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Decision No. 89635 NOV 9 1978**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 its Telex and Teletypewriter Exchange (TWX) services within the State of California.

Application No. 57959
(Filed March 28, 1978)

O P I N I O N

By application filed on March 28, 1978, The Western Union Telegraph Company (hereinafter referred to as "Western Union") seeks an order of this Commission authorizing the increased rates for Telex and Teletypewriter Exchange (TWX) services set forth in Attachment A to the application. The requested rate levels would yield an estimated annual increase in intrastate revenues of \$745,686. The proposed rates are identical to those rates for which Western Union sought authorization from the Federal Communications Commission (FCC) for interstate Telex and TWX services by FCC Docket No. 78-97 filed with that commission on December 1, 1977. In its Opinion and Order in that proceeding released on March 17, 1978, the FCC suspended the requested tariff revisions pending investigation until August 10, 1978, at which time the requested rates became effective.

Western Union states the proposed Telex and TWX rates are designed to meet the following company objectives:

1. To improve the overall competitive relationships between Telex/TWX and the telephone companies' MTS Dataphone and WATS Dataphone services.

2. Maintain rate uniformity on an interstate/intrastate basis for services with the same cost characteristics.
3. Generate additional revenues to help offset increased costs and improve the rate of return of California operations.
4. Reflect cost/revenue relationships to a greater extent than indicated by present rates.

Our concern is that any rates authorized herein be established at reasonable levels for the services rendered and recover the costs incurred in providing the services including a reasonable return on investment. We do, however, appreciate the desirability of uniform interstate and intrastate rates for Western Union's Telex and TWX customers and Western Union's concern to improve the competitive relationships between Telex and TWX and other service offerings.

Western Union, a corporation engaged in the provision of telecommunication services within California and throughout the United States, has not sought increases in rates for Telex and TWX services since the present rates were established by this Commission in September 1973 and June 1974, respectively.

Telex and TWX services are separate but similar direct-dial teletypewriter exchange services which provide direct electrical connection of subscribers' terminals for record communication. Charges for the services consist of three major elements: network access, terminal equipment, and usage. The network access charge recognizes the connection of a customer's terminal to the Telex or TWX network, and the terminal equipment may be obtained from the utility for a monthly tariff charge or may be owned or provided by the customer. The usage charges are based on duration and distance of the messages sent by a customer. By this application Western Union proposes to revise the usage charges associated with Telex and TWX services.

For usage charges applicable to TWX service, Western Union proposes to increase the local usage rate from 15¢ to 20¢ per minute and to reduce the number of TWX mileage bands from eight to four which provides an increase for messages up to 550 miles and decreases for longer-haul messages. The proposed Telex revisions provide an increase from seven to nine pulses per minute at the present rate of 2½¢ per pulse. Also included are revisions in usage charges applicable to Telex and TWX Teleprinter Computer Services (TCS) comparable to the Telex and TWX rate revisions. The Telex-TCS proposed rate is increased from 1.75¢ to 2.25¢ per 1/10 minute, and the TWX-TCS proposed rate is increased from 25¢ to 35¢ per minute. No change is proposed for the present service charges per minute for these services.

At the proposed rate levels Western Union anticipates receiving approximately \$300,000 (11.1%) in increased intrastate annual revenues from its 10,000 Telex customers and approximately \$440,000 (11.9%) in increased intrastate annual revenues from its 7,500 TWX customers in California. No significant impact on customer usage of the services is expected due to the proposed rate increases. The combined effect of the TWX interstate rate revisions already authorized by the FCC and the intrastate rate revisions before us now is estimated to increase the average customer's billings by less than 2%. The long-haul state and interstate rate reductions are expected, on the average, to closely compensate for the short-haul intrastate increases. The proposed rates for intrastate Telex and TWX services represent 29% and 28% increases in usage rates, respectively. However, Telex and TWX present intrastate usage charges represent only about 1% of California customers' total billings.

Western Union alleges the proposed rate increases are necessary to reflect the increased costs of providing the services. In addition, Western Union proposes to increase the monthly rate for additional listings of Telex and TWX subscribers which appear in the Telex/TWX directory which is published and distributed annually to subscribers without charge. The increase from \$1.00 to \$1.10 per month reflects the increased costs of producing the directory. This is the first rate increase sought for this optional service in several years. The proposed additional directory listing charge is also identical to the additional listing charge authorized by the FCC.

Staff members of the Communications Division have reviewed Western Union's filing and additional requested material in order to evaluate the effects of the proposed rates on Western Union's California operations. We note that Western Union's California intrastate operations represent only 2.2% of total company operations. On the other hand, approximately 90% is within the jurisdiction of the FCC (based on 12 months ending June 30, 1977).

Western Union estimates its 1978 rate of return on present California intrastate operations is 3.0%, and the effect of the proposed rates will increase that rate of return to 4.7%. We do not believe the rate of return resulting from the proposed rate to be excessive; nor do we believe the proposed rates to be unreasonable. The proposed usage rates for Telex and TWX services are currently effective for the interstate portion of these classes of service customers and were found to be reasonable by the FCC. We see no reason that the proposed rates should not be applicable to California intrastate Telex and TWX services.

Findings

1. The majority of Western Union's business is under the jurisdiction of the FCC.

2. The California Public Utilities Commission regulates only a small portion of Western Union's operations, approximately 2.2%.

3. The proposed rates are to be uniform systemwide and have been approved by the FCC for interstate services.

4. When fully implemented the proposed rates will increase the California intrastate rate of return to 4.7% which is not excessive.

5. Western Union's proposed rates are just and reasonable and should be authorized. The present rates and charges, insofar as they differ from those rates authorized herein, will be for the future unjust and unreasonable.

6. A public hearing is not required to authorize the uniform rates authorized herein.

Based on the foregoing findings, the Commission concludes that the application should be granted.

O R D E R

IT IS ORDERED that on or after the effective date of this order and in conformity with the provisions of General Order No. 96-A, The Western Union Telegraph Company is authorized to file revised tariff schedules consistent with Appendix A attached hereto. The revised tariff schedules shall become effective five days after the date of filing and shall apply only to service rendered on and after the effective date thereof.

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

Dated at San Francisco, California, this 9th day of NOVEMBER, 1978

Robert B. Babin
President
William J. Gannon
Thomas R. Stojan
Robert D. Gable

Commissioner CLAIRE T. DEDRICK

Present but not participating.

Commissioners

APPENDIX A

The rates, charges, and conditions of The Western Union Telegraph Company are changed as set forth in this appendix.

Schedule Cal PUC No. 7-T - Telex Service

Usage charges shall be increased to 9 pulses per minute. Additional directory listing charges shall be increased to \$1.10 per month.

Schedule Cal PUC No. 16-T - Telex Computer Service

Usage charges per one-tenth minute shall be increased to \$0.0225. ✓

Schedule Cal PUC No. 18-T - Teletypewriter Exchange Service

Intraexchange usage charges shall be increased to \$0.20 per minute or fraction thereof. Interexchange usage charges and mileage bands shall be modified as follows:

Two-point Connections:

Rate Airline Miles		Paid for Each Minute or Fraction Thereof
Over	Up to and Including	
0	40	\$0.30
41	124	.40
125	355	.44
356		.48

Conference Connections:

When the Rate Airline Distance Between the Two Exchanges Farthest Apart is:		Paid Rate	
Over	Up to and Including	Between the Two Exchanges Farthest Apart and In- cluding One Station in Each of These Exchanges	For Each Additional Station Regard- less of Location
0	40	\$0.45	\$0.30
41	124	.60	.40
125	355	.66	.44
356		.72	.48

Additional directory listing charges shall be increased to \$1.10 per month.

Schedule Cal PUC No. 20-T - Teletypewriter Computer Service

Usage charges shall be increased to \$0.35 per minute or fraction thereof.