

ORIGINAL

Decision No. 85374

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of WESTERN CALIFORNIA TELEPHONE
COMPANY, a corporation, for authority
to increase certain rates applicable
to the sale of advertising in its
telephone classified directories.

Application No. 55905
(Filed August 29, 1975)

O P I N I O N

By application filed August 29, 1975, Western California Telephone Company (Western) seeks an order of this Commission authorizing the increased rates for classified telephone directory advertising service set forth in Exhibit C attached to the application. For this proceeding Western is treated as was its affiliated company, General Telephone Company of California (General), in General's last major rate proceeding, Decision No. 83779 in Application No. 53935 decided November 26, 1974, in which General was authorized a rate of return of 8.85% based on General's cost of debt, debt ratio, and a return on common equity of 12.44%. This treatment is now subject to review with respect to General's utilization of accelerated tax depreciation with normalization for rate-fixing purposes in accordance with the California Supreme Court Decision. S.F. Nos. 23215, 23237, 23257 issued December 12, 1975. Therefore, any revenues collected by Western pursuant to the order issued herein are to be subject to refund.

Western's last classified directory advertising rate increase, authorized by Decision No. 63208, became effective February 18, 1962. Western alleges that the unit costs of preparing, publishing, and issuing Western's directories have increased as a result of increased labor and material costs. Unit printing costs alone have risen 34.5% since 1969. Western states that by virtue of the substantial increase in the value of directory advertising to various advertisers and the foregoing cost factors, Western's

directory advertising rates, applicable to future directory issues, should be revised so as to yield increased advertising revenues. We agree; it is appropriate that the rates for directory advertising, which is an optional service provided by Western for its subscribers, be set at a commercial level to produce reasonable amounts of revenue to help offset other costs of providing service. However, the level to which Western's directory advertising rates should be increased merits review in relation to rates of similar companies.

Western estimates that the directory advertising rate increase proposed, when fully effective, will result in a gross revenue increase of \$331,000 annually after regrade and uncollectibles and its estimated adjusted intrastate rate of return will have been increased from 7.18% to 7.67%. The rates proposed by Western in Exhibit C attached to the application represent an average monthly billing increase in directory advertising charges of 58% and an average monthly increase in directory advertising revenues of 35% after regrading. Western's proposed rates are the same rates proposed by General for directory advertising in General's rate increase Application No. 55383 pending before this Commission.

The Commission staff has reviewed Western's application and has prepared a report regarding Western's operations. This report is received hercin and designated Exhibit No. 1. It shows that by incorporating General's 8.85% rate of return as the allowable return for the General Directory Company, an affiliate of General and Western, the effect of the increase in directory advertising rates as proposed by Western would increase Western's adjusted intrastate rate of return of 7.27%, as estimated by the staff at present rates, to 7.76%, assuming the proposed rates to have been fully in effect. Other rate-making adjustments shown by Western in Exhibit B attached to the application are based on adjustments, except for wage annualization, adopted by this Commission for General in its most recent rate order (D-83779, A-53935 decided November 26, 1974).

On December 30, 1975, this Commission issued Decision No. 85287 in The Pacific Telephone and Telegraph Company Application No. 55214 adjusting Pacific's rates. This increase in Pacific's rates has resulted in an increase in settlement revenue to independent telephone companies within California. The Commission staff has reviewed the settlement effects on Western, a report on which is received herein as Exhibit No. 2. The additional annual revenues to Western due to settlements based on test year 1975 operations of Western is estimated to be \$64,000 in exchange settlements and \$274,000 in toll settlements. This additional revenue would increase staff's estimate of Western's present adjusted intrastate rate of return to 7.77%. Therefore, staff's estimate of Western's adjusted intrastate rate of return, including the proposed directory advertising rate increase and settlements, is 8.27%.

Exhibit 2 also shows the rate of return effect of increasing Western's directory advertising rates to General's presently authorized rates. The staff estimates that General's present rates, shown herein in Appendix A, when fully in effect would result in a gross revenue increase to Western of \$119,000 annually after regrade and uncollectibles. The staff estimates the effect of these rates, in addition to the settlement effect previously discussed, would increase Western's adjusted intrastate rate of return to 7.95%. These rates would represent a 21% monthly billing increase to Western's directory advertising subscribers and a 13% increase in Western's monthly directory advertising revenues after regrade.

General's present directory advertising rates (authorized by Decision No. 75873 in Application No. 49835 decided July 1, 1969) which have also been authorized for many of independent telephone companies in California have become somewhat of a standard for directory advertising rates for independent telephone companies. It is appropriate that Western be authorized to raise its charges for directory advertising to those levels presently authorized for General.

Proper notice of the filing of this application has been given, and no protest pursuant to this application has been received by this Commission.

Findings

1. Western's rates for directory advertising service should be increased to the level presently authorized General.
2. The rates and charges authorized herein are just and reasonable and the present rates, insofar as they differ from those rates herein prescribed are unjust and unreasonable.
3. A public hearing is not necessary.

O R D E R

IT IS ORDERED that:


1. Western 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 A and upon not less than five days' notice to the Commission and to the public to make said revised tariffs effective coincident with the issuance of its telephone directories published subsequent to said notice.
2. Western 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 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 Commission and to the public to make any

such revision effective coincident with the issuance of the directory or directories involved subsequent to said notice.

3. The rates established by this order shall be subject to refund.

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

Dated at San Francisco, California, this 27th day of JANUARY, 1976.

 President
William J. Quinn Jr.
Vernon L. Stringer
Alon
Paul Baker Commissioners

APPENDIX A
WESTERN CALIFORNIA TELEPHONE COMPANY

DIRECTORY ADVERTISING RATES
BY CIRCULATION AND RATE GROUPS

Circulation Groups		Listings				Trade Advertisements			Informational Listings					Display			
Rate Group	Classified	(AT)	(AF)	(BT) (TB)	(TN)	(TH)	(CTM)	(CRL)	(1/2 Line)	(1 Line)	(1-1/2 Line)	(D 1-1/2 Line)	(D 2 Lines)	1/4 Col.	1/3 Col.	3-1/4 Col.	2-1/3 Col.
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	(r)
1	1-1,500	1.50	.30	.75	1.00	3.00	4.50	1.00	1.00	2.50	3.30	3.65		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	1.00	2.50	3.30	3.65		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	1.20	3.00	3.65	4.00		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		4.50	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		5.00	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		5.50	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		6.00	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		6.50	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		7.00	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		7.50	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	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		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		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	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	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	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	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	15.00	30.00	45.00	60.00