	28.00	3.00	6.00	10.50	17.00	18.00	21.00	22.00	27.00	54.00	81.00	108.00
29	225,001- 250,000	4.50	1.25	2.75	3.00	15.00	29.50	3.00	6.50	11.25	18.00	19.00	22.00	23.00	28.50	57.00	85.50	114.00
30	250,001- 275,000	4.50	1.25	2.75	3.50	16.00	31.00	3.50	7.00	12.00	19.00	20.00	23.00	24.00	30.00	60.00	90.00	120.00
31	275,001- 300,000	4.50	1.25	3.00	3.50	17.00	33.00	3.50	7.50	13.00	20.50	21.50	24.50	25.50	31.50	63.00	94.50	126.00
32	300,001- 350,000	5.00	1.25	3.00	4.00	19.00	35.00	4.00	8.00	14.00	22.00	23.00	26.00	27.00	33.00	66.00	99.00	132.00
33	350,001- 400,000	5.00	1.25	3.00	4.00	20.00	37.00	4.00	8.50	15.00	23.50	24.50	27.50	28.50	34.50	69.00	103.50	138.00
34	400,001- 450,000	5.00	1.25	3.25	4.00	21.00	40.00	4.00	9.00	16.50	25.25	26.25	29.25	30.25	36.00	72.00	108.00	144.00
35	450,001- 525,000	5.50	1.25	3.25	4.50	23.00	43.00	4.50	9.50	17.50	27.00	28.00	31.00	32.00	38.00	76.00	114.00	152.00
36	525,001- 600,000	5.50	1.25	3.50	4.50	24.00	46.00	4.50	10.00	18.00	28.75	29.75	32.75	33.75	40.00	80.00	120.00	160.00

\* Not Sold In Two Column Directories

APPENDIX B  
Page 3 of 3

## CONTINENTAL TELEPHONE COMPANY

KEY TO ABBREVIATIONS AND EXAMPLES  
OF CLASSIFIED ADVERTISING ITEMSAbbreviationTitle and/or DescriptionListingsWBL  
EL  
RL  
AC  
TRL  
BL  
TBL  
TN  
TELWhite Pages Bold Listing  
Extra Line  
Regular Listing  
Alternate Call (If no answer, call...)  
Trade Regular Listing  
Bold Listing  
Trade Bold Listing  
Trade Name  
Trade Extra LineTrade Mark ItemsTM  
CTM  
TCTrade Mark  
Custom Trade Mark  
Trade Cross ReferenceInformational Listings1HS  
2HS  
3ES  
3DEHS1/2 Inch Space Listing  
1 Inch Space Listing  
1 1/2 Inch Space Listing  
1 1/2 Inch Directional Space Listing  
(Directional Identification Box in upper left hand corner, used to identify address or area served by customer)  
2 Inch Space Listing  
2 Inch Directional Space Listing  
(Directional Identification Box in upper left hand corner, used to identify address or area served by customer)\*4HS  
\*4DEHSDisplayQC  
\*2QC  
EC  
\*3QC  
DECQuarter Column  
2 1/4 Column  
Half Column  
3 1/4 Column  
Double Half Column

\*Not sold in Two Column Directories.