

Decision No. 21768.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY for an order authorizing changes in specified exchange areas; authorizing changes in interexchange and interexchange charges to be specified, and authorizing just and reasonable exchange rates, together with rules and regulations appertaining thereto.

ORIGINAL

Application No. 13795.

JOHN FRANCIS NEYLAN, GROVE J. FINK, JOHN D. COSTELLO, DION R. HOLM, Special Counsel City and County of San Francisco, GIRARD N. RICHARDSON, City Attorney, City of Piedmont, E. J. SINCLAIR, City Attorney of Berkeley, PRESTON HIGGINS, City Attorney of Oakland, WM. J. LOCKE, City Attorney of Alameda, LOUIS BARTLETT for Telephone Users Protective Association (of Alameda County), W. A. CONNOLLY, WM. J. CULLINAN, GARTON D. KEYSTON, J. PAUL MILLER, P. J. TEHANEY, OAKLEY L. ALLEN, WYLLIE J. DUNN, NORTON C. WELLS, A. R. FINK, J. N. WILSON, B. S. AGUIRRE, W. R. EDMONSON, FRANK DOELGER, ED. S. PARKE, C. F. GRIFFIN, THOMAS R. BEST, J. Q. BRAUN, WM. E. HUNT, MARGARET P. BEEM, LEWIS ANKER, S. C. CUMMINGS and MRS. J. C. BRUSIE, ARTHUR M. GARDEN, City Attorney of San Leandro, LOVETT K. FRASER, City Attorney of Albany,

Complainants,

vs.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY, a corporation, THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY, a corporation, and WESTERN ELECTRIC COMPANY, a corporation,

Defendants.

Case No. 2462.

James T. Shaw, Vice-President, Alfred Sutro and Max Thelen, Attorneys, for The Pacific Telephone and Telegraph Company.

Albert I. Loeb, for California Northern Hotel Association.

J. J. Deuel, L. S. Wing and Edson Abel, for the California Farm Bureau Federation.

Seth Mann, for San Francisco Chamber of Commerce.

John J. O'Toole, City Attorney, and Dion Holm, Assistant City Attorney, for the City and County of San Francisco.

William J. Locke, City Attorney, for City of Alameda.

Earl J. Sinclair, City Attorney, for City of Berkeley.

L. K. Fraser, City Attorney, for City of Albany.

George E. Sheldon, for Uptown Association of Oakland, Preston Higgins, City Attorney, C. Stanley Wood and George C. Perkins, Assistant City Attorneys, for City of Oakland.

Earl Warren, District Attorney, for the County of Alameda.

John Francis Neylan, Grove J. Fink and John D. Costello, for John Francis Neylan and for themselves individually.

J. W. Coleberd, for City of South San Francisco.

Arthur Joel, for San Francisco Restaurant Association.

E. I. De Laveaga, for Orinda Improvement Association.

Ralph E. Prentice, as an individual subscriber.

William Seward Scott, for Business Men's Association of the Bay District.

J. F. Vizzard, for Draymen's Association of San Francisco and the California Transfer and Storage Association.

S. H. Elderton, for Elderton-Lion Travel Company, representing the Travel Companies.

Hugh J. McKevitt and John F. Shea, for California Northern Hotel Association.

Mrs. Harold H. Cardwell, as an individual subscriber.

Charles W. Wolfe, as an individual subscriber.

Mrs. Alice Caton, for Alameda Housewives League and North Side Protective Club.

Arthur M. Carden, City Attorney, for City of San Leandro.

Harry See and G. F. Irvine, for Brotherhood of Railway Trainmen.

Charles Clifford, for Sharon Building Exhibit, and as a subscriber.

A. W. Elkinton, for Telephone Committee of Orinda.

Edward W. Jensen, resident of Orinda, protestant.

Harry W. Oakley, resident of Orinda, protestant.

William H. Jordan, Berkeley, protestant.

E. J. Hadden, resident of Orinda, protestant.

Sloss & Ackerman, by E. J. Turner, for Yellow Checker Cab Company, Consolidated.

Pillsbury, Madison & Sutro, by Alfred Sutro, for Western Electric Company.

E. W. Hollingsworth and Charles Clifford, for Oakland Chamber of Commerce, Berkeley Chamber of Commerce, Alameda Chamber of Commerce and San Leandro Chamber of Commerce.

SEAVEY, DECOTO AND CARR, COMMISSIONERS:

O P I N I O N

The Pacific Telephone and Telegraph Company, hereinafter referred to as Pacific Company or Applicant, in Application No. 13795 requests authority to make certain changes in the exchange and primary rate areas of its present San Francisco and East Bay Exchanges, to establish a San Francisco-East Bay Exchange Area, to establish a new exchange at Orinda, Contra Costa County, out of a part of the present East Bay Exchange Area, and to increase its exchange telephone rates in the San Francisco and East Bay Exchanges in an amount that will augment its gross receipts some \$7,000,000.00.

Case No. 2462 filed by John Francis Neylan, et al, names American Telephone and Telegraph Company (hereinafter referred to as American Company), and Western Electric Company as defendants with Pacific Company and requests among other things that the Commission make its order to the effect that these two companies are public utilities in California and requiring them to submit to the Commission's jurisdiction and to submit facts in evidence.

Application No. 13795 was filed on May 18, 1927, and hearings commenced on June 21, 1927, at which representation was made by Applicant in support of its requests. Following this hearing, the Commission, to assure the public of an adequate investigation and presentation of evidence on its behalf, requested and received from the State a special appropriation to carry on a full and complete investigation of the matter. The Commission's former chief engineer, Lester S. Ready, who had had experience with this Commission in similar telephone rate proceedings, was employed as

consulting engineer in charge of the investigation and the staff of Commission engineers and accountants was enlarged in order that the detailed determination might be made of the valuations of the utility properties and ascertainment of the reasonable operating expense, revenues and other matters relevant to a complete determination of the entire matter. All of the experienced telephone men of the Commission were assigned to this study. Check and independent determination of the inventory and appraisal of the Company's properties were made and separate estimates of the investment, historical reproduction cost, reproduction cost new and reproduction cost less depreciation were determined. Exhaustive studies were made of the service rendered and of operating expense, revenue, Company operating and accounting procedure. On completion of these studies, which required a period of somewhat in excess of one year, the results were submitted in the form of oral testimony and formal exhibits, the main presentation being made in December, 1928, and March, 1929. Concurrently with the investigation carried on by the Commission's engineers, investigations were made by representatives of the City organizations, including San Francisco and East Bay cities involved, and by other parties. Evidence in the main was presented by the Cities in February and March, 1929.

During the period of investigation, additional testimony was presented on special subjects by the Company and the proceeding was finally submitted with reference to presentation of evidence on August 21, 1929. Briefs were filed on October 8th, and the Commission en banc listened to oral argument on October 15, 1929, and October 16, 1929. The matters were submitted on October 16, 1929.

On December 17, 1927, petition of intervention was filed by John Francis Neylan, et al, requesting an order of the Commission, declaring American Telephone and Telegraph Company and West-

ern Electric Company to be public utilities subject to this Commission's jurisdiction and requiring their appearance and the submission by them of certain statements and data. Concurrently, Case No. 2462, heretofore set forth, covering in general the same subject as in the petition of intervention, was filed.

On December 29, 1927, hearing was held at Orinda, Contra Costa County, with reference to the application to establish a separate exchange at Orinda. The application in so far as it refers to Orinda Exchange was submitted and the Commission in Decision No. 19308, dated February 6, 1928, found the request not justified and denied the same.

On January 19th and February 2, 1928, City of San Francisco and East Bay Cities, respectively, petitioned for an order granting the right to investigate records of Pacific Company. Hearings were had on this matter and by Decision No. 19345, dated February 6, 1928, the Commission granted the petition and appointed its consulting engineer as special examiner to take charge of this matter and see that, under proper supervision, records were made available. Several hearings were held before the special examiner and voluminous records presented for inspection.

During the hearings in this proceeding a total of 197 exhibits was filed and a total of 63 days was occupied by hearings.

Study of evidence presented indicates that every phase of the matter involved in the question of determination of rates for service in San Francisco and the East Bay by The Pacific Telephone and Telephone Company has been gone into to a greater or more complete extent than in any similar telephone proceeding before this Commission involving Pacific Company and/or its subsidiaries.

There have been before the Commission, during the last fifteen years, at least three major investigations of telephone rates on Pacific Company's system. In earlier cases many of the questions raised herein have been considered. There has not been, however, any complete determination of rates by this Commission in San Francisco and East Bay Areas.

During the proceeding, the question was raised of extending the San Francisco Exchange Telephone Service to the industries of South San Francisco and it was stipulated by Pacific Company that the proceeding might be enlarged to cover this question.

Application No. 13795 and Case No. 2462 bring before the Commission for determination the question of reasonableness of the exchange telephone rates and charges as well as the quality of the telephone service rendered by The Pacific Telephone and Telegraph Company in the San Francisco and East Bay Exchanges, and the rates for telephone service between these two districts. The cities involved include San Francisco, Daly City, Lawndale, Colma, Oakland, Berkeley, Piedmont, Albany, El Cerrito, Alameda, San Leandro and Emeryville. As of December, 1928, there were 373,149 telephone stations in use in the two exchanges and 242,899 subscribers served. By later agreement it involves the question of extension of service to industries in South San Francisco.

Telephone service in San Francisco and the East Bay is operated by Pacific Company as a part of its general system. It represents approximately one-half the total exchange tele-

phone service operated directly by Pacific Company in California, one-third of the exchange telephone service of Pacific Company and controlled companies in California, and approximately one-fourth of the total exchange telephone service of Pacific Company and controlled companies. The Pacific Company directly, or through subsidiaries, owns and operates approximately 90% of the telephone service in California, Oregon, Washington, Idaho and Nevada. Its main subsidiaries or controlled companies are Southern California Telephone Company serving Los Angeles and vicinity, the Bell Company of Nevada, Home Telephone and Telegraph Company of Pasadena and United States Long Distance Telephone and Telegraph Company, the latter operating toll service in southern California.

This proceeding, as have other important rate proceedings involving The Pacific Telephone and Telegraph Company or its subsidiaries, brings before this Commission, in addition to the matters of valuation, rate of return, local operating revenues and expenses and depreciation, and joint revenues and expenses, the matter of the ownership and control of Pacific Company by American Telephone and Telegraph Company and inter-company relations between American Company and Western Electric Company and Pacific Company. A relatively large amount of testimony was presented on this latter subject on behalf of the Company, this Commission's engineers, and the Cities and other protestants, and there are certain specific motions relative thereto before this Commission for consideration.

It was moved by John Francis Neylan, et al, that American Company and Western Electric Company be declared California public utilities subject to this Commission's jurisdiction and that the sale of instruments by American Company to Pacific Company be set aside, and that the two companies be required to submit data in this proceeding. It was also moved by the cities of the East Bay that certain cost data of Western Electric Company be submitted. It is urged that if such be not submitted the proceeding be taken from the calendar.

American Company owns approximately 82% of the stock of Pacific Company. Pacific Company operates under a licensee agreement with American Company, receiving from it engineering, managerial, financial and supervisory service for which it paid, during 1928, 2% of its gross operating telephone revenue, and, in 1929, 1½%. American Company exerts operating supervision and control over Pacific Company. This same relation exists between American Company and all of its subsidiary companies serving approximately 75% of the telephone subscribers in the United States. There are sixteen such operating companies generally referred to as associated companies.

Prior to December 31, 1927, American Company owned the telephone instruments (transmitters, receivers and induction coils) used by Pacific Company and other associated companies. Payment for the lease of these instruments was included in the licensee charge. In 1926 and 1927 the charge was 4% and prior thereto for a number of years, 4½% of the gross telephone operating revenue was paid for such services. The instruments were sold to Pacific Company as of December 31, 1927, for a price approximately 20% below the then going price for new instruments.

American Company owns 98.34% of the stock of Western Electric Company, which latter company manufactures the major portion of telephone equipment used by Pacific Company and other subsidiary and associated companies of American Company. It sells to the subsidiaries at prices fixed by itself; it also, under contract, acts as purchasing and supply department for the subsidiary or associated companies; purchasing and storing equipment and other property not manufactured by it for subsidiaries. It also maintains stores, warehouses and repair shops and handles the warehousing and repair work for these companies, store and supply service being charged for on a percentage basis, repair work being done at estimated or determined costs.

Pacific Company operates for all intents and purposes, except as to separate legal entity, as a division of the parent concern. The licensee agreement represents a contract entered into between an administrative company - American Company - and its local division company, which is under its supervision and control. It is clear from annual reports of American Company to its stockholders that it operates as a centralized general administrative organization for all the associated companies, supervises and in some cases, handles the financing of local companies, supervises and passes upon budgets of the local companies in the same general manner as would the head office of a large power or railroad company supervise and approve the budgets of their various divisions. It maintains protective organizations, in connection with patents, etc.; looks after, in a supervisory way, the public relations of the companies and prescribes (though it attempts to show they are only suggestions) extensive and voluminous rules, regulations and practices for all associated companies.

In a preliminary consideration of the motion to declare American Telephone and Telegraph Company and Western Electric Company public utilities under this Commission's jurisdiction, we ruled on March 26, 1928, in part as follows:

"Whatever be the agencies which it is finally determined are the ones concerned with telephone service and rates, they fall in the category of moving parties rather than of parties moved against. If American Telephone and Telegraph Company and Western Electric Company, as its agent or otherwise, are proper or necessary parties to be before the Commission, before a final determination may be made, then, regardless of technical rules as to service of process, there would appear to be a simple and expeditious procedure to handle the situation, to-wit: to take the proceeding from the calendar.

A great deal of work has already been done by the Commission's engineers and accountants and by representatives of cities in which large expense has been incurred. This work, in any event, should be finished and its results placed before the Commission.

If, when this has been done, it then appears that the case cannot be satisfactorily concluded without the presence of the American Telephone and Telegraph Company, or Western Electric Company, or access to their records, it will be time to determine whether the Commission should or can go further and take the whole matter from the calendar until the proper parties are before it and data necessary to a final determination be opened up."

This preliminary ruling is as applicable to the question raised in the later motions of East Bay Cities and that to set aside the sale of instruments, as to the motions at issue on March 26, 1928.

Since March 26, 1928, very extensive evidence has been presented on all phases of the proceeding and this Commission has before it a very complete record. The question for decision before this Commission in this proceeding is what rates are reasonable for the exchange and transbay telephone service rendered or which should be rendered in the Bay Area. The determination involves the further question of the reasonableness of cost and value of service.

As to American Company, the important matters necessary to be decided, to arrive at a just decision, are whether the amount of the charge representing $1\frac{1}{2}\%$ of the gross telephone revenue is a reasonable charge for service rendered and whether the sale price of instruments was fair and represented a fair value of such property to

be included in a rate base.

As to the charge of 1 $\frac{1}{2}$ %, much evidence was presented. Whether this is allowed as a proper operating expense item is relatively unimportant. It is plain that considerable service is rendered and we do not find from the evidence that the amount is excessive. The method of charging and the procedure followed by American Company in failing and refusing fully to disclose its costs is, however, unsatisfactory and to the disadvantage of the local utility, mainly in its public relations. American Company should establish a more liberal policy and should take steps to accomplish the final elimination of any charge on a percentage basis for services rendered local companies.

With reference to the sale of instruments the important and relevant matter is the resultant cost to subscribers. The matter of ownership is not of vital import. The evidence is sufficient to determine the relative value or price. It has been the general procedure of this Commission in determining the charge under a lease to apply the same rule as under ownership. If the rental charge be too high, a fair return only would be allowed. The net result will, therefore, be the same were the instruments assumed to be owned by American Company or Pacific Company. This being a rate proceeding, action on the motion does not appear necessary.

The question with reference to Western Electric Company involves the matter of reasonableness of prices paid by the local company and reflected in its capital and operating expense for equipment and service purchased from Western Electric Company, as the manufacturing concern, and in its capacity as purchasing, supply, store and repair department for Pacific Company.

Analysis was made by this Commission's engineers of the operations of the local shops and warehouses and construction organization and costs of same of Western Electric Company in connection with determination of estimates of the historical cost of Pacific Company's properties and operating and maintenance expense. Testimony and exhibits are before this Commission on the subjects of relative price of Western Electric Company equipment with that of other manufacturers, the financial operations of Western Electric Company and the cost of certain equipment manufactured by it. Evidence was presented on the general financial results of Western Electric Company operation by the Commission's consulting engineer and as to costs incurred by Western Electric Company in connection with the manufacture of a limited portion of telephone equipment, mainly central office equipment, by witnesses for the cities.

It is urged by protestants that the same rule should apply in the case of construction of equipment by Western Electric Company, as promulgated by this Commission in Decision No. 19105 (30 C.R.C. 761), application of Pickwick Stage Company, in which the Commission pronounced the principle of not permitting a construction company to profit at the expense of a public utility when the construction company controls the public utility or is owned and controlled by the same interests which own or control the public utility. We consider this principle as applicable to the conditions in this proceeding. The question in this rate proceeding is whether the record before the Commission is sufficient to make possible a just determination of the matter without further evidence on the subject. We believe it is.

With reference to the specific request of East Bay Cities that the unit costs of construction of certain panel type central office equipment be supplied, it appears from the records that, on the basis of measuring reasonable rates hereunder, the capital involved is not included in the rate base used as the primary measure of reasonableness of rates for the year 1928. Having available or not the data requested would not in any way modify the findings herein.

A further motion was made that this proceeding be suspended or continued and that Pacific Company be ordered and directed by the Commission to present a full and complete case covering its operations in supplying telephone service throughout the State of California. This proceeding covers approximately one-third of the exchange telephone service rendered by Pacific Company and controlled companies in California. Testimony indicates that the Pacific System as a whole in California is earning what may be considered as a fair return but, as will be set forth later, the earnings of the San Francisco-East Bay Exchange Area are below what would be considered fair and reasonable. The evidence also indicates that the excess exchange service earnings are concentrated on the Southern California Telephone Company's system, which is fairly comparable in size with the Bay Area. The southern rates in effect are materially higher than those now existing in the Bay Area or herein considered reasonable. The Bay Area has enjoyed relatively low rates and the compensation to the system has been less than it should be, while the territory served by the Southern California Telephone Company has paid higher rates and at present the compensation is in excess of that considered reasonable. This Commission instituted a proceeding, Case No. 2688, to investigate

the rates of that system, which proceeding has been submitted. It has been found, and is set forth in decision issued this date, that the rates of Southern California Telephone Company should be reduced. The result of these two proceedings will be to establish just and reasonable rates in these two communities.

Applicant requests that a San Francisco-East Bay Exchange be established in place of the present two separate exchanges and that the rates be materially increased. A proposed schedule submitted by it, if applied to the service rendered, would increase the annual revenue for the area approximately \$7,000,000., an increase not at all supported by the facts before the Commission in this proceeding. The combination of the present two exchanges contemplates two zones with areas practically identical with the present San Francisco Exchange and East Bay Exchange Areas. It would appear that the designation of the two present exchange areas as two zones of one exchange is more a technical matter and not of material import from a practical consideration of the proceeding. The important matter in this connection is whether the total area served should be considered as an economic unit in determining the reasonableness of earnings and the final spread of rates.

The analyses and estimates presented by various witnesses have set forth the capital and revenue and expenses for the two exchanges separately and combined. The two metropolitan areas (San Francisco and East Bay) are closely connected economically. All parties to the proceeding apparently agree that full credit should be given to the exchanges for revenues from transbay telephone service between the two areas.

A correct answer to the question presented by this application involves a consideration of the present and future quality of service rendered and to be rendered by Applicant to the public, the revenue received under present rates for such service (both in the form of exchange revenue and what should be received and credited to the exchanges in connection with the operation of toll lines) and what is the reasonable cost of rendering the service to be received. In determining the item of cost, consideration must be given to the question of reasonableness of operating expense, depreciation, value of property or reasonable rate base, and the question of fair rate of return.

Applicant presented evidence with reference to the valuation of properties, operating revenues and expenses under present and proposed rates and estimates for the year 1927. The Commission's engineering and accounting staffs presented evidence with reference to these matters, using the service of the year 1928 as the basis of estimating operating revenues, expenses, capital, etc. This, apparently, was taken partly because it

was the time when their analysis was being made, and partly because it represented a period when the operations were not complicated by the installation and operation of the initial units of automatic equipment. Testimony by the Cities has followed in general the Commission's engineers' use of the year 1928 as the period to compare and determine earnings of the Company. On rebuttal, Applicant submitted evidence with reference to the operations of 1928.

It is important and necessary in a rate determination, such as this, to use some one period, calendar or fiscal year, as the basis for analyzing the revenues, expenses, capital, etc. In this case, although the year 1928 has passed, the use of this period would appear acceptable, provided consideration is given to the trend of costs and operations in the future. The evidence shows that, though the method of operating is changing, the overall costs will not materially vary for several years.

In the analyses presented by the Commission's staff, they first gave consideration to service, then to revenues and operating expenses; thereafter to fair value and rate of return. This same sequence will be followed hereafter in consideration of the evidence.

Service Rendered By Company.

The service rendered by The Pacific Telephone and Telegraph Company in the San Francisco and East Bay Exchange Areas was the subject of special investigation by the Commission's staff of telephone engineers. In addition to routine observations carried on over the past years, a careful inspection was made in connection with this proceeding and the results submitted in evidence. The service rendered at the time of the application, and up to October, 1928, was entirely by the use of manual equipment. The Company had instituted, however, a program for the installation of panel type automatic equipment, the initial units to be completed in October, 1928. Its program contemplates the complete elimination of present type of central office equipment and operation by approximately 1940. Three units were placed in operation in 1928 in the East Bay Area and three units, one in the East Bay and two in San Francisco, have been placed in operation in 1929.

The evidence indicates that, as to quality of service rendered, it had not been entirely satisfactory during the years prior to the filing of this application but, after Applicant had filed its petition, it exerted special efforts to bring the quality of service to a higher standard and, as a result, the service now being rendered, may be considered reasonably good service. In fact, from the evidence and from a study of operating expenses of the Company subsequent to the filing of the application, there appears to have been considerable overdoing of the matter of improvement in service, the efforts being carried to a point of causing unjustifiable expense. The Company can and should maintain a high standard of service at materially less expense than that incurred during the period subsequent to the filing of the rate proceeding. The Company should be criticised for having

been content to give the public what it admits was a lower grade of service up to the time it applied for increase in rates.

Operating Revenue.

Table No. 1 sets forth the operating revenue for the San Francisco and East Bay Exchanges as reported by the Company for the years 1925 to 1928, inclusive. The exchange revenues represent the revenue actually charged for the exchange service in the two exchanges under existing rates and charges. Toll service revenue, as reported, is a proration of the originating message toll charges. Miscellaneous revenue is mainly received in connection with directory advertising. There appears no issue on the matter of Exchange and Miscellaneous Revenue. Much testimony was presented on the subject of what constituted a fair credit to the local exchanges for service rendered in connection with toll service. In the reports of the Company, there have been credited to the San Francisco and East Bay Exchanges amounts equivalent to 20% and 30%, respectively, of originating toll message revenue to cover such service, transbay tolls being treated the same as long distance tolls. The evidence presented in support of these amounts indicates that the aim of the Company was to approximate the out-of-pocket cost or added cost of handling toll messages by the exchanges.

TABLE NO. 1.

THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY
 REVENUE
 SAN FRANCISCO AND EAST BAY EXCHANGES
 by Years (as Reported)

Accounts	1925	1926	1927	1928
<u>SAN FRANCISCO EXCHANGE.</u>				
Exchange Service Revenues,	\$8,463,550.70	\$9,205,232.96	\$9,794,546.90	\$10,375,259.39
Toll Service Revenues,	551,073.27	595,881.88	672,755.84	774,096.40
Misc. Operating Revenues,	388,588.40	442,841.93	546,105.72	547,854.65
TOTAL,	9,403,212.37	10,243,956.77	11,013,408.46	11,697,210.42
<u>EAST BAY EXCHANGE.</u>				
Exchange Service Revenues,	3,795,518.26	4,193,570.80	4,475,226.75	4,632,075.49
Toll Service Revenues,	353,437.21	396,906.64	438,197.87	483,331.39
Misc. Operating Revenues,	147,734.16	199,615.20	227,122.34	218,892.54
TOTAL,	4,296,689.63	4,790,092.64	5,140,546.66	5,334,299.42
<u>COMBINED SAN FRANCISCO AND EAST BAY EXCHANGES.</u>				
Exchange Service Revenues,	12,259,068.96	13,398,803.76	14,269,773.65	15,007,334.88
Toll Service Revenues,	904,510.48	992,788.52	1,110,953.41	1,257,427.79
Misc. Operating Revenues,	536,322.56	642,457.13	773,228.06	766,747.17
GRAND TOTAL,	13,699,902.00	15,034,049.41	16,153,955.12	17,031,509.84

Exhaustive studies of this subject were made by the Commission's engineers with a view to determining from an analysis of costs and from a broad statewide view what amount should be credited to San Francisco and East Bay exchanges as compensation to the exchanges for service rendered in connection with toll service of all kinds. The conclusions of these studies, which were presented by the Commission's consulting engineer, were to the effect that after crediting to the San Francisco-East Bay area all of the transbay toll or interzone revenue, amounting to approximately \$2,000,000. in 1928, a further amount equivalent to 30% of the remaining originating toll message revenue should be credited. This amount, it was estimated, would cover the Bay Area's just share of all toll revenues as between it and other exchange areas. The testimony by the Cities on this subject is not convincing that the amount should be changed. We find the amounts as estimated on the basis suggested by the Commission's engineers to be reasonable. This represents an increase of revenue to local exchanges over that reported by the Company of \$1,747,572.04.

The following sets forth the revenue for San Francisco and East Bay Exchanges combined under present rates for the year 1928:

<u>San Francisco-East Bay Exchange</u> <u>1928</u>	
Exchange service revenue,	\$15,007,334.88
Transbay service revenue,	2,000,000.00
Toll service revenue,	1,005,000.00
Miscellaneous service revenue,	<u>766,747.00</u>
TOTAL,	\$18,779,081.88

Operating Expenses.

Evidence with reference to operating expenses of the San Francisco and East Bay Exchanges was presented on behalf of the Company in the form mainly of reported expenses for the last several years and estimated expenses for the years 1927 and 1928. The Commission's engineers, after exhaustive analyses of the Company's operations, submitted exhibits showing in detail the operating expenses as reported from 1918 to 1927, and an estimate of reasonable expenses for the year 1928, the latter based on a consideration of the operations of the property with manual central office equipment and excluding the abnormal conditions of excess expense which occurred since the filing of the application. The evidence presented by the Cities was mainly in the form of estimates of operating expenses for 1928 comparable as to conditions with the Commission's engineers' estimates, in some cases accepting those estimates and in others, especially the East Bay, through its witness W. W. Cooper, making independent estimates.

Following presentation of evidence by Commission engineers and the Cities, the Company presented a statement of reported expenditures for 1928; also an estimate which it considered represented the reasonable expenses for the year 1928 under conditions comparable with those considered by other parties.

It is clear from the evidence that the conditions of operating ^{for} during the latter part of 1927 and for the year 1928 reflect a very heavy increase in expense over preceding periods, apparently incurred by the Company in an attempt to raise the standard of service to a much higher point than had theretofore been rendered the public. Apparently little check on expenses was attempted during this period. The Commission's engineers went into this question exhaustively and for practically every item of expense found it necessary to discount the actual expenses very materially.

Table No. 2 sets forth the reported operating expenses other than depreciation, together with rent deductions and uncollectible bills for the years 1925, 1926, 1927 and 1928, and including estimates submitted by the Commission's engineers and representatives of the Cities. The estimates set forth in Columns 5 and 6 were based upon conditions of manual service and the rates now in effect but considering the two exchanges separately. In the present application the Company has asked as a step toward certain changes in operation that the present flat rate commercial service in the East Bay be replaced by measured service and the present coin-box service other than semi-public service in the San Francisco Exchange be eliminated. The Commission's engineers, after investigating, recommended that commercial measured service be made effective on both sides of the Bay and that the residence coin-box service and business coin-box service other than semi-public service now in effect in San Francisco be eliminated as they are obsolete and depressed forms of service, not making available to the public the best service for the cost incurred. All parties apparently agree that transbay service revenue should be combined with the exchange revenue. The Commission's engineers submitted estimates of change in cost resulting from the above changes in service. Since the estimates were presented, American Company has reduced the licensee charge from 2% to 1½% of the gross revenue. The estimates of what was classified as reasonable expenses for 1928, presented by the Company on rebuttal, are materially higher than those submitted by the Commission's engineers although lower in total than the actual.

Table No. 2.
SUMMARY OF OPERATING EXPENSES
SAN FRANCISCO AND EAST BAY EXCHANGES
The Pacific Telephone and Telegraph Company

Item	As Reported				ORO. Engrs.	Cities'
	1925	1926	1927	1928	Estimates	Estimates
SAN FRANCISCO (Ave.No.Stations)	207,461	221,267	232,927			
Maintenance Expense,	\$1,700,168.62	\$1,952,317.35	\$2,555,584.13	\$2,672,061.61	\$2,480,000	\$2,485,000
Traffic, " "	3,026,801.84	3,419,918.52	3,959,434.07	4,103,963.76	3,471,523	3,471,523
Commercial " "	1,122,422.49	1,298,961.12	1,644,589.12	1,752,574.28	1,596,000	1,596,000
General & Licensee Expense,	599,054.84	663,877.92	849,777.50	794,956.83	661,319	633,046
Rent Deductions:	58,577.90	36,715.92	36,179.89	35,648.58	36,270	36,270
Sub-total:	6,507,025.69	7,371,790.83	9,025,564.71	9,559,204.91	6,245,112	6,221,859
Taxes,	848,359.19	1,008,249.10	984,876.92	1,045,270.22	1,024,975	1,091,027
Uncollectible Bills,	72,178.10	99,514.24	109,695.81	151,223.66	116,710	131,110
TOTAL:	\$7,427,562.98	\$8,479,554.17	\$10,120,137.44	\$10,555,698.79	\$9,386,797	\$9,443,976
EAST BAY (Ave.No.Stations)	94,789	104,056	111,861			
Maintenance Expense,	\$798,297.78	\$841,736.47	\$1,246,223.90	\$1,440,094.08	\$1,252,000	\$1,087,984
Traffic " "	1,457,929.74	1,602,914.79	1,930,495.39	2,054,040.54	1,741,489	1,732,542
Commercial " "	456,198.75	560,399.72	701,725.89	835,227.58	696,900	637,938
General and Licensee Expense,	273,050.82	300,824.88	398,444.81	361,823.19	313,098	278,214
Rent Deductions:	23,101.78	19,147.95	19,853.04	19,963.48	19,754	19,754
Sub-total:	3,008,578.87	3,325,023.81	4,296,743.03	4,711,148.87	4,023,241	3,766,432
Taxes,	369,753.58	455,233.08	452,281.33	480,250.99	479,762	523,515
Uncollectible Bills,	41,782.72	50,431.22	55,272.32	77,543.62	53,624	53,624
TOTAL:	\$3,420,115.17	\$3,830,688.11	\$4,804,296.68	\$5,268,943.48	\$4,556,627	\$4,333,571
COMBINED SAN FRANCISCO & EAST BAY (Ave.No. Stations)	302,250	325,313	344,789	359,503	358,000	
Maintenance Expense,	\$2,498,466.40	\$2,794,053.82	\$3,781,808.03	\$4,112,155.59	\$3,732,000	\$3,572,984
Traffic " "	4,484,731.58	5,022,833.31	5,889,929.46	6,158,004.30	5,213,012	5,204,065
Commercial " "	1,578,621.24	1,859,360.84	2,346,315.01	2,587,801.81	2,292,900	2,233,938
General & Licensee Expense,	872,105.66	964,702.80	1,248,222.31	1,156,780.02	974,417	911,260
Rent Deductions:	81,679.68	55,863.87	56,032.93	55,612.06	56,024	56,024
Sub-total:	9,515,604.56	10,696,814.64	15,322,307.74	14,070,353.78	12,258,553	11,978,271
Taxes,	1,218,112.77	1,463,482.18	1,437,158.25	1,525,521.21	1,504,737	1,614,542
Uncollectible Bills,	113,960.82	149,945.46	164,968.13	228,767.28	170,334	184,734
TOTAL:	\$10,847,678.15	\$12,310,242.28	\$14,924,434.12	\$15,824,642.27	\$13,943,424	\$13,777,547

Table No. 3 sets forth the reported expenditures for 1928, the Commission's engineers' revised estimates and Company estimates. It was urged by Company witnesses that maintenance expense be increased over the Commission's engineer's revised

Table No. 3.
COMPARISON OF REPORTED AND ESTIMATED EXPENSES
SAN FRANCISCO - EAST BAY EXCHANGE
1928

Item	1928 Reported	CRC. Esti- mate Rev.	Co. Estimate Reas. Exp.
No. of Stations	359,503	359,503	359,503
Maintenance Expense	\$4,112,155.59	\$3,728,868.	\$3,975,000.
Traffic	6,158,004.30	5,387,308.	5,890,000.
Commercial	2,587,801.81	2,280,800.	2,553,000.
General	839,513.00	787,465.	880,000.
Licensee	317,267.02	264,122.	317,267.
Rent Deductions	55,612.06	56,024.	55,612.
Sub-Total	\$14,070,353.78	\$12,504,588.	\$13,670,879.
Taxes	1,525,521.21	1,627,903.	1,525,521.
Uncollectible Bills	228,767.28	170,334.	228,767.
TOTAL	\$15,824,642.27	\$14,302,825.	\$15,425,167.

figures in part to cover increased wages and a more liberal policy on Saturday afternoons off and vacations, made effective the latter part of 1928 and not covered by the estimates by the Commission's engineers. Higher expense for traffic and commercial expense in part for similar reasons is urged. In addition, materially greater expense is estimated, in part, to cover additional service and, in part, on the basis of judgment of the witnesses as to the amount required to render service. We are not greatly impressed with the necessity for larger expenditures. The evidence shows that the Company's expenditures have been mounting per unit over a period of years and that for the years 1927 and 1928 an

CE

extraordinary increase over preceding years occurred. Consideration should be given to the increase in wages and benefits to employees which have been made effective. With these exceptions, it would appear from a consideration of the trend of costs that the Company should be able under conditions of reasonable efficiency to operate and render adequate service to the public with expenses equalling those set forth in the exhibits of the Commission's engineers as revised.

Applicant's uncollectible bills have increased from approximately 0.5% to over 1% of the operating revenue. This should be given careful attention by the Company as an increase above 1% appears unreasonable. We find the reasonable expenses included in the estimates of cost of service used in measuring reasonableness of rates to be those set forth as follows:

REASONABLE OPERATING EXPENSES	
YEAR 1928	
SAN FRANCISCO - EAST BAY EXCHANGE	
Maintenance Expense	\$5,795,000.
Traffic " "	5,510,000.
Commercial " "	2,326,000.
General " "	787,465.
Licensee " "	265,500.
Rent Deductions	55,612.
Sub-Total	<u>\$12,739,577.</u>
Taxes	1,627,903.
Uncollectible Bills	<u>187,790.</u>
Total	<u>\$14,555,270.</u>

Valuations.

A relatively large amount of testimony and exhibits were presented in this proceeding, as in most important rate proceedings on the subject of valuation of properties used and useful in the service of the public. The Company at the

first hearing, introduced evidence on Reproduction Cost New and Reproduction Cost Less Depreciation, amount on books, and fair value of the properties of the San Francisco and East Bay Exchanges as of December 31, 1925. Thereafter, at the request of the Commission, it filed what is classified as an Actual Performance Appraisal of the properties as of the same date. These estimates were brought up to date of 1927 by the inclusion of Additions and Betterments.

The Commission's engineers made careful check and investigation of all data filed and the Company's supporting records. An independent determination of the Historical Reproduction Cost and Reproduction Cost New as of December 31, 1925, was made and submitted in evidence. Estimates of Historical Reproduction Cost, Reproduction Cost New and Reproduction Cost New Less Depreciation as of June 30, 1928, were also submitted. The Cities, using in general the Commission's engineers' estimates of Historical Reproduction Cost as bases, submitted estimates of Historical Reproduction Cost, making certain deductions for duplication of operative property, claimed non-operative property and revisions of unit costs of certain items. Estimate of Historical Cost Less Depreciation was also submitted, and evidence presented with reference to the estimated cost to the Western Electric Company of the manufacture of certain equipment. On the basis of this latter estimate, certain further deductions were made. In rebuttal testimony, the Company set forth estimate of fair value made up of the estimate as of December 31, 1925, plus additions to capital to June 30, 1928.

The estimates of value submitted by the Company for the two properties include both plant and certain asset accounts, such as construction work in progress, cash, due from subscribers and agents, material and supplies, and employees' working funds; also an estimate called "The Business" in the case of Reproduction Cost New and Reproduction Cost Less Depreciation. The estimates are:

Table No. 4.
SAN FRANCISCO AND EAST BAY EXCHANGES
Elements of Value
(as of December 31, 1925)
THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY

Item	San Francisco Exchange	East Bay Exchange	Total
Amount on Books	\$35,083,367.53	\$17,577,901.00	\$52,661,268.53
Actual Performance			
Appraisal	34,716,306.80	17,392,045.50	52,108,352.30
Reproduction Cost			
New	49,249,200.00	24,662,900.00	73,912,100.00
Reproduction Cost			
New Less Depreciation	46,238,700.00	23,315,100.00	69,553,800.00
Fair Value	47,000,000.00	22,500,000.00	69,500,000.00

The Commission's engineers' estimate of Historical Reproduction Cost and Reproduction Cost New as of December 31, 1925, covering plant only, compared with figures in the Company's appraisal, is as follows:

Table No. 5.
SAN FRANCISCO AND EAST BAY EXCHANGES
Comparison of Commission Engrs.
Estimate and Company's Estimate
THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY

Item	San Francisco Exchange	East Bay Exchange	Total
CRC. Engineers' Estimate of Historical Reproduction Cost	\$31,922,378.	\$16,291,661.	\$48,214,039.
Company's Estimate - Actual Performance Appraisal	<u>32,873,762.</u>	<u>16,560,355.</u>	<u>49,434,117.</u>
Company Figures in excess of CRC. Engineers' Estimate	951,384.	268,694.	1,184,078.
Reproduction Cost New - CRC. Engineers' Estimate	37,904,127.	18,959,851.	56,863,978.
Company's Estimate	<u>42,388,900.</u>	<u>20,697,700.</u>	<u>63,086,600.</u>
Company Figures in excess of CRC. Engineers' Estimate	4,484,773.	1,737,849.	6,222,622.

Differences in Valuation of Plant.

The difference in the appraisal of plant between figures submitted by the Commission's engineers and those of the Company is accounted for mainly under the following items:

1. Difference in definition of Operative Land:

The Commission's engineers excluded from the inventory such lands as were not at the time of the valuation actually used in the operation of telephone plant, while the Company included lands held for future development. In considering measure of rates at any one time only lands reasonably necessary should be included.

2. Exclusion from Reproduction Cost New estimate of pavement over conduit not cut by Company:

The Company's Reproduction Cost New estimate included an estimated cost of cutting all pavement over conduit; the Commission's engineers included only paving actually cut.

This question has been before the Commission many times and the cost of pavement not cut by the Company has been consistently excluded.

3. Exclusion by Commission Engineers of certain Omissions and Contingencies:

Testimony of the Commission's engineers is to the effect that the inventory and appraisal of property was worked out in great detail by the Company and unit costs determined on the basis of actual experience of the Company. It is their opinion that in most instances allowance for omissions and contingencies should not be included as under the circumstances it would represent duplication. It would appear that no allowance should be made for these items.

4. Revisions of Interest During Construction to coincide with basis of definitions of Reproduction Cost New followed by Commission engineers:

The Company in its Reproduction Cost New estimate has based same upon an estimated reproduction of the property under an assumed construction period and under the assumption that no telephone property existed in San Francisco and the East Bay at the commencement of such period, although it was assumed other conditions were as they existed. It is apparent from the testimony that such assumption is hypothetical and not based upon what reasonably has been done or could be expected to occur in the case of a telephone plant. Such basis or assumption might reasonably be practical in the case of private industries on which the development of the community was not so dependent and coordinated as with telephone service. The telephone plant of the Company has grown with the community and the only practical method of assumed reproduction of the property would be along lines comparable to their experience in actual construction.

The Commission's engineers in their estimate of Reproduction Cost have applied present prices and costs of construction as determined by the actual experience of the Company. To some extent this represents the equation of Historical Cost to economic levels of the present. In the case of a utility this would appear to measure more accurately the element of present day cost than the basis followed by the Company.

5. Exclusion of Useful but Not Used Station Installations, etc.

The Company valuations include certain amounts for station installations, etc., which at the time of the appraisal had been deducted from capital under the accounting classification but were expected to be used at a later date. The Commission's engineers excluded these items on the ground that under classification of accounts and procedure they would represent Additions

and Betterments to capital when put into use and to include them would represent a duplication. This appears correct.

6. Exclusion from Reproduction Cost New of certain Undistributed Construction expenditures.

In the Company's appraisal certain assumed and estimated preconstruction period expenditures were included in addition to other overheads. The Commission's engineers' appraisal included overheads as incurred by the Company under its actual experience and it would appear that any such items as were covered by the Company's estimate for this account were included in overheads.

Differences in Allowances for Asset Accounts.

The differences in the allowances for Asset Accounts may be accounted for as follows:

1. A relatively large estimate entitled "The Business" was included by the Company in estimates of Reproduction Cost New and Reproduction Cost Less Depreciation, based upon an application of its formula for determining Reproduction Cost New and representing in general estimated deficits during the period of assumed complete development of plant and "The Business."

It was pointed out by other witnesses that in the actual experience of the Company and under its accounting procedure the costs of obtaining business are either included in overheads chargeable to capital or in operating expenses. In this case no deduction for plant available for future expansion is made. It is apparent that if such additional amounts in the form of development cost or cost of obtaining business should be added to capital over and above the appraisal submitted, it would be necessary that deductions be made from the annual

expenses and fixed charges to cover accruals to this item of value. The net results should be practically the same. It would appear that the accounting procedure should be followed.

2. The Company in its total estimate of capital included construction work in progress. Interest during construction is capitalized and it is apparent that construction work in progress should not be included in any rate base.

3. The Company includes under working capital, several assets accounts, covering amounts due from subscribers and agents, employees' working fund and cash. The amount to be allowed for working capital is the reasonable amount necessary to cover the operating costs during the time service is rendered and prior to receipt of moneys for such service from subscribers. The total amount due from subscribers and agents does not of necessity measure such amount. The Commission's engineers' estimate of working capital followed the practice in other telephone proceedings and was based upon one month's operating expenses, which it would appear should be adequate to cover costs between the time of expenditure and receipt of moneys. The Cities, through witness Dr. Milo B. Maltbie, presented a study and analysis indicating a lesser amount applicable to working capital. The theory followed by the Cities' witnesses was based upon a consideration of current assets and liabilities of the Company. It would appear that the rule followed by Commission engineers and heretofore generally followed by the Commission for telephone properties should be applicable.

The evidence with reference to Reproduction Cost of the properties indicates a steady decline in prices of materials and equipment during the period, 1925 to 1928. The Commission's

engineers submitted estimates of Reproduction Cost New for the 1928 properties on price levels of 1925 and 1928 which indicate a reduction of approximately 5% during that period. In view of this and the general nature of the Reproduction Cost appraisal submitted by the Company, it would appear that its appraisal is not at all applicable to conditions of 1928, and can be given little weight in determining rates as of the latter date or of the present time.

Mr. H. D. Pillsbury, President of The Pacific Telephone and Telegraph Company, testified as to the fair value of the properties. The testimony indicates that such estimate was based in part on the Company's other witnesses' estimates of elements of value not found reasonable herein; and also reflected potential earning power. It goes without saying that a value which is the result of earnings cannot be a proper basis for determining fair earnings.

From the foregoing, it would appear that for the year 1928 as a basis for determining earnings, it would be reasonable to give consideration to the estimates of Historical Reproduction Cost, Reproduction Cost New and Reproduction Cost Less Depreciation presented by the Commission's engineers as of June 30, 1928, which are set forth in Tables Nos. 6, 7 and 8, and starting with these appraisals, consider the testimony which might justify modification of same.

TABLE NO. 6.

HISTORICAL REPRODUCTION COST
ESTIMATED RATE BASE
San Francisco and East Bay Exchanges
June 30, 1928.

Accounts	San Francisco Exchange	East Bay Exchange	S.F.-E.B. Combined Exchange
A FIXED CAPITAL--			
(1) INTANGIBLE CAPITAL			
201. Organization	\$6,445	\$2,994	\$9,439
202. Franchises	100	500	600
TOTAL	6,545	3,494	10,039
(2) LAND, STRUCTURES & EQUIPMENT			
207. Exchange Right of Way	118,917	35,806	154,725
211. Land	927,446	820,408	1,747,854
212. Buildings	5,632,127	2,660,960	8,293,087
220. Central Office Equipment	11,154,128	5,218,012	16,372,140
231. Station Apparatus	3,254,751	1,271,290	4,526,041
232. Station Installations	1,487,370	538,971	2,026,341
233. Interior Block Wire	151,364	19,919	171,283
234. Private Branch Exchanges	2,731,269	835,083	3,566,352
235. Booths & Special Fittings	159,546	60,274	219,820
241. Exchange Pole Lines	842,541	1,180,957	2,023,498
242. Exchange Aerial Cable	1,338,795	1,510,805	2,849,600
243. Exchange Aerial Wire	583,747	689,355	1,243,102
244. Exchange Underground Conduits	3,947,939	2,245,806	6,193,745
245. Exchange Underground Cable	5,858,740	3,272,599	9,131,339
246. Exchange Submarine Cable	81	7,225	7,144
+ Toll Capital Transferred	-	-	921,888
TOTAL	38,188,599	20,337,470	59,447,957
(3) GENERAL EQUIPMENT			
261. Office Furniture & Fixtures	501,697	266,937	768,634
262. General Shop Equipment	16,925	81	17,006
263. General Store Equipment	16,216	6,449	22,665
264. General Stable & Garage Equip.	284,859	240,228	525,087
265. General Tools & Implements	188,870	89,565	278,435
TOTAL	1,008,567	603,260	1,611,827
(4) UNDISTRIBUTED CONSTRUCTION EXPENDITURES			
268. Interest During Construction	291,628	151,407	443,035
270. Undistributed Construction Expend.	41,525	2,132	43,657
TOTAL	333,153	153,539	486,692
B ASSETS.			
Material & Supplies & Working Cash	1,220,000	590,000	1,810,000
C GRAND TOTAL.			
	\$40,756,864	\$21,687,763	\$63,366,515

Table No. 7
ESTIMATED REPRODUCTION COST NEW
OPERATIVE PROPERTY
SAN FRANCISCO AND EAST BAY EXCHANGES
June 30, 1928
1928 Price Levels

Accounts	San Francisco:	East Bay:	S.F.-E.B.:
	Exchange	Exchange	Comb. Exch.:
A FIXED CAPITAL.			
(1) <u>INWANGIBLE CAPITAL</u>			
201 Organization,	\$ 75,000	\$ 50,000	\$ 125,000
202 Franchises,	100	500	600
TOTAL,	75,100	50,500	125,600
(2) <u>LAND, STRUCTURES & EQUIPMENT</u>			
207 Exchange Right of Way,	118,916	35,806	154,722
211 Land,	927,446	820,408	1,747,854
212 Buildings,	5,965,944	2,728,512	8,694,356
220 Central Office Equipment,	11,161,530	5,199,147	16,360,677
231 Station Apparatus,	3,053,228	1,303,214	4,356,442
232 Station Installations,	1,832,267	651,763	2,484,030
233 Interior Block Wire,	137,833	18,417	156,250
234 Private Branch Exchanges,	3,051,552	892,636	3,944,188
235 Booths & Special Fittings,	160,255	63,406	223,661
241 Exchange Pole Lines,	896,141	1,136,389	2,032,530
242 Exchange Aerial Cable,	1,280,198	1,488,419	2,768,617
243 Exchange Aerial Wire,	617,792	578,725	1,196,517
244 Exchange U.G. Conduits,	4,847,317	2,824,362	7,671,679
245 Exchange U.G. Cable,	6,137,158	3,468,751	9,605,907
246 Exchange Submarine Cable,	-	-8,773	8,773
SUB-TOTAL,	40,187,475	21,218,728	61,406,203
Toll Capital Transferred,	-	-	921,888
TOTAL,			62,328,091
(3) <u>GENERAL EQUIPMENT</u>			
261 Office Furn. & Fixtures,	501,697	266,937	768,634
262 General Shop Equipment,	16,925	80	17,005
263 General Store Equipment,	13,216	6,450	19,666
264 General Stable & Garage Equip.,	284,858	240,228	525,086
265 General Tools & Implements,	188,869	89,566	278,435
TOTAL,	1,005,565	603,261	1,608,826
(4) <u>UNDISTRIBUTED CONSTRUCTION EXPENDITURES</u>			
268 Interest During Construction,	332,856	148,216	481,072
270 Undistributed Const. Exp.,	41,525	2,132	43,657
TOTAL,	374,381	150,348	524,729
B <u>ASSETS.</u>			
Material & Supplies & Working Cash,	1,220,000	590,000	1,810,000
C GRAND TOTAL,	\$42,862,521	\$22,612,837	\$66,397,246

Table No. 8
ESTIMATED REPRODUCTION COST NEW LESS DEPRECIATION
OPERATIVE PROPERTY
SAN FRANCISCO AND EAST BAY EXCHANGES
June 30, 1928
1928 Price Levels

Accounts	San Francisco Exchange	East Bay Exchange	S.F.-E.B. Comb.Exch.
A FIXED CAPITAL.			
(1) INTANGIBLE CAPITAL			
201 Organization,	\$ 75,000	\$ 50,000	\$ 125,000
202 Franchises,	100	500	600
TOTAL,	75,100	50,500	125,600
(2) LAND, STRUCTURES & EQUIPMENT			
207 Exchange Right of Way,	101,079	28,645	129,724
211 Land,	927,448	820,408	1,747,854
212 Buildings,	5,488,576	2,537,516	8,026,092
220 Central Office Equipment,	8,147,917	3,795,377	11,943,294
231 Station Apparatus,	2,747,905	1,172,893	3,920,798
232 Station Installations,	1,557,427	553,999	2,111,426
233 Interior Block Wires,	110,266	15,654	125,920
234 Private Branch Exchanges,	2,532,788	758,741	3,291,529
235 Booths & Special Fittings,	141,024	57,065	198,089
241 Exchange Pole Lines,	672,106	886,383	1,558,489
242 Exchange Aerial Cable,	1,049,762	1,190,735	2,240,497
243 Exchange Aerial Wire,	518,945	491,916	1,010,861
244 Exchange U.G.Conduits,	3,974,800	2,400,708	6,375,508
245 Exchange U.G.Cable,	4,786,982	2,775,001	7,561,983
246 Exchange Submarine Cable,	-	7,018	7,018
SUB-TOTAL,	32,757,023	17,492,059	50,249,082
Toll Capital Transferred,	-	-	783,605
TOTAL,			51,032,687
(3) GENERAL EQUIPMENT			
261 Office Furniture & Fixtures,	426,442	226,896	653,338
262 General Shop Equipment,	13,540	64	13,604
263 General Store Equipment,	10,573	5,160	15,733
264 General Stable & Garage Equipment,	148,126	124,919	273,045
265 General Tools & Implements,	141,652	67,174	208,826
TOTAL,	740,333	424,213	1,164,546
(4) UNDISTRIBUTED CONSTRUCTION EXPENDITURES			
268 Interest During Construction,	267,949	119,017	386,966
270 Undistributed Constr. Exp.,	33,220	1,706	34,926
TOTAL,	301,169	120,723	421,892
B ASSETS.			
Material & Supplies & Working Cash,	1,220,000	590,000	1,810,000
C GRAND TOTAL,			
	\$35,093,625	\$18,677,495	\$54,554,725*

NOTE: *Including "Toll Capital Transferred"

Adjustment to Estimates.

The appraisals in Tables Nos. 6, 7 and 8 are based upon analyses of costs incurred by the Pacific Company in construction of the properties in question and cover property in existence as of June 30, 1928.

Deduction of \$170,251. from Historical Cost of the San Francisco Exchange properties, to cover removal of coin boxes contemplated with elimination of residence coin-box service, should be made.

It was pointed out by consulting engineer Ready (in charge of the appraisal work) that there was a question relative to the price paid American Company for telephone instruments and the price paid Western Electric Company for equipment, although no deductions were made in the figures presented.

In handling the valuation work, the Commission's engineers and the Cities' engineers agreed that the latter should handle the question of duplication of underground property. In addition, the engineers for the City of San Francisco were to give consideration to possible modification of underground conduit costs as determined from early construction costs analyses.

Representatives of the Cities, both San Francisco and East Bay, made certain deductions from Historical Cost and Reproduction Cost appraisals submitted by Commission engineers.

Cost of Instruments.

The Pacific Company, on December 31, 1927, purchased from American Company telephone instruments theretofore leased from the latter. The San Francisco and East Bay Exchanges were charged as of December 31, 1927, under capital, with \$637,740.76

and \$306,719.50, respectively (or a total of \$944,460.26), of the purchase price. It appears from the evidence that these instruments were sold to the Pacific Company and other associated companies at a price approximately 20% below the then going price new and approximately 18% below the average investment of the American Company in instruments; also that the price of instruments continued to decline after January 1, 1928.

Analysis of American Company's annual reports indicates that it had accrued depreciation reserve on telephone instruments of approximately 49% of the investment cost as of December 31, 1927, and upon the sale of instruments to Pacific Company and other associated companies approximately 18% of the investment cost was charged to depreciation reserve and an amount of more than \$14,000,000., equivalent to approximately 31% of the investment cost transferred from depreciation reserve to contingency reserve. It must be concluded from the evidence that either the depreciation rate charged and accruals to reserve for instruments on the part of American Company were excessive or prices charged to associated companies were excessive. Since the taking over of the instruments, witness Fleager for the Company testified that the cost of their maintenance had been about 15¢ per composite plant unit. This is apparently approximately 18¢ per station per year as compared with the estimated cost at the time of transfer of 10¢ per station per year. Apparently the price paid was excessive. In view of the ownership and general domination of the local company by American Company it must be concluded that American Company should either have transferred the instruments to the local company at a cost less depreciation reserve or transferred them at their cost together with the amount of accrued depreciation

reserve. Had this been done the net cost would have been approximately \$350,000. less for instruments in San Francisco and East Bay than was included in the Additions and Betterments and in estimates set forth in Tables Nos. 6, 7 and 8.

If the first procedure had been followed, the appraisal figures for Historical Cost and Reproduction Cost Less Depreciation would be \$350,000. less. If the latter procedure were followed, Historical Reproduction Cost would be \$200,000. more, but the depreciation annuity rate would of necessity have been reduced. Reproduction Cost Less Depreciation would be reduced \$350,000.

Price for Western Electric Company Materials.

The City of San Francisco, through Mr. Frank R. McBerty, presented testimony to the effect that Western Electric Company had, in the case of manual central office equipment, charged prices which would result in an excess profit and, in his opinion, a reduction of 25% applicable to the appraisal for central office equipment installed in the Bay Area should bring the cost down to a basis of a reasonable profit to Western Electric Company. On the basis of this testimony, the City of San Francisco has deducted \$1,673,119. from the estimate set forth in Table No. 6. The testimony of the City's witness as to cost covered only part of manual central office equipment and did not go into the question of whether excessive profits or losses had resulted to Western Electric Company in the manufacture of other equipment supplied to applicants.

Consulting engineer Ready submitted an analysis of earnings of Western Electric Company, as shown by its annual reports for the years 1915 to 1927, showing the amount of earnings and rate

of return earned by the Company for this period. This evidence would indicate that, for the period from 1915 to 1927, inclusive, earnings of Western Electric Company averaged either 9.72% or 11.31% per annum, depending upon treatment of certain appropriations to reserves, upon total assets minus reserves for depreciation and current liabilities. For the periods 1924, 1925 and 1926, considered in connection with Reproduction Cost New of local telephone properties, the earnings were estimated at either 11.15% or 14.84%, depending upon treatment of special appropriations. Earnings on the more conservative basis, in excess of 8% return for the entire period and the three years in question, represented approximately 0.86% and 1.54%, respectively, of total sales of Western Electric Company. It was Mr. Ready's estimate that this excess over 8% return applied to Historical Reproduction Cost of properties in the San Francisco and East Bay Exchanges would be \$197,000. and, applied to Reproduction Cost New, \$355,000. Figured on a basis of excess over 7% return the amount based on valuation figures found reasonable herein would be \$312,000. for Historical Reproduction Cost and \$480,000. for Reproduction Cost New. Testimony on this subject by the Company's witness was to the effect that Western Electric Company had not earned more than approximately 8% return and that prices were lower than those to independent companies. Although it is apparent that Western Electric Company has at times at least, and possibly throughout the period, made more than a fair profit on the manufacture of manual central office equipment, it would not appear that on its business, as a whole, such excess profits have accrued. We conclude that no reductions in the appraisals in excess of that based on a 7% return to Western Electric Company, as shown by Mr. Ready's analysis, are justified by the testimony.

In estimates presented by City of San Francisco, deductions in the valuation figures of Table No. 6 for San Francisco property (other than on account of Western Electric Company), above referred to were made: \$45,375. from Account 211, Lands, and \$875,434. from Account 244, Underground Conduit. The deduction of \$45,375. from lands is based on the contention that certain property adjacent to the Davenport central office should be considered as non-operative. The property excluded consists of a 27-1/2 ft. strip adjacent to the Davenport office building occupied by a City firehouse but used, in part, for light protection to the Company building. We do not find that this deduction should be made.

The deduction of \$875,434. from underground conduit covers duplication of plant and facilities and estimated lower cost for inventory than that used by Commission engineers, based upon unit prices and modification of quantities claimed as applicable by the City's engineers. Of the \$875,434., the sum of \$656,560. represents reduction in estimated costs, and \$219,435. duplicate plant at the reduced prices. The estimates of the amounts of duplication at Historical Reproduction Cost and Reproduction Cost New prices in Tables Nos. 6 and 7 were \$262,828. and \$367,595., respectively. The Company, through witness Fleager, claims that no duplication such as estimated exists and that unit costs, as set forth in previous appraisals, are reasonable. At the time the Bay Cities' Home Company was purchased by Pacific Company (in 1912) there were extensive underground conduit systems owned and operated by both companies. Since then, greater and greater use has been made of those systems and the amount of duplication continu-

ously reduced. We are not convinced that all duplication has been eliminated. The estimated Historical Reproduction Cost and Reproduction Cost New submitted included all underground conduit system, considerable of which was installed under competitive conditions when the two companies were in operation. The City's witnesses, in estimating duplication, considered the requirements of the system ten years in the future, and although some criticism might be directed toward the details and bases of the estimates, we believe the estimate of duplication of \$262,828. on the Historical basis and of \$367,595. on the Reproduction Cost New basis reasonable, and these deductions should be made.

The balance of the deduction made by the City engineers, \$656,560., covers according to the testimony, lower paving costs estimated as applicable to construction prior to 1913 and 1914 and lower standards in effect on early construction and reduction in overhead costs. In general, the lower prices are in conformity with claims made by the same men in proceedings before the Board of Supervisors of San Francisco in 1914. Considering the deduction of \$262,828. for duplication, based on the higher prices, the elimination of omissions and contingencies by the Commission's engineers, and bases of certain unit costs used, we conclude that a further reduction of \$350,000. is all that is justified.

The East Bay Cities in their exhibits have made certain deductions from the Historical Cost of East Bay properties, as set forth in Table No. 6, deductions in Account 211, Lands, of \$21,148.; Account 212, Buildings, of \$163,651.; Account 234, Private Branch Exchange, of \$14,056.; and Account 244, Underground Conduit, duplication of \$140,000. for Historical and \$215,700. for Reproduction Cost New.

It would appear that of the amount in Account 211, Lands, the sum of \$3,031. should be deducted. In Account 212, Buildings, the main item deducted by the Cities represents the new Elmhurst Exchange building, which was not actually in operation as of June 30, 1928. It appears, however, that, under the accounting procedure followed by the Company, it is and has been the practice to transfer buildings when the structures are complete to operative property, and interest during construction ceases upon this transfer. To be consistent, if such deductions were made, interest during construction for the period not covered by the amount should be added. Testimony indicates that were this done, although it would reduce the valuation in the East Bay as of June 30, 1928, it would materially increase the valuation of property in San Francisco, and the net result for the total area would not be modified. It appears that the accounting procedure should be followed and no deduction made for this property. Other minor adjustments of \$1,857., it would appear, should be made. Deduction under Account 234 should be made. The basis of estimated duplication in Account 244 for East Bay is generally comparable to that for San Francisco. It is apparent that a certain amount of duplication exists and that the estimate of \$140,000. is reasonable for Historical Cost and \$215,700. for Reproduction Cost New. As stated heretofore, no deduction appears justified in the allowance made by the Commission's engineers for material and supplies and working cash capital.

Table No. 9 sets forth Historical Reproduction Cost and Reproduction Cost New of properties of San Francisco and East Bay Exchanges as of June 30, 1928, found reasonable.

TABLE NO. 9.
ESTIMATED HISTORICAL REPRODUCTION COST AND REPRODUCTION COST NEW
San Francisco and East Bay Exchanges
June 30, 1928

: No. :	Account	HISTORICAL REPRODUCTION COST			REPRODUCTION COST NEW		
		:			1928 Price Levels		
		San Francisco:	East Bay	S.F. - E.B.:	San Francisco:	East Bay	S.F. - E.B.:
:	Exchange	Exchange	Exchange	Exchange	Exchange	Comb. Exch.:	
A. FIXED CAPITAL							
(1) Intangible Capital							
	201 Organization,	\$ 6,445.	\$ 2,994.	\$ 9,439.	\$ 75,000.	\$ 50,000.	\$ 125,000.
	202 Franchises,	100.	500.	600.	100.	500.	600.
	TOTAL,	<u>6,545.</u>	<u>3,494.</u>	<u>10,039.</u>	<u>75,100.</u>	<u>50,500.</u>	<u>125,600.</u>
(2) Land, Structures & Equipmt.							
	207 Exchange Right of way,	118,917.	35,806.	154,723.	118,916.	35,806.	154,722.
	211 Land,	927,446.	817,377.	1,744,823.	927,446.	817,377.	1,744,823.
	212 Buildings,	5,652,127.	2,659,103.	8,291,230.	5,965,844.	2,724,655.	8,692,499.
	220 Central Office Equipmt.,	11,155,589.	5,218,012.	16,373,601.	11,162,991.	5,199,147.	16,362,138.
	231 Station Apparatus,	3,103,679.	1,271,290.	4,374,969.	2,718,155.	1,303,214.	4,021,369.
	232 Station Installations,	1,466,730.	538,971.	2,005,701.	1,807,597.	651,763.	2,459,360.
	233 Interior Block Wires,	151,364.	19,919.	171,283.	137,833.	18,417.	156,250.
	234 Private Branch Exchs.,	2,731,269.	831,027.	3,562,296.	3,051,552.	892,636.	3,944,188.
	235 Booths & Spec. Fitts.,	159,546.	60,274.	219,820.	160,255.	63,406.	223,661.
	241 Exch. Pole Lines,	842,541.	1,180,957.	2,023,498.	896,141.	1,136,389.	2,032,530.
	242 Exch. Aerial Cable,	1,338,795.	1,510,805.	2,849,600.	1,280,198.	1,488,419.	2,768,617.
	243 Exch. Aerial Wire,	583,747.	659,355.	1,243,102.	617,792.	873,725.	1,491,517.
	244 Exch. U.C. Conduit,	3,355,111.	2,105,806.	5,440,917.	4,479,722.	2,608,662.	7,088,384.
	245 Exch. U.C. Cable,	5,858,740.	3,272,599.	9,131,339.	6,137,156.	3,468,751.	9,605,907.
	246 Exch. Sub. Cable,	-61.	7,225.	7,144.	-	8,773.	8,773.
	Toll Capital Trans-						
	ferred,	470,163.	451,725.	921,888.	470,163.	451,725.	921,888.
	TOTAL,	<u>37,875,683.</u>	<u>20,630,251.</u>	<u>58,505,934.</u>	<u>39,931,761.</u>	<u>21,449,868.</u>	<u>61,381,629.</u>
(3) General Equipment							
	261 Office Furn. & Fixt.,	501,697.	266,937.	768,634.	501,697.	266,937.	768,634.
	262 General Shop Equipmt.,	16,925.	81.	17,006.	16,925.	80.	17,005.
	263 General Store Equipmt.,	16,216.	6,449.	22,665.	13,216.	6,450.	19,665.
	264 General Stable & Gar.						
	Equipmt.,	284,859.	240,228.	525,087.	284,858.	240,228.	525,086.
	265 General Tools & Impl'ts.,	188,870.	89,565.	278,435.	188,869.	89,566.	278,435.
	TOTAL,	<u>1,008,567.</u>	<u>603,260.</u>	<u>1,611,827.</u>	<u>1,006,565.</u>	<u>603,261.</u>	<u>1,608,827.</u>
(4) Undistributed Construction Expenditures							
	268 Interest During Constr.,	291,628.	151,407.	443,035.	332,856.	148,216.	481,072.
	270 Undistr. Constr. Expend.,	41,525.	2,132.	43,657.	41,525.	2,132.	43,657.
	TOTAL,	<u>333,153.</u>	<u>153,539.</u>	<u>486,692.</u>	<u>374,381.</u>	<u>150,348.</u>	<u>524,729.</u>
B. ASSETS							
	Materials & Supplies & Work-						
	ing Cash,	1,220,000.	590,000.	1,810,000.	1,220,000.	590,000.	1,810,000.
C. TOTAL,							
		<u>\$40,443,948.</u>	<u>\$21,980,544.</u>	<u>\$62,424,492.</u>	<u>\$42,606,807.</u>	<u>\$22,843,974.</u>	<u>\$65,450,781.</u>
D. EXCESS PRICE OF INSTRUMENTS,							
				350,000.			350,000.
E. EXCESS PRICE OF W.E.CO. EQUIPMENT,							
				312,000.			480,000.
F. GRAND TOTAL,							
				<u>\$61,762,492.</u>			<u>\$64,620,781.</u>

Accrued Depreciation.

The Company's engineers, in their estimate of Reproduction Cost Less Depreciation, deducted from Reproduction Cost New only that which might be classified as "observed physical deterioration or depreciation" and possibly some slight amount for other causes. Obsolescence or functional depreciation are the dominant factors in depreciation of most classes of telephone property. The practice of including in the estimates of depreciation expense, full coverage for obsolescence, inadequacy and other functional causes of depreciation and at the same time claiming that depreciation accrued is limited practically to physical depreciation, is inconsistent and illogical. If one conclusion is correct, the other cannot be. The bases and estimates of depreciation submitted by the Company cannot be accepted. Witnesses for the Cities have submitted estimates of Historical Cost Less Depreciation, the depreciation thus estimated being based upon application of straight line depreciation annuities and age of property to determine the amount of accrued depreciation. This Commission has had before it in many cases (rate and condemnation), the question of accrued depreciation, and has given it careful consideration. It is clear that the strict application of the straight line method does not give a correct estimate of accrued depreciation any more than the Company basis. It may be an approximation of what the depreciation reserve would amount to if that method of accrued depreciation had been followed. It may be urged with reasonable logic that, if the Company collects from its subscribers moneys on the straight line method of computation to cover depreciation, having collected the money for this purpose, it should not be allowed a return

upon such moneys, which have been taken on the pretense that they represent payment for property used in service. Consulting Engineer Ready has presented an estimate of Reproduction Cost Less Accrued Depreciation, based upon consideration of the financial aspects of depreciation, not solely physical, including the sinking fund method of computation of accrued depreciation, an inspection as far as such will give any useful information, and a study of probable future usefulness. It would appear that the method followed gives consideration to the various elements to be weighed. His estimate of Reproduction Cost Less Depreciation adjusted for deductions heretofore discussed is set forth in Table No. 10 and appears the nearest accurate estimate presented.

Table No. 10

ESTIMATED REPRODUCTION COST NEW LESS DEPRECIATION
OPERATIVE PROPERTY
San Francisco and East Bay Exchanges
June 30, 1928
1928 Price Levels

: No. : Accounts	: San Francisco : : Exchange :	: East Bay : : Exchange :	: S.F. - E.B. : : Combined Exch. :
A. Fixed Capital			
(1) Intangible Capital	\$	\$	\$
201 Organization	75,000.	50,000.	125,000.
202 Franchises	100.	500.	600.
Total	<u>75,100.</u>	<u>50,500.</u>	<u>125,600.</u>
(2) Land, Structures & Equipment			
207 Exchange Right of Way	101,079.	28,645.	129,724.
211 Land	927,446.	817,377.	1,744,823.
212 Buildings	5,488,576.	2,535,780.	8,024,365.
220 Central Office Equipment	7,032,684.	3,275,463.	10,308,147.
231 Station Apparatus	2,446,340.	1,172,893.	3,619,233.
232 Station Installations	1,536,457.	553,999.	2,090,456.
233 Interior Block Wires	110,266.	15,654.	125,920.
234 Private Branch Exchanges	2,532,788.	758,741.	3,291,529.
235 Booths and Special Fittings	141,024.	57,065.	198,089.
241 Exchange Pole Lines	672,106.	886,383.	1,558,489.
242 Exchange Aerial Cable	1,049,762.	1,190,735.	2,240,497.
243 Exchange Aerial Wire	518,945.	491,916.	1,010,861.
244 Exchange U.G. Conduits	3,673,372.	2,217,363.	5,890,735.
245 Exchange Underground Cable	4,786,982.	2,775,001.	7,561,983.
246 Exchange Submarine Cable	-	7,018.	7,018.
Toll Capital Transferred	399,639.	383,966.	783,605.
Total	<u>31,417,466.</u>	<u>17,168,008.</u>	<u>48,585,474.</u>
(3) General Equipment			
261 Office Furniture & Fixt.	426,442.	226,896.	653,338.
262 General Shop Equipment	13,540.	64.	13,604.
263 General Store Equipment	10,573.	5,160.	15,733.
264 General Stable & Garage Equip.	148,126.	124,919.	273,045.
265 General Tools & Implements	141,652.	67,174.	208,826.
Total	<u>740,333.</u>	<u>424,213.</u>	<u>1,164,546.</u>
(4) Undistributed Construction Expenditures			
268 Interest During Constr.	267,949.	119,017.	386,966.
270 Undistributed Construction Expenditures	33,220.	1,706.	34,926.
Total	<u>301,169.</u>	<u>120,723.</u>	<u>421,892.</u>
B. Assets			
Materials & Supplies and Working Cash	<u>1,220,000.</u>	<u>590,000.</u>	<u>1,810,000.</u>
C. Total	33,854,068.	18,353,444.	52,107,512.*
D. Excess Price of Instruments	-	-	350,000.
E. Excess Price of W.E. Co. Equipment	-	-	<u>347,000.</u>
F. Grand Total			51,410,512.

* Including "Toll Capital Transferred" -S.F. 51% E.B. 49%.

Rate Base.

The Company has presented as a rate base for 1928 its estimated "fair value" of property as of December 31, 1925, plus Additions and Betterments to 1928. The amounts are:

San Francisco,	\$55,600,097.
East Bay,	<u>29,089,949.</u>
TOTAL,	\$84,690,046.

As stated, this amount includes the result of or reflects earnings and is inconsistent with the fixing of public utilities' rates and, therefore, is not a basis for determining earnings. It also apparently reflects many elements which, as heretofore stated, we do not find justified by the evidence.

It would appear from Table 9, that the Reproduction Cost New of the properties as of June 30, 1928, is within 5% of the estimated Historical Cost. It is also to be borne in mind that the trend of Reproduction Cost has been generally downward during the past several years. Reproduction Cost New or Reproduction Cost Less Depreciation would not appear as the correct estimate of Rate Base. A comparison of the application of the Reproduction Cost theory, both as to rate base and rate of return with the basis herein used will, however, be made.

Both San Francisco and East Bay Cities have presented, as their estimates of rate base, the Historical Reproduction Cost Less Depreciation compiled on the straight line basis. This Commission in measuring earnings of utilities and determining reasonableness of rates, has uniformly followed the sinking fund method even though, in some instances, the companies have actually accounted for depreciation on the straight line basis. This method has proved sound and, we consider, fairer to Company and public than the methods proposed by the Cities. It would appear

that this method should be followed in this proceeding. We find that the amount set forth in Table No. 9, as representing reasonable Historical Reproduction Cost of the San Francisco and East Bay properties under all the circumstances in this proceeding, should be considered the reasonable rate base under the sinking fund method of allowing for depreciation, for use in testing and determining what rates are reasonable and will yield an adequate return on the fair value of property in use in the public service.

Depreciation Annuity.

The Pacific Company's estimate of Depreciation charged to operating expenses for 1928 was determined by applying the average rate for exchange properties for its entire system to the Book Cost of the San Francisco and East Bay Exchange properties. This rate was computed on the basis of estimated lives and salvages and the use of the straight line computation.

Commission engineers estimated the annuity for the property in question by applying the rates determined for each account based on the lives and salvages used by the Company to their estimate of Historical Reproduction Cost. Depreciation was computed on the straight line 5% and 6% sinking fund bases, although it was urged that the 5% basis should be used.

The Cities' witnesses accepted the same basic lives and salvages in general as the Commission's engineers, but urged the use of the straight line basis with Historical Cost Less Depreciation as the rate base.

On rebuttal, witness Fleager, for the Company, took exception to the application of the rate estimated for central office equipment, urging that both the service life and salvage had been reduced as a result of the program of installation

of machine switching. It appears that as to certain of the rates, Commission engineers consider them possibly high or low but, in total, it was their opinion that the lives and salvages used by the Company were reasonably applicable to San Francisco and East Bay Exchanges. We are impressed however, with the point raised by Mr. Fleager that in the case of central office equipment representing a large item of capital, the program of installation of automatic or machine switching equipment, which contemplates the removal of practically all exchange manual central office equipment prior to 1940, has materially reduced the salvage values that may be obtained. Depreciation rates set forth for central office equipment will be modified by reducing the salvage value estimated by Commission engineers in exhibits from 18% to 8%, and service lives from fifteen to thirteen years.

Table No. 11 sets forth the estimated reasonable depreciation annuity for San Francisco and East Bay properties for the year 1928. This is the basis on a straight line, 5% and 6% sinking fund computation. It was urged by the Cities that if a return in excess of 5% was to be allowed the annuities should be computed on the basis of return earned. It was the opinion of Consulting Engineer Ready of the Commission, who submitted the estimate of depreciation annuity, that if a return approximating 7% were used the depreciation annuity should be computed on a 5% basis. The Commission has generally allowed depreciation annuity computed on a 6% basis in the case of power and gas utilities. We see no reason why the latter basis should not be applied to large telephone utilities.

Table No. 11.

ESTIMATE OF DEPRECIATION ANNUITY
Combined
San Francisco - East Bay Exchange
1928

No. Accounts	Historical Reproduction: Cost	Depreciation Annuity Amount per cent		
		Straight Line	Sinking Fund 5%	6%
A. FIXED CAPITAL.				
(1) Intangible Capitals:				
201 Organization,	\$9,439.	-	-	-
202 Franchises,	600.	-	-	-
TOTAL,	10,039.	-	-	-
(2) Land, Structures & Equipment:				
207 Exchange Right of Way,	154,723.	\$5,106.	\$2,337.	\$1,949.
211 Land,	1,744,823.	-	-	-
212 Buildings,	8,291,230.	198,990.	82,912.	67,988.
220 Central Office Equip't.,	16,373,601.	1,162,526.	849,790.	797,394.
231 Station Apparatus,	4,374,969.	253,748.	231,436.	227,061.
232 Station Installations,	2,005,701.	10,029.	10,029.	10,029.
233 Interior Block Wires,	171,283.	1,713.	1,713.	1,713.
234 Private Branch Exchanges,	3,552,296.	227,347.	196,442.	190,403.
235 Booths & Special Fittings,	219,820.	12,530.	10,793.	10,485.
241 Exchange Pole Lines,	2,023,498.	143,668.	100,568.	93,283.
242 Exchange Aerial Cable,	2,849,600.	136,781.	91,187.	83,779.
243 Exchange Aerial Wire,	1,243,102.	87,017.	60,166.	55,815.
244 Exchange U.C. Conduit,	5,440,917.	136,023.	45,160.	35,366.
245 Exchange U.C. Cable,	9,131,339.	328,729.	189,932.	168,017.
246 Exchange Submarine Cable,	7,144.	622.	484.	460.
Sub-Total,	-	-	-	-
Roll Capital Transferred,	921,888.	57,368.	41,370.	38,738.
TOTAL,	58,505,934.	2,762,197.	1,914,319.	1,782,480.
(3) General Equipments:				
261 Office Furn. & Fixt.,	768,634.	53,805.	42,736.	40,814.
262 General Shop Equipment,	17,006.	-	-	-
263 General Store Equipment,	22,665.	-	-	-
264 General Stable & Garage, Equipment,	525,087.	-	-	-
265 General Tools & Implem'ts.,	278,435.	-	-	-
TOTAL,	1,611,827.	53,805.	42,736.	40,814.
(4) Undistributed Construction Expenditures:				
268 Interest During Constr'n.,	443,035.	-	-	-
270 Undistributed Const. Expend.,	43,657.	-	-	-
TOTAL,	486,692.	20,523.	12,592.	11,408.
B. ASSETS.				
Materials & Supplies & Working Cash,	1,810,000.	-	-	-
C. TOTAL,	62,424,492.	2,836,525.	1,969,647.	1,834,702.
D. EXCESS PRICE OF INSTRUMENTS,	350,000.			
E. EXCESS PRICE OF W.E.CO. EQUIPM'T.,	312,000.			
F. GRAND TOTAL,	\$61,762,492.			

Resultant Earnings.

Table No. 12 sets forth the revenue, operating expenses, depreciation, net return and rate base found reasonable to be applied to the amount of service of 1928 in connection with determination of reasonable rates for San Francisco and East Bay Exchanges combined. It shows that under present rates the earnings of the total area may be considered as less than a probable fair return.

Table No. 12

SUMMARY OF ESTIMATED REASONABLE REVENUE, EXPENSE AND RETURN
 SAN FRANCISCO - EAST BAY EXCHANGE
 The Pacific Telephone and Telegraph Company
 1928
 Present Rates - Modified Toll Proration Basis

<u>REVENUE:</u>		
Exchange Service Revenue, Including Transbay,		\$17,007,335.
Toll Service Revenue,		1,005,000.
Miscellaneous Operating Revenue,		766,747.
TOTAL,		<u>18,779,082.</u>
<u>EXPENSE:</u>		
Maintenance Expense,		5,795,000.
Traffic Expense,		5,510,000.
Commercial Expense,		2,326,000.
General Expense,		787,455.
Licensee Charge,		265,500.
Rent Deductions,		55,612.
Taxes: State, City & Federal,		1,627,903.
TOTAL,		<u>14,367,480.</u>
Uncollectible Bills,		187,790.
Depreciation,		1,834,702.
TOTAL,		<u>16,389,972.</u>
<u>NET REVENUE:</u>		
TOTAL,		2,389,110.
<u>RATE BASE:</u>		
a. Without deduction for Excess Cost of Instruments or Western Electric profits,		62,424,492.
b. With deduction for Instruments and Western Electric profits,		61,762,492.
<u>RETURN: ON HISTORICAL RATE BASE:</u>		
a.		3.83%
b.		3.87%
<u>DEFICIT: BELOW 7% RETURN:</u>		
a.	(\$4,369,714.)	1,980,604.
b.	(\$4,323,374.)	1,934,264.

Trend of Earnings in the Future.

The Pacific Company has commenced the installation of machine switching in San Francisco and East Bay, and its program contemplates completion of this installation by approximately 1940. Such a program will materially modify the different elements of cost and the question immediately arises, what will be the effect and is it reasonable to use the basis of 1928 in determining rates for the future? The Commission's Telephone Engineer, A. B. Fry, made an investigation of this matter and submitted his conclusions, which were to the effect that for the first three or four years the total cost of service to the Company would tend to be greater than on a basis of full manual operation, owing to expenditures in connection with the cut-over from manual to automatic; however, in the ultimate, a reduction in cost of serving telephone subscribers should result, estimated to amount to \$3.70 per station per year. Mr. Fry's estimate is that for the first part of the transition period, from 1928 to 1934, the cost will average the same as all manual operation though exceeding that cost during the first years of the six-year period and dropping below during the later years. It would appear, therefore, that the year 1928 may be reasonably used as a basis of predicting rates for the future.

Rate of Return.

Evidence with reference to the question of reasonable rate of return was submitted by Company witnesses, by Mr. W. C. Fankhauser, Financial Expert of the Commission; by Dr. Milo B. Maltbie, Expert called on behalf of the Cities; by Mr. F. Emerson Hoar.

The Company in its exhibits computed return on the basis of 8% on the estimated fair value. It urges a return approaching 8%. It is suggested, however, that the rates proposed would not, in its opinion, result in this return. Dr. Maltbie, basing his opinion upon analysis of the yield of Company securities to investors during the year 1928 and the first part of 1929, modified in certain particulars, expressed the belief that a fair return would be 6%. San Francisco, in its analyses, has applied this return to the Historical Cost Less Depreciation. East Bay Cities suggested that 6.5% would be liberal. Mr. Fankhauser submitted an analysis of the cost to the Company of the moneys which it had obtained through stocks, bonds, notes, advances from associated corporations, etc. His conclusion was that the average Historical Cost of money as of December 31, 1927, was between 6.26% and 6.38%, depending upon certain treatment of reserves. He expressed no opinion as to what would constitute a fair return. It would appear from the evidence that cost of money under 1928-1929 conditions would be approximately 6%.

In this consideration, the same logic that justifies consideration of the reasonable Historical Cost of property for a utility such as this one, as the fairer basis for determination of rates, applies as well to the question of fair return. If the reasonable Historical Cost shall be used as the rate base, then it is apparent that a fair return determined on the basis of present yield of securities, as suggested by Dr. Maltbie, is not applicable. Greater consideration should be given to the Historical Cost of moneys, though this alone should not be the measure. The Company's contention for an 8% return is extreme.

The question before this Commission is: What is a fair return to be applied to the rate base found reasonable under all of the circumstances and conditions? The question is not what might pass the courts as above the confiscation limits. It is, what is the compensation for the use of moneys that will be fair between the investor and operators of the property, on the one hand, and to the public served, on the other. A reasonable return will normally be in excess of the average cost. This principle has been enunciated by this Commission in numerous decisions. In the early history of the Commission, many important decisions found that an 8% return was reasonable. Higher rates of return were allowed as reasonable with the higher cost of money conditions during the war and the post-war period. With the reducing cost of money occurring during the last ten years and increasing stability of major utilities, reducing rates of return have been found reasonable. It is our conclusion that, in the instant case, a return on the rate base of approximately 7% is reasonable and fair, both to the Company and to the public. Table No. 12 shows that the earnings fall substantially below a 7% return.

It is interesting to compare the results flowing from an application of the theories of the Cities and Company. Without a detailed computation the accrued depreciation (as estimated by them) applied to the Historical Reproduction Cost found reasonable, the approximate results may be determined as follows:

The ratio of accrued depreciation to the Historical Cost figures determined by the Cities for the total of San Francisco and East Bay Exchanges was 23.1+% of plant, excluding assets. Adjusting the figures for the apparent greater accrued depreciation, which would be determined by the use of the shorter lives and less salvage on central office equipment, the percentage is 25.43%.

Deducting this percentage, which amounts to \$15,245,919., as applied to the revised total set forth in Table No. 12, the cost less such depreciation would be \$46,516,573. Adjusting taxes to reflect federal tax on a lower rate base and including depreciation on the straight line basis, the following table summarizes the results and shows that the application of their formula results in this particular case in a deficit, which is only \$110,391. less than that determined by the formula generally followed by the Commission:

San Francisco and East Bay Exchange

Revenue	\$18,779,082
Operating Expenses	14,322,480
Uncollectible Bills	187,790
Depreciation	<u>2,836,525</u>
	\$17,346,795
Net Revenue	1,432,287
Deficit below 7% Return on \$46,516,573	\$1,823,873

A logical and consistent application of the Company's theory shows the following:

The Company estimated Reproduction Cost Less Depreciation in per cent of Reproduction Cost New of plant as 93.1%. Applying this percentage to the estimated Reproduction Cost New, as set forth in Table No. 9, the accrued depreciation would be \$4,391,172., and the Reproduction Cost Less Depreciation, \$61,059,609. The accrued depreciation reserve of properties as of 1928, based on the Cities' estimates as referred to on the preceding page, was 23.1% of the Historical Cost of plant or 23.1% of \$60,614,492., or, \$14,008,948. This is somewhat less than would appear as the accrued reserve based on an allocation of the system reserve, but for these purposes may be accepted. From this it would appear that \$9,610,776. has been accrued in the reserve in excess of the accrued depreciation, based on the Company's theories. This represents approximately 15.7% of the total capital.

The cost of moneys on the 1928-1929 basis, as previously stated, is approximately 6%. On the basis of 84.3% of the money being obtained at an average of 6% through stocks and bonds, and 15.7% through depreciation charges paid by the public, on which no interest is paid, the average cost of the total moneys would be approximately 5.06%. If the same leeway between cost and fair return is allowed on this basis as on Historical Cost basis, a fair return on the Reproduction Cost Less Depreciation, applying the Company's theory of depreciation, would be approximately 5.8%. The following would therefore represent the resultant earnings and estimated deficit, applying the Company's theories of depreciation:

The Pacific Tel. & Tel. Co.
San Francisco-East Bay Exchange
1928

Operating Revenue,		\$18,779,082.
Operating Expenses,	\$14,367,480.	
Uncollectible Bills,	187,790.	
Depreciation,	<u>2,836,525.</u>	17,391,795.
Net Revenue,		1,387,287.
Deficit: below 5.8%		
on \$60,229,609.		2,106,030.

Increase in Revenue.

The increase in gross revenue required to result in an increase in a given amount of net will exceed this amount by approximately 10% on account of the fact that with an increase in gross revenue, local franchise tax, state tax, uncollectible bills and licensee charge are automatically increased. Based on the deficit as indicated in Table No. 12, we find the increase in gross revenue to which the Company is entitled to be \$2,100,000.

Rates.

The determination of the rates to be charged involves the question of dividing the burden between the various classes and groups of subscribers, and between individual subscribers. It appears to be not an exact science, but must be based on a broad consideration of all factors involved. In this case, it includes consideration of the extent of the exchange area involved, the area to be included in the primary or base rate area, and the relative amount and form of schedule to divide the burden reasonably between the two Bay Areas and between subscribers.

The present rates in the San Francisco Exchange Area were originally fixed by the Board of Supervisors and later, in 1919, revised under the Postmaster General's administration. The rates in the East Bay were also revised somewhat by the Postmaster General. Since originally determined, the communities have materially increased in size and use of telephone service and it appears from the evidence that, in addition to changes to add revenue, a material revision in rates is advisable.

The Company submitted a proposed revision of the Exchange Boundaries, a reduction of the Base Rate Area, and a suggested Schedule that applied to the 1928 business would result in an increase in revenue of over \$7,000,000. The schedule cannot be accepted in view of the resultant excess earnings.

Early in 1929, the Commission's engineers made a survey of the exchange areas and also a study of the rates in effect in this area, and in other large cities in the United States, and

presented exhibits setting forth the results of their investigation in the form of recommendations as to revision of the exchange and Base Rate Areas of the San Francisco and East Bay Exchange Areas, and a schedule of rates which would result in an increase of approximately \$1,800,000. in the total exchange revenue for the year 1928.

The question of the Orinda Exchange has already been decided.

At the request of the San Francisco Chamber of Commerce, that the industries of South San Francisco be included in the San Francisco Base Rate Area, investigation was made and analysis of the situation presented. It is apparent from the evidence that to include the industries of South San Francisco in the San Francisco Base Rate Area would be an act of discrimination. The only procedure that could be considered would be to include with them the City of South San Francisco, which is now in a separate exchange with the town of San Bruno. The industries of South San Francisco at present have San Francisco Exchange telephone service through the medium of foreign exchange service and the only important question involved is that of charges for such service. It appears that to include the City of South San Francisco in the San Francisco Base Rate Area would result in a reduction in charges to industries, but in an increase in charges to the remainder of the subscribers in amount materially exceeding the saving to the industries. We must conclude from the evidence that the request should be denied.

The proposed Base Rate Areas for the two exchanges or zones submitted by the Company reduce the present Base Rate Areas by excluding the sparsely settled or undeveloped districts.

GF

After survey, the Commission's engineers recommended considerable extension of the Base Rate Area proposed by the Company. Objection is raised by certain parties to any reduction in the Base Rate Area as it will result in subscribers outside this area paying an addition to mileage. We are of the opinion that the present base rate areas should not be reduced. The extension to the present base rate areas, as indicated in Exhibit No. 187, should be made.

The present transbay rate provides for a charge of 10¢ for the first three minutes and 3¢ per minute thereafter. It is urged by the Company that the initial period be increased to five minutes. This is also recommended by the Commission's engineers, who suggest that for the excess over five minutes the charge be 5¢ for each additional three minutes. This form of rate is fairly standard between adjacent large communities and would appear in the public interest.

As heretofore indicated, it would appear that the present flat rate business service of the East Bay should be replaced by measured rate service and that the residence and commercial coin-box service, other than semi-public service, of the San Francisco area should be replaced by flat or measured service, respectively.

The Commission's telephone engineer recommended that the Company be required to convert its four-party residence service to full selective ringing. Following this recommenda-

tion the Company urged the substitution of two-party measured rate service for the present four-party service rather than a change in method of signalling, with the retention of four-party service. Full selective service is an improvement over the present four-party service. However, as a conversion to four-party selective service at this time would entail a cost nearly equal to that of installing two-party message rate service and, since this latter would result in a generally better service and fit into the future plans of the Company for zone registration, we believe the two-party selective message rate service should be established in place of the four-party service in existence.

The Company also proposed to commence the installation of equipment necessary and later put into effect zone or multiple registration for the interzone and interexchange service in place of the present method of toll charges, this to apply between the San Francisco and East Bay Exchange Areas and, later, to adjacent exchanges. This contemplates that transbay messages would be registered and charged for in multiple units of local message charges. The proposal has advantages and it would appear that the rates, in so far as they can reasonably be made, should be shaped so that future modifications would not be necessary in the final establishing of such service.

It was urged by the Commission's consulting engineer that the schedule of rates proposed by the Commission's engineers be modified to meet the service proposed by the Company; also that certain changes be made as determined from a further study of the rate situation made after presentation of the schedules.

It is urged by the Company that a higher schedule of rates be fixed for the San Francisco zone or exchange area than for the East Bay Area. The Commission's telephone engineers suggest, also, that from a telephone standpoint such would be considered advisable, though in the schedule submitted by the consulting engineer the same rates were recommended for both sides of the Bay. At the present time, certain of the rates in the East Bay are lower than in San Francisco. The evidence indicates, however, that due to various conditions, including extent of territory served and less dense development, the cost of telephone service in the East Bay Area is such as would justify as high rates at least in the East Bay Area as in San Francisco. Although, from a telephone standpoint, the value of service theoretically at least may be less in the East Bay than in San Francisco, we do not find that the San Francisco Area should be burdened with the application of a spread of rates that would result from any such differential.

It is recommended, and appears reasonable in readjusting and increasing the rates at this time, that business should bear a somewhat greater portion of the increase than residence service. As a community grows, the value of telephone service to business subscribers increases at a much faster rate than to residence subscribers. In fact, the value to residence subscribers is apt to reach a maximum at which point an increase of rates may result in a decrease in use of service and no material increase in revenue. The rates herein found reasonable contemplate a readjustment of the differential not only between different classes of service but also between the various grades of service in each class. The present rates as to basic division between classes of service were

established when the two exchanges were less than half the size they are at the present time, and it would appear reasonable that a readjustment of the division of burden should be made. Deviation rates should also be done away with.

It would appear, in making effective a revised schedule of rates such as found reasonable herein, that in the case of change from flat to measured rates the subscribers should be given at least one month's notice of the application of the measured rates. This in order that subscribers may adjust their use if desired. It also appears advisable that subscribers be given the opportunity of a period of at least sixty days after the effective date of the order in which a change in class of service may be made without the application of the regular charges provided in the schedule for such changes.

We recommend the following form of order:

O R D E R

The Pacific Telephone and Telegraph Company having applied to the Railroad Commission of the State of California for an order authorizing certain changes in its San Francisco and East Bay Exchange Areas and Primary Rate Areas, and for the establishment of just and reasonable exchange rates, with rules and regulations pertaining thereto; and complaint of John Francis Neylan, et al, having been filed and consolidated for hearing and decision therewith; public hearings having been held and the matters having been submitted and now being ready

for decision:

The Railroad Commission hereby finds as a fact that certain revised exchange and primary rate, or base rate area boundaries should be established as set forth herein, and that The Pacific Telephone and Telegraph Company exchange telephone service rates in, and transbay interexchange rates between, the San Francisco and East Bay Exchange Areas are unjust and unreasonable in so far as they differ from the rates herein set forth which are found just and reasonable:

Basing its order on the foregoing findings of fact and on other findings of fact in the Opinion preceding this Order:

IT IS HEREBY ORDERED that The Pacific Telephone and Telephone Company shall:

1. Establish as of January 1, 1930, a combined telephone exchange area consisting of two zones with areas designated and described as the San Francisco Exchange Area and East Bay Exchange Area, in Exhibit No. 187 in this proceeding.
2. Establish as of January 1, 1930, as the San Francisco and East Bay base rate areas, the present primary rate areas increased by the areas recommended to be added and as set forth in Exhibit No. 187 in this proceeding.
3. Establish as of January 1, 1930, residence two-party message rate service in its San Francisco-East Bay Exchange and charge and collect for such service the rates and charges set forth therefor in Exhibit "A."
4. Charge and collect for exchange telephone service furnished in its San Francisco-East Bay Exchange, on and after January 1, 1930, rates and charges as set forth in Exhibit "A"

attached hereto and made a part of this Order.

5. Submit to the Railroad Commission for filing, on or before December 26, 1929, maps of the San Francisco-East Bay Exchange Area, San Francisco Base Rate Area and East Bay Base Rate Area as referred to in Subdivisions 1 and 2 above, and the schedules of rates and charges set forth in Exhibit "A" hereto attached.

6. Discontinue within the San Francisco Zone, on and after January 1, 1930, the present Chinatown Business and Residence Service schedule of rates.

7. Discontinue within the San Francisco Zone, on and after January 1, 1930, business individual coin-box, two-party coin-box and four-party coin-box service; residence message rate service, two-party coin-box and four-party coin-box service; and apartment house residence individual and two-party flat rate service and two-party coin-box service.

8. Discontinue within the East Bay Zone, on and after January 1, 1930, business flat rate service, commercial and hotel private branch exchange flat rate service, business inter-communicating flat rate service, business coin-box service, and residence four-party flat rate service.

9. Submit to each subscriber to East Bay Exchange service of any grade referred to in Subdivision 8 above, except four-party flat rate service, on or about December 10, 1929, and January 10, 1930, respectively, statements showing message use and comparative bills under present flat rates and under the message rates herein prescribed for service received for the calendar months of November and December, 1929.

10. Submit to the Railroad Commission for filing, on or before December 26, 1929, and make effective, subject to the approval of the Railroad Commission, rates, rules and regulations

for foreign exchange service and other service rates and charges and rules and regulations concurrently with changes as prescribed in Exhibit "A" and in harmony therewith.

11. Discontinue as of January 1, 1930, all San Francisco and/or East Bay service furnished outside the San Francisco-East Bay Exchange for which provision is not made in Section 10. and all special rates, charges and services except Foreign Exchange Service, in the San Francisco-East Bay Exchange.

12. Make, if requested by a subscriber to San Francisco-East Bay Exchange telephone service of record as of December 1, 1929, one move or change of telephone or group of telephones without charge during the period up to and including February 28, 1930, when such move or change is required in changing from one type of service or telephone set to another.

IT IS HEREBY FURTHER ORDERED:

1. That Case No. 2462, John Francis Neylan, et al, be and the same is hereby dismissed.
2. That except as otherwise provided herein the effective date of this order shall be twenty (20) days from and after the date hereof.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 7th day of November, 1929.

Thomas D. Dwyer
Clarence
Francis Dwyer
Leon Whittell
M. J. Carr
Commissioners.

EXHIBIT "A"

EXCHANGE RATES

EXCHANGE SERVICE SCHEDULE NO. _____

BUSINESS SERVICE - INDIVIDUAL LINE

SAN FRANCISCO

SERVICE:

Applicable to Business Individual Line message rate service furnished within the Base Rate Area of the San Francisco Zone.

RATE:

	<u>Rate Per Month</u>
Each individual line desk set station:	
First 85 Zone messages or less per month.....	\$5.25
All over 85 Zone messages per month, per message.....	\$.035
Each extension desk set station.....	.75
Each wall set station - desk set station rate less \$.25 per month.	
Each hand set station - desk set station rate plus \$.25 per month.	

CONDITIONS:

(1) Individual line service will be provided outside the Base Rate Area and within the Zone at the above rates and mileage rates.

(2) Extension stations at the above rates are installed on the premises on which the primary station is located. The above rates and mileage rates are applicable to off-premises extension stations.

EXCHANGE SERVICE SCHEDULE NO.

SEMI-PUBLIC SERVICE - INDIVIDUAL LINE

SAN FRANCISCO

SERVICE:

Applicable to Semi-Public Coin-Box service furnished within the Base Rate Area of the San Francisco Zone.

RATE:

	<u>Rate</u>
Each individual line coin-box wall set station:	
Minimum charge per day.....	\$.25
Each Zone message.....	.05
Each extension desk set station without coin-box, per month.....	.75
Each extension wall set station without coin-box, per month.....	.50

CONDITIONS:

(1) Semi-public coin-box service will be furnished upon applicant's request in stores, shops, restaurants, theatres, or other semi-public locations where there is a collective use of the service by a number of guests, members, employees, or occupants or where there is the requirement for a combination of transient and subscriber usage.

(2) Semi-public coin-box service will be provided outside the Base Rate Area and within the Zone at the above rates and mileage rates.

(3) Extension stations at the above rates are installed only on the premises on which the primary station is located.

EXCHANGE SERVICE SCHEDULE NO. _____

APARTMENT HOUSE SEMI-PUBLIC
SERVICE - INDIVIDUAL LINE

SAN FRANCISCO

SERVICE:

Applicable to Apartment House Semi-Public Coin-Box service furnished within the Base Rate Area of the San Francisco Zone.

RATE:

	<u>Rate</u>
Each individual line coin-box wall set station:	
Minimum charge per day.....	\$.25
Each Zone message.....	.05
Each extension desk set station without coin-box, per month.....	.75
Each extension wall set station without coin-box, per month.....	.50
Each extension wall set station with coin-box, per month.....	.75

CONDITIONS:

(1) Apartment house semi-public coin-box service will be furnished upon applicant's request in apartment houses, rooming houses, and hotels where there is a collective use of the service by a number of guests, employees, or occupants or where there is the requirement for a combination of transient and subscriber usage.

(2) Apartment house semi-public coin-box service will be provided outside the Base Rate Area and within the Zone at the above rates and mileage rates.

(3) Extension stations at the above rates are installed only on the premises on which the primary station is located.

EXCHANGE SERVICE SCHEDULE NO. _____

RESIDENCE SERVICE - INDIVIDUAL LINE AND PARTY LINE SAN FRANCISCO

SERVICE:

Applicable to Residence Individual Line and Party Line flat rate and message rate service furnished within the Base Rate Area of the San Francisco Zone.

RATE:

Rate Per Month

FLAT RATE SERVICE

Each individual line desk set station..... \$4.25
Each two-party line desk set station..... 3.25

MESSAGE RATE SERVICE

Each two-party line desk set station, including 60 Zone messages or less, per month..... 2.50
All over 60 Zone messages per month, per message..... \$.035

EXTENSION SERVICE

Each extension desk set station..... .75

Each wall set station - desk set station rate less \$.25 per month.

Each hand set station - desk set station rate plus \$.25 per month.

CONDITIONS:

(1) Individual line and party line services will be provided outside the Base Rate Area and within the Zone at the above rates and mileage rates.

(2) Extension stations at the above rates are installed on the premises on which the primary station is located. The above rates and mileage rates are applicable to off-premises extension stations.

EXCHANGE SERVICE SCHEDULE NO.COMMERCIAL MANUAL AND DIAL PRIVATE
BRANCH EXCHANGE SERVICESAN FRANCISCOSERVICE:

Applicable to Commercial Private Branch Exchange message rate service furnished within the Base Rate Area of the San Francisco Zone.

RATE:Rate Per Month(1) Manual Equipment Rate:

Each switchboard position within battery and ringing power supply circuits and switchboard telephone including dial where required:

Cordless Type Switchboard:

Capacity 3 trunk lines and 7 stations..... \$4.00
Capacity 5 trunk lines and 12 stations..... 5.00

Cord Type Switchboard:

Non-multiple 40 lines or less..... 6.00
Non-multiple 41 to 80 lines..... 10.00
Non-multiple over 80 lines..... 12.50
Multiple, per position..... 18.00
Multiple station jacks or lamp sockets,
in excess of one per line, per strip
of 20 or portion thereof installed..... .20
Multiple trunk jacks or lamp sockets,
in excess of one per line, per strip
of 10 or portion thereof installed..... .10

(2) Mechanical Equipment Rate:

Each selector..... 2.00
Each selector-connector..... 2.50
Each connector..... 2.50
Each dial trunk between mechanical
equipment and switchboard..... 1.00
Battery and power supply equipment -
each station, each selector, each
connector, each selector-connector..... .15
Mechanical equipment of tie lines to
other private branch exchanges:
Arranged to select a mechanical sta-
tion, but not to be selected by
that station..... 2.00
Arranged to be selected by a mechanical
station, but not to select that
station..... 2.00
Arranged to select and to be selected
by a mechanical station..... 4.00
Minimum charge..... 35.00

(3) Trunk Rate:

First two trunk lines..... 5.00
Each additional trunk line..... 2.00

EXCHANGE SERVICE SCHEDULE NO.COMMERCIAL MANUAL AND DIAL PRIVATE
BRANCH EXCHANGE SERVICE (Cont'd)SAN FRANCISCO

RATE: (Cont'd)

Rate Per Month

(4) Message Rate:
 Each Zone message \$.035

(5) Station Rate:
 Each desk set station, with or without dial.. \$.75
 Each wall set station - desk set station
 rate less \$.25 per month.
 Each hand set station - desk set station
 rate plus \$.25 per month.

CONDITIONS:

(1) Each commercial private branch exchange system will consist of at least one switchboard position, two trunk lines, and four stations, excluding switchboard telephone.

(2) Commercial private branch exchange service will be provided outside the Base Rate Area and within the Zone at the above rates and mileage rates.

(3) A subsidiary private branch exchange comprising the mechanical equipment of a dial private branch exchange system, with dial equipped stations but without switchboard or central office trunks, will be furnished at off-premises locations from the main system. Connection with the main system will be provided by means of tie lines at rates in effect for such lines.

(4) Stations at the above rates are installed on the premises on which the switchboard or subsidiary private branch exchange is located. The above rates and mileage rates are applicable to off-premises stations.

(5) When operating conditions make it necessary to install an isolated power plant in connection with manual equipment on a subscriber's premises, the Company will require the subscriber to furnish the electrical energy necessary for its operation.

(6) The supplemental equipment to provide the mechanical features of the system will be furnished by the Company subject to regulations as set forth under (a) or (b) following:

- (a) An initial payment, payable upon request prior to the installation of the equipment, not to exceed one-half of the cost of the equipment and its installation, may be made to the Company by the subscriber. If such equipment is retained for a period of one year or more by the subscriber in conjunction with exchange service, the Company will pay to the subscriber the following amounts, provided the subscriber retains service throughout the respective period for which the payment applies and further, provided that the subscriber has paid any and all sums due and payable to the Company:

On expiration of first year following installation,
 20% of initial payment.

On expiration of second year following installation,
 20% of initial payment.

EXCHANGE SERVICE SCHEDULE NO. _____COMMERCIAL MANUAL AND DIAL PRIVATE
BRANCH EXCHANGE SERVICE (Cont'd.)SAN FRANCISCOCONDITIONS: (Cont'd.)

(a) (Cont'd.)

- On expiration of third year following installation,
20% of initial payment.
- On expiration of fourth year following installation,
20% of initial payment.
- On expiration of fifth year following installation,
20% of initial payment.

In addition to the above payment, interest will be paid on each payment made and on the unpaid balance at the rate of 6 per cent per annum.

(b) The Company may enter into a contract with the subscriber requiring, that if the equipment is not retained by the subscriber in conjunction with exchange service for a period of five years, the subscriber will pay to the Company, upon request, an amount not to exceed that determined as follows:

- If discontinued before the end of the first year, 50% of the cost of the equipment and installation.
- If discontinued during the second year, 40% of the cost of the equipment and installation.
- If discontinued during the third year, 30% of the cost of the equipment and installation.
- If discontinued during the fourth year, 20% of the cost of the equipment and installation.
- If discontinued during the fifth year, 10% of the cost of the equipment and installation.

(c) The Company has the option of applying either of the regulations under sections (a) or (b).

(9) The electrical energy necessary to operate the power plant for the supplemental mechanical equipment shall be supplied by the subscriber at his expense.

EXCHANGE SERVICE SCHEDULE NO. _____

HOTEL MANUAL AND DIAL PRIVATE BRANCH EXCHANGE SERVICE SAN FRANCISCO

SERVICE:

Applicable to Hotel Private Branch Exchange message rate service furnished within the Base Rate Area of the San Francisco Zone.

RATE:

Rate Per Month

(1) <u>Manual Equipment Rate:</u>	
Each switchboard position with battery and ringing power supply circuits and switchboard telephone, including dial where required:	
<u>Cordless Type Switchboard:</u>	
Capacity 3 trunk lines and 7 stations	\$4.00
Capacity 5 trunk lines and 12 stations	5.00
<u>Cord Type Switchboard:</u>	
Non-multiple 40 lines or less	6.00
Non-multiple 41 to 80 lines	10.00
Non-multiple over 80 lines	12.50
Multiple, per position	18.00
Multiple station-jacks or lamp sockets, in excess of one per line, per strip of 20 or portion thereof installed . . . . .	.20
Multiple trunk jacks or lamp sockets, in excess of one per line, per strip of 10 or portion thereof installed . . . . .	.10
(2) <u>Mechanical Equipment Rate:</u>	
Each selector	2.00
Each selector-connector	2.50
Each connector	2.50
Each dial trunk between mechanical equipment and switchboard	1.00
Battery and power supply equipment - each station, each selector, each connector, each selector-connector . . . . .	.15
Mechanical equipment of tie lines to other private branch exchanges:	
Arranged to select a mechanical station, but not to be selected by that station	2.00
Arranged to be selected by a mechanical station, but not to select that station	2.00
Arranged to select and to be selected by a mechanical station	4.00
Minimum charge	35.00

EXCHANGE SERVICE SCHEDULE NO.

HOTEL MANUAL AND DIAL PRIVATE BRANCH EXCHANGE SERVICE (Cont'd)

SAN FRANCISCO

RATE: (Cont'd)

Rate Per Month
No charge

(3) Trunk Rate:

(4) Message Rate:

Each Zone message.....\$.04

(5) Station Rate:

Each desk set station not in guest room, with or without dial..... \$.75

Each desk set station in guest room, with or without dial..... .60

Each wall set station - desk set station rate less \$.25 per month

Each hand set station - desk set station rate plus \$.25 per month

CONDITIONS:

(1) Each hotel private branch exchange system will consist of at least one switchboard position and four stations, excluding switchboard telephone. Trunks sufficient to meet the traffic demand will be furnished by the Company without additional charge to the subscriber.

(2) Hotel private branch exchange service will be provided outside the Base Rate Area and within the Zone at the above rates and mileage rates.

(3) The above rates are applicable to private branch exchange service furnished to hotels, rooming and apartment houses. In those cases where the use of the service for hotel, club and apartment house purposes is incidental to the total use of service, the hotel station rate will apply to those stations located in rooms let to people for living quarters.

(4) A subsidiary private branch exchange comprising the mechanical equipment of a dial private branch exchange system, with dial equipped stations but without switchboard or central office trunks, will be furnished at off-premises locations from the main system. Connection with the main system will be provided by means of tie lines at rates in effect for such lines.

(5) Stations at the above rates are installed on the premises on which the switchboard or subsidiary private branch exchange is located. The above rates and mileage rates are applicable to off-premises stations.

(6) When operating conditions make it necessary to install an isolated power plant in connection with manual equipment on a subscriber's premises, the Company will require the subscriber to furnish the electrical energy necessary for its operation.

EXCHANGE SERVICE SCHEDULE NO. _____HOTEL MANUAL AND DIAL PRIVATE BRANCH EXCHANGE
SERVICE (Cont'd)SAN FRANCISCOCONDITIONS: (Cont'd)

(*) The supplemental equipment to provide the mechanical features of the system will be furnished by the Company subject to regulations as set forth under (a) or (b) following:

- (a) An initial payment, payable upon request, prior to the installation of the equipment, not to exceed one-half of the cost of the equipment and its installation, may be made to the Company by the subscriber. If such equipment is retained for a period of one year or more by the subscriber in conjunction with exchange service, the Company will pay to the subscriber the following amounts, provided the subscriber retains service throughout the respective period for which the payment applies, and further, provided that the subscriber has paid any and all sums due and payable to the Company:

On expiration of first year following installation, 20% of initial payment.

On expiration of second year following installation, 20% of initial payment.

On expiration of third year following installation, 20% of initial payment.

On expiration of fourth year following installation, 20% of initial payment.

On expiration of fifth year following installation, 20% of initial payment.

In addition to the above payment, interest will be paid on each payment made and on the unpaid balance at the rate of 6 per cent per annum.

- (b) The Company may enter into a contract with the subscriber requiring, that if the equipment is not retained by the subscriber in conjunction with exchange service for a period of five years, the subscriber will pay to the Company, upon request, an amount not to exceed that determined as follows:

If discontinued before the end of the first year, 50% of the cost of the equipment and installation.

If discontinued during the second year, 40% of the cost of the equipment and installation.

If discontinued during the third year, 30% of the cost of the equipment and installation.

If discontinued during the fourth year, 20% of the cost of the equipment and installation.

If discontinued during the fifth year, 10% of the cost of the equipment and installation.

- (c) The Company has the option of applying either of the regulations under sections (a) or (b).

(8) The electrical energy necessary to operate the power plant for the supplemental equipment shall be supplied by the subscriber at his expense.

EXCHANGE SERVICE SCHEDULE NO. _____RESIDENCE MANUAL AND DIAL
PRIVATE BRANCH EXCHANGE SERVICESAN FRANCISCOSERVICE:

Applicable to Residence Private Branch Exchange flat rate service furnished within the Base Rate Area of the San Francisco Zone.

RATE:

	<u>Rate Per Month</u>
(1) <u>Manual Equipment Rate:</u>	
Each switchboard position with battery and ringing power supply circuits and switchboard telephone, including dial where required:	
<u>Cordless Type Switchboard:</u>	
Capacity 3 trunk lines and 7 stations.....	\$ 4.00
Capacity 5 trunk lines and 12 stations.....	5.00
<u>Cord Type Switchboard:</u>	
Non-multiple 40 lines or less.....	6.00
Non-multiple 41 to 80 lines.....	10.00
Non-multiple over 80 lines.....	12.50
Multiple, per position.....	18.00
Multiple station jacks or lamp sockets, in excess of one per line, per strip of 20 or portion thereof installed.....	.20
Multiple trunk jacks or lamp sockets, in excess of one per line, per strip of 10 or portion thereof installed.....	.10
(2) <u>Mechanical Equipment Rate:</u>	
Each selector.....	2.00
Each selector-connector.....	2.50
Each connector.....	2.50
Each dial trunk between mechanical equipment and switchboard.....	1.00
Battery and power supply equipment - each station, each selector, each connector, each selector-connector.....	.15
Mechanical equipment of tie lines to other private branch exchanges:	
Arranged to select a mechanical station, but not to be selected by that station..	2.00
Arranged to be selected by a mechanical station but not to select that station..	2.00
Arranged to select and to be selected by a mechanical station.....	4.00
Minimum charge.....	35.00

EXCHANGE SERVICE SCHEDULE NO.

RESIDENCE MANUAL AND DIAL
PRIVATE BRANCH EXCHANGE SERVICE (Cont'd.)

SAN FRANCISCO

RATE: (Cont'd.)

Rate Per Month

- (3) Trunk Rate:
Each trunk line..... \$7.25
- (4) Station Rate:
Each desk set station, with or without dial.. .75
Each wall set station - desk set station
rate less \$.25 per month.
Each hand set station - desk set station
rate plus \$.25 per month.

CONDITIONS:

- (1) Each residence private branch exchange system will consist of at least one switchboard position, one trunk line and four stations, excluding switchboard telephone.
- (2) Residence private branch exchange service will be provided outside the Base Rate Area and within the Zone at the above rates and mileage rates.
- (3) A subsidiary private branch exchange comprising the mechanical equipment of a dial private branch exchange system, with dial equipped stations but without switchboard or central office trunks, will be furnished at off-premises locations from the main system. Connection with the main system will be provided by means of tie lines at rates in effect for such lines.
- (4) Stations at the above rates will be installed on the premises on which the switchboard or subsidiary private branch exchange is located. The above rates and mileage rates are applicable to off-premises stations.
- (5) When operating conditions make it necessary to install an isolated power plant in connection with manual equipment on a subscriber's premises, the Company will require the subscriber to furnish the electrical energy necessary for its operation.
- (6) The supplemental equipment to provide the mechanical features of the system will be furnished by the Company subject to regulations as set forth under (a) or (b) following:
 - (a) An initial payment, payable upon request, prior to the installation of the equipment, not to exceed one-half of the cost of the equipment and its installation, may be made to the Company by the subscriber. If such equipment is retained for a period of one year or more

EXCHANGE SERVICE SCHEDULE NO. _____RESIDENCE MANUAL AND DIAL
PRIVATE BRANCH EXCHANGE SERVICE (CONT'D)SAN FRANCISCOCONDITIONS: (Cont'd)

by the subscriber in conjunction with exchange service, the Company will pay to the subscriber the following amounts, provided the subscriber retains service throughout the respective period for which the payment applies and further provided that the subscriber has paid any and all sums due and payable to the Company:

- On expiration of first year following installation,
20% of initial payment.
- On expiration of second year following installation,
20% of initial payment.
- On expiration of third year following installation,
20% of initial payment.
- On expiration of fourth year following installation,
20% of initial payment.
- On expiration of fifth year following installation,
20% of initial payment.

In addition to the above payment, interest will be paid on each payment made and on the unpaid balance at the rate of 6 per cent per annum.

- (b) The Company may enter into a contract with the subscriber requiring that if the equipment is not retained by the subscriber in conjunction with exchange service for a period of five years, the subscriber will pay to the Company, upon request, an amount not to exceed that determined as follows:

- If discontinued before the end of the first year, 50% of the cost of the equipment and installation.
- If discontinued during the second year, 40% of the cost of the equipment and installation.
- If discontinued during the third year, 30% of the cost of the equipment and installation.
- If discontinued during the fourth year, 20% of the cost of the equipment and installation.
- If discontinued during the fifth year, 10% of the cost of the equipment and installation.

- (c) The Company has the option of applying either of the regulations under sections (a) or (b).

(7) The electrical energy necessary to operate the power plant for the supplemental mechanical equipment will be supplied by the subscriber at his expense.

EXCHANGE SERVICE SCHEDULE NO. _____

BUSINESS INTERCOMMUNICATING SYSTEM SERVICE

SAN FRANCISCO

SERVICE:

Applicable to Business Intercommunicating System message rate service furnished within the Base Rate Area of the San Francisco Zone.

RATE:

	<u>Rate Per Month</u>
(1) <u>Switching Device Rate:</u>	
Each 10 line switching device:	
On same premises as receiving station.....	\$1.25
Off premises on which receiving station is located but not more than 300 feet, circuit measurement, from receiving station.....	2.00
(2) <u>Trunk Rate:</u>	
First two trunk lines.....	5.00
Each additional trunk line.....	2.00
(3) <u>Message Rate:</u>	
Each Zone message.....	\$.035
(4) <u>Station Rate:</u>	
Each desk set station.....	.75
Each wall set station.....	.50
Each hand set station.....	1.00

CONDITIONS:

(1) Each business intercommunicating system will consist of at least two trunk lines and four stations, including receiving station.

(2) The above rates are applicable to service provided within the Base Rate Area. Service will be provided outside the Base Rate Area and within the Zone at the above rates and mileage rates.

EXCHANGE SERVICE SCHEDULE NO.

RESIDENCE INTERCOMMUNICATING SYSTEM SERVICE

SAN FRANCISCO

SERVICE:

Applicable to Residence Intercommunicating System flat rate service furnished within the Base Rate Area of the San Francisco Zone.

RATE:

Rate Per Month

(1) Switching Device Rates:

Each 12 line switching device on same premises as primary station	\$1.25
Each 24 line switching device on same premises as primary station	1.50
Each switching device not on same premises as primary station and not more than 300 feet, circuit measurement, from primary station, above rates plus \$.75	

(2) Trunk Rate:

Each trunk line	7.25
---------------------------	------

(3) Station Rate:

Each desk set station . . . . .	.75
Each wall set station . . . . .	.50
Each hand set station	1.00

CONDITIONS:

(1) Each residence intercommunicating system will consist of at least one trunk line and three stations.

(2) The above rates are applicable to service provided within the Base Rate Area. Service will be provided outside the Base Rate Area and within the Zone at the above rates and mileage rates.

EXCHANGE SERVICE SCHEDULE NO. _____ORDER RECEIVING EQUIPMENT SERVICESAN FRANCISCOSERVICE:

Applicable to Order Receiving Equipment message rate service furnished within the Base Rate Area of the San Francisco Zone.

RATE:Rate Per Month

- (1) Single Position Turret:
- | | |
|--|--------|
| (a) Each single-position turret, fully equipped for one private branch exchange turret line and one supplementary outward line, including one attendant's telephone with dial where required | \$2.00 |
| (b) Each private branch exchange turret line | 1.00 |
| (c) Each individual business line terminating on turret: | |
| First 85 Zone messages or less, per month | 5.25 |
| All over 85 Zone messages per month, per message | \$.035 |
- (2) Multi-Position Turret:
- | | |
|---|--------|
| (a) Each two-position turret, fully equipped for 10 lines, including 2 attendant's telephones with dials where required | 7.50 |
| (b) Each four-position turret, fully equipped for 10 lines, including 4 attendant's telephones with dials where required and multiple jack equipment for 20 lines | 15.00 |
| Extra multiple jack equipment for 20 lines, per turret | .40 |
| (c) Each private branch exchange turret line | 1.00 |
| (d) Each call circuit | 1.00 |
| (e) Each line for multiplying order turret trunks to private branch exchange switchboard | 1.00 |
| (f) First two trunk lines | 5.00 |
| Each additional trunk line | 2.00 |
| (g) Each Zone message | \$.035 |
| (h) Each desk set station | .75 |
| Each wall set station - desk set station rate less \$.25 per month | |
| Each hand set station - desk set station rate plus \$.25 per month | |

EXCHANGE SERVICE SCHEDULE NO. _____ (Continued)ORDER RECEIVING EQUIPMENT SERVICE (CONT'D)SAN FRANCISCOCONDITIONS:

(1) Order receiving equipment will be installed off the premises on which the switchboard is located at the above rates and mileage rates applicable to lines between the order receiving equipment and the private branch exchange switchboard. Stations will be installed off the premises on which the order receiving equipment is located at the above station rates and mileage rates.

(2) Order receiving equipment service will be provided outside the Base Rate Area and within the Zone at the above rates and mileage rates.

(3) Multi-position order boards will be furnished at the above unit rates.

(4) When operating conditions make it necessary to install an isolated power plant on a subscriber's premises, the Company will require the subscriber to furnish the electrical energy necessary for its operation.

EXCHANGE SERVICE SCHEDULE NO.SUBURBAN SERVICESAN FRANCISCOSERVICE:

Applicable to Suburban Ten-Party Line flat rate service furnished in the Suburban Area of the San Francisco Zone.

RATE:

	<u>Rate Per Month</u>
(1) <u>Business Service:</u>	
Each ten-party line desk set station . . .	\$4.00
Each extension desk set station without bell	1.00
(2) <u>Residence Service:</u>	
Each ten-party line desk set station . . .	3.50
Each extension desk set station without bell . . . . .	.75

Each wall set station - desk set station rate
less \$.25 per month.

Each hand set station - desk set station rate
plus \$.25 per month.

CONDITIONS:

(1) Suburban service is furnished outside the Base Rate Area and within the Zone. In no case will the total number of primary stations connected to one circuit exceed ten (10) stations.

(2) Extension stations, at the above rates, are furnished without bells and are installed on the premises on which the primary station is located.

EXCHANGE SERVICE SCHEDULE NO. _____APARTMENT HOUSE PRIVATE SYSTEMSAN FRANCISCOSERVICE:

Applicable to Apartment House Private Systems located in the San Francisco Zone.

RATE:

	<u>Rate Per Month</u>
(1) Each vestibule station with wall type telephone equipped to call stations connected with the system:	
12 station system	\$1.00
24 station system	1.25
36 station system	1.50
(2) Each janitor or manager station with wall type telephone, with or without annunciator, equipped to call stations connected with the system and to operate a door latch, above rates plus \$.50 per month.	
(3) Each apartment station wall set, equipped to call manager and janitor station and to operate a door latch . . . . .	.50

CONDITIONS:

(1) Each apartment house private system will consist of at least one vestibule station and four apartment stations.

(2) Exchange service will be provided in connection with apartment, manager, and janitor telephones at the rates shown in the Exchange Service Schedules.

(3) The apartment house private system will be provided upon application by the apartment house management. Exchange service in connection with apartment house private system service will be furnished upon application by tenants or management.

(4) If more than one standard vestibule, tradesman, manager, or janitor station is installed, the additional stations will be provided at the above rates. Apartment stations will be connected with one vestibule, one tradesman, one manager, one janitor station, or any combination of such stations not to exceed four stations for any one system.

(5) Vestibule, manager, and janitor stations provided in connection with systems of more than 36 stations will be furnished at the 36 station system rate.

(6) The door latch and necessary wiring for connection to the apartment house system shall be furnished, installed, and maintained by the apartment house management. The connection of the wiring to the apartment house system will be performed by the Company.

EXCHANGE SERVICE SCHEDULE NO. _____APARTMENT HOUSE PRIVATE SYSTEM (Cont'd.)SAN FRANCISCOCONDITIONS (Cont'd.):

(7) Structural alterations necessitated by the installation of a vestibule station shall be at the expense of the subscriber.

(8) An installation charge of \$2.00 for each station will apply in addition to the above rates.

(9) When operating conditions make it necessary to install an isolated power plant on a subscriber's premises, the Company will require the subscriber to furnish the electrical energy necessary for its operation.

EXCHANGE SERVICE SCHEDULE NO.

DIRECTORY LISTINGS

SAN FRANCISCO

Applicable to listings in alphabetical section of the San Francisco Telephone Directory.

Listings in the alphabetical section of the telephone directory are intended solely for the purpose of identifying subscribers' telephone numbers as an aid to the use of telephone service. Telephone directories remain the property of the Telephone Company and may be collected upon issuance of the new directories.

RATE:

(1) Primary Service Listings:

Subscribers are entitled, without additional charge, to listings in the alphabetical section of the directory as follows:

- Each individual line primary station - - - - -One listing
- Each party line primary station - - - - -One listing
- Each joint user service - - - - -One listing
- Each private branch exchange system - - - - -One listing
- Each intercommunicating system - - - - -One listing
- Each order receiving equipment system,
not associated with a private branch
exchange - - - - -One listing

(2) Additional Listings and Lines of Information: Rate Per Month

Each business listing - - - - -	\$.50
Any individual residing at a residence, listed at the residence, each listing - - -	.25
Listing of guest of hotel, each listing - - -	.25
Reference to service of same subscriber, each listing - - - - -	.25
Reference to service of another subscriber, each listing - - - - -	.50
Other information in addition to a listing, each line - - - - -	.25

CONDITIONS:

(1) Business listings consist of a name, the address of the premises on which the primary station, private branch exchange switchboard, or receiving station is located, and the telephone number. A designation descriptive of the business or profession will be included if the name does not indicate the nature of the business.

(2) Business listings may be those of an individual engaged in a business or profession, names of firms or members thereof, the names of corporations or the officers thereof, the names of employees or departments and branches of the business. When an additional listing involves the name of a member of a firm, or an officer of a corporation, or a name of an employee, or department or branch of the same business, or a trade name, the listing shall include a reference to the name of the firm, company, or corporation subscribing to the telephone service and may include the same business designation as the primary service listing.

A trade name may be used as a listing when the business is conducted under that name, as may be evidenced by the fact that the telephone service is so subscribed for, or in the case of an extra listing, is authorized in writing by the proper authority.

EXCHANGE SERVICE SCHEDULE NO.DIRECTORY LISTINGS (Cont'd)SAN FRANCISCOCONDITIONS: (Cont'd)

(3) All additional listings in connection with a subscriber's service, except night service, must bear the same address and telephone number as the primary listing, except that additional listings in connection with private branch exchange stations and extension stations not located on the same premises as the primary station, may show the address at which the station is located. Listings in connection with joint user service must bear the same address and telephone number as the listed service of the subscriber at the address at which joint user service is rendered.

(4) Residence listings consist of a name, an abbreviation indicating "residence," the address of the premises at which service is furnished, and the telephone number.

(5) Residence listings may be those of the subscriber or members of the subscriber's domestic establishment residing on the premises on which the subscriber's service is provided.

(6) Residence listings of professional subscribers may indicate the same designations of title or profession as their business service listings. When professional subscribers are not subscribers to business service, the listings may include designations of title. Residence listings of clergyman, professors, military or naval officers, and nurses may, for the purpose of identification, include designations of title.

(7) The charges for additional listings begin with the day they are entered in the information records and when such listings are included in the directory they may not be discontinued until the end of the directory period unless the listed party or concern vacates the subscriber's premises or subscribes for service of the same class as furnished the subscriber or unless the subscriber's service is discontinued - or in the case of a guest listing, the listed party becomes a subscriber to residence service in his own name in the same exchange.

(8) Business listings may be arranged under a caption when in the judgment of the Company the employment of that caption will facilitate the use of the directory. For Example:

Standard Mercantile Co Gen Ofc 16 South	--	Main 1225
Wholesale Dept 25 East		
Sales Room 16 South	--	Main 2440
Warehouse 18 West	--	Main 1468

(9) Residence listings may be arranged under a caption when the subscriber has separate services and when, in the judgment of the Company, the employment of that caption will facilitate the use of the directory. The service provided for use of the subscriber's domestic employees will be listed in terms commonly used to designate employees of a domestic establishment. For example:

SMITH J R r 200 Hillsborough Drive	--	Main 2123
Caretaker r 250 Hillsborough Drive	--	Main 1440
Chauffeur r 250 Hillsborough Drive	--	Main 2281
Housekeeper r 200 Hillsborough Drive	--	Main 1332

EXCHANGE SERVICE SCHEDULE NO.

DIRECTORY LISTINGS (Cont'd)

SAN FRANCISCO

CONDITIONS: (Cont'd)

(10) Lines of information acceptable to the Company, may be arranged for at the rate shown in the schedule, to include additional telephone numbers to be called in the event there is no answer from the subscriber's station. For example:

Standard Mercantile Co 16 South - - - - Main 1225
 If no answer call - - - - - Main 2435

(11) Reference listings may be arranged for at the additional listing rate, referring to a subscriber's business or residence listing in a different alphabetical section of the same directory. For example:

Smith A B etty 16 South - - - - - Main 2235
 Smith A B r - - - - - See East Bay

(12) Reference listings may, at the discretion of the Company, be arranged for at the additional listing rate, referring to a business or residence listing in a separate directory. For example:

Jones C D r 15 West - - - - - Main 1492
 Jones C D atty San Jose - - - - - Long Distance

(13) Subscribers whose names are currently spelled in more than one way may arrange for additional listings, at the additional listing rate, to be included in their proper alphabetical order if they are not for the purpose of securing a preferential position in the alphabetical list. For example:

Wilcox E F atty 16 State - - - - - Main 1425
 Willcox E F atty 16 State - - - - - Main 1425

(14) Subscribers to business service may, for the additional listings and lines of information rate, arrange for listings of trunks, other than those included in an underlined group, to be used after business hours. For example:

Standard Mercantile Co Gen Ofc 16 South - Main 1225
 After 6 P.M. call Superintendent - - - Main 2329
 Warehouse 18 West - - - - - Main 1488

(15) All applications for additional listings and lines of information shall be made by the subscriber or authorized agent.

(16) Telephone numbers of public telephones will not be listed in the telephone directory.

EXCHANGE SERVICE SCHEDULE NO.JOINT USER SERVICESAN FRANCISCOSERVICE:

Applicable to Joint User service furnished within the San Francisco Zone.

RATE:Rate Per Month

Each joint user service in connection with:		
(1)	Individual line business service - - - - -	\$1.00
(2)	Individual line semi-public service - - - - -	1.00
(3)	Commercial private branch exchange service -	2.00
(4)	Hotel private branch exchange service - - - -	2.00
(5)	Business intercommunicating system service -	2.00
(6)	Order receiving equipment service - - - - -	2.00

CONDITIONS:

(1) The applicability of joint user service is determined by the obvious or actual use made of the service. The subscriber's facilities are not to be extended off the premises on which the primary service is located to provide joint user service only.

(2) The rate for joint user service includes a listing in the telephone directory and applies in addition to the rates and charges for the facilities and all other service provided. Joint user service is applicable and is furnished upon application made by the subscriber as follows:

(a) Application for the use of the subscriber's service by any individual, firm, company, or association occupying jointly or in part the premises on which the primary service is located or the premises on which the subscriber's off-premises service is located.

(b) Application for the use of the subscriber's service for another business conducted separately by the subscriber and differing in character or name from that for which the facilities are provided.

(3) In the case of individuals, firms, companies, and associations engaged in the same business or profession, utilizing a common reception room with offices opening thereon or adjoining thereto, one of the number may become the subscriber and the remainder joint users. If the individuals or members of a firm, company, or association file a joint income tax return, that will be accepted as sufficient evidence of a single business, and joint user service is not applicable. Whenever any individual member of a firm, company, or association does not substantially participate in the earnings of his fellow members of such firm, company, or association, then that fact shall be conclusive evidence that he is a joint user and the joint user rate is applicable.

(4) The minimum charge for joint user service shall be the monthly rate, provided that if the listing is included in the telephone directory, it shall be paid for until the end of the directory period unless the joint user vacates the subscriber's premises or the subscriber's service is discontinued or the joint user becomes a subscriber to business service in the same exchange.

(5) Joint user service is not available in connection with residence telephone service.

EXCHANGE SERVICE SCHEDULE NO. _____LINE EXTENSION CHARGESSAN FRANCISCOSERVICE:

Applicable to charges for Line Extensions in the San Francisco Zone.

RATE:

- | | <u>Charge</u> |
|---|---------------|
| (1) <u>Line Extension within Base Rate Area:</u>
Extensions of pole plant necessary to provide telephone service within Base Rate Area | No charge |
| (2) <u>Line Extension in Suburban Area:</u> | |
| (a) Extensions to pole plant for distances of 750 feet or less, per primary station | No charge |
| (b) Extensions to pole plant for distances of more than 750 feet per primary station:
Each 100 feet or fraction thereof | \$ 1.00 |

CONDITIONS:

- (1) The routing of line extensions will be determined by the Telephone Company.
- (2) Payments for line extension charges are not refundable.
- (3) All line extensions will be owned and maintained by the Telephone Company. The applicant, however, if he so elects, may furnish and set the required poles in accordance with the construction standards of the Company, in lieu of the charges applicable, but in all instances the ownership of facilities shall be entirely vested in the Telephone Company.
- (4) No line extension charge is applicable for the installation of additional wire facilities when no pole line extension is required.
- (5) Line extensions to provide service to an applicant engaged in temporary or speculative business, will be made on the condition that applicant pays to the Telephone Company the total cost of the construction and removal of the line necessary in furnishing the service, less the salvage value of the materials used.
- (6) Contracts, covering periods of not to exceed three years of telephone service, may be required by the Telephone Company as a condition precedent to the establishment of the service when line extensions are necessary.
- (7) In any instance of line extension requirement which may appear to warrant a departure from the above, either on behalf of the Telephone Company or of the applicant for service, the matter may be submitted to the Railroad Commission of the State of California for adjustment.

EXCHANGE SERVICE SCHEDULE NO.

MILEAGE RATES:

SAN FRANCISCO

Mileage Rates applicable throughout the San Francisco Zone.

RATE:

1. Within Suburban Area:

Rate per each one-quarter mile or fraction thereof per month

Service

Each individual line primary station	\$.50
Each two-party line primary station .....	.35
Each four-party line primary station .....	.25
Each private branch exchange, intercommunicating system or order receiving equipment - trunk line .....	.50
Each battery supply circuit .....	.50
Each ringing power supply circuit .....	.50

The above rates are based on air-line distance measured from the subscriber's primary station or private branch exchange switchboard to the nearest point on the boundary of the Base Rate Area. These rates are applicable to the services listed above when the subscriber's instrumentalities are located outside the Base Rate Area and within the San Francisco Zone in addition to the other rates applicable to those services.

2. Off Subscriber's Premises and Within the San Francisco Zone:

Rate per month

(a) Same Subscriber:

Each extension station line, private branch exchange station line, or order receiving equipment line:

(1) Where the terminals are in different buildings on continuous property, where such buildings are located beyond 300 feet from the primary station:

Each one-quarter mile or fraction thereof \$ 1.00

(2) Where the terminals are on non-continuous property:

First one-quarter mile or fraction thereof 2.00
 Each additional one-quarter mile or fraction thereof 1.00

No mileage charge applies in those cases where the terminals are in the same building or in different buildings on continuous property within 300 feet from the primary station or private branch exchange switchboard.

EXCHANGE SERVICE SCHEDULE NO.

MILEAGE RATES (Cont'd)

SAN FRANCISCO

RATE: (Cont'd)

Rate per month

(b) Different Subscribers:

Each extension station line, private branch exchange station line, or order receiving equipment line:

- (1) Where the terminals are in the same building:
 Each one-quarter mile or fraction thereof \$1.00
- (2) Where the terminals are in different buildings on either continuous or non-continuous property:
 First one-quarter mile or fraction thereof 2.00
 Each additional one-quarter mile or fraction thereof ... 1.00

The above rates apply to air-line distances measured between the terminals of the line involved.

3. Extension Station or Private Branch Exchange Station Located Outside the San Francisco Zone and Off Subscriber's Premises on which the Primary Station or Private Branch Exchange Switchboard is Located.

- (a) When the primary station or private branch exchange switchboard is located in the San Francisco Zone and connected for foreign exchange service from a contiguous exchange and the extension or private branch exchange station is located in that contiguous exchange area the rates under 2-(a) apply.
- (b) When the primary station or private branch exchange switchboard is located in the San Francisco Zone and not connected for foreign exchange service from a particular contiguous exchange area, and the extension station or private branch exchange station is located in that contiguous exchange area.

Each Extension or Private
 Branch Exchange Station in
Foreign Exchange Area
Rate per month

- (1) Rate for each one-quarter mile or fraction thereof, air line measurement, from the extension station or private branch exchange station to the nearest point on the common exchange boundary \$1.50

EXCHANGE SERVICE SCHEDULE NO.MILEAGE RATES (Cont'd)SAN FRANCISCORATE: (Cont'd)

3.(b)(Cont'd)

Each Extension or Private
Branch Exchange Station in
Foreign Exchange Area
Rate per month

- (2) Rate for each one-quarter mile or fraction thereof, air line measurement, from said nearest point on the common exchange boundary to the primary station or private branch exchange switchboard \$1.00

The total mileage charge is the sum of the charges determined under 3-(b)-(1) and 3-(b)-(2).

These rates are applicable in connection with extension stations and private branch exchange stations located off the premises on which the primary station or private branch exchange switchboard is located, and in an exchange area contiguous to that in which the primary station or private branch exchange switchboard is located, in addition to the rate for extension stations and private branch exchange stations in that contiguous exchange. The application of these rates is in accordance with the conditions governing foreign exchange service.

CONDITIONS:1. Conditions applicable to Section 2 above:

(1) When any line under the above rate involves more than two terminals, the number of quarter miles will be computed separately for each leg, (the air line distance between a pair of terminals), fractional quarter miles being considered as whole quarter miles. The number of legs on which the total charge is based will be one less than the total number of terminals but must include all terminals involved.

(2) The total mileage to which the mileage rates are applicable, is the combination of leg mileages as computed above in whole quarter miles, which gives the least total.

(3) No mileage charge is applicable to an extension station from an off-premises extension or private branch exchange station located on the same premises as that off-premises extension or private branch exchange station.

(4) In this schedule "terminals" means the stations or station and switchboard between which the off-premises line is connected.

EXCHANGE SERVICE SCHEDULE NO.

MILEAGE RATES (Cont'd)

SAN FRANCISCO

CONDITIONS: (Cont'd)

(5) An off-premises extension station or private branch exchange station may be installed on the premises of another subscriber to an individual line, party line, intercommunicating system, or private branch exchange service. A residence extension station, residence intercommunicating system station or residence private branch exchange station will not be installed on a business premises.

(6) When two or more off-premises station services are furnished on the premises of one or more other subscribers, such other subscribers shall not use those off-premises station services for communicating with each other.

EXCHANGE SERVICE SCHEDULE NO. _____

MOVE AND CHANGE CHARGES.

SAN FRANCISCO

SERVICE:

Applicable to charges for Moves and Changes within the San Francisco Zone.

RATE:

Moves and changes of telephone equipment, apparatus, and wiring on the subscriber's premises, performed by the Company at the request of the subscriber, will be subject to the following charges:

(1) Subscriber's Telephone Sets:

	<u>Charge</u>
Moving from one location to another on the same premises, each set.....	\$1.50
Change of subscriber's set, not required by change in class, type, or grade of service:	
Change between desk set and wall set....	1.50
Change between hand set and wall set....	1.50
Change between hand set and desk set....	No charge
Change between manual and dial sets, where no change in type of set is involved.....	No charge
Other changes.....	\$1.50

(2) Private Branch Exchange and Intercommunicating Systems:

	<u>Charge</u>	
	<u>Same Room</u>	<u>Different Room</u>
(a) Intercommunicating systems, per station.....	\$5.00	\$7.50
(b) P.B.X.systems, cord and cordless, per station.....	1.50	1.50
(c) P.B.X.switchboards, per position:		
Cordless.....	5.00	10.00
40 line or less.....	5.00	10.00
80 line.....	7.50	15.00
160 line.....	10.00	25.00
320 line.....	17.50	40.00
Over 320 line.....	Actual Cost	Actual cost

(3) Other Equipment and Wiring:

Charges for moving, rearranging, or changing of equipment, apparatus, or wiring, other than as provided for in (1) and (2) above will be an amount equal to the actual cost of labor and material used.

(4) Maintenance:

When moves, rearrangements, or changes are initiated by the Telephone Company, no charges are applicable.

(5) Change in Class of Service:

No charges are applicable if the move, rearrangement, or change is required on account of a change in class, type, or grade of service.

EXCHANGE SERVICE SCHEDULE NO. _____

PRIVATE INTERCOMMUNICATING SYSTEM SERVICE

SAN FRANCISCO

SERVICE:

Applicable to Private Intercommunicating System service furnished within the San Francisco Zone.

RATE:

	<u>Rate Per Month</u>
(1) <u>Switching Device Rate:</u>	
Each 10 line switching device.	\$ 1.00
(2) <u>Station Rate:</u>	
Each desk set station . . . . .	.75
Each wall set station . . . . .	.50
Each hand set station	1.00
(3) Stations located more than 300 feet but less than 600 feet, circuit measurement, to the farthest station, but on the same premises, will be furnished at the above rates plus \$.75 per station, per month.	

CONDITIONS:

(1) Private intercommunicating systems will be installed when they can be effected with standard wiring, telephones and switching devices.

(2) Each private intercommunicating system will consist of at least four stations.

EXCHANGE SERVICE SCHEDULE NO.

PRIVATE LINE SERVICE

SAN FRANCISCO

SERVICE:

Applicable to Private Lines furnished within the San Francisco Zone.

RATE:

Rate Per Month

- (1) Mileage Rate:
 - First one-quarter mile or fraction thereof, air-line mileage \$ 2.00
 - Each additional one-quarter mile or fraction thereof, air-line mileage 1.00

- (2) Station Rate:
 - Each desk set telephone and battery 1.00
 - Each wall set telephone - desk set rate less \$.25 per month
 - Each hand set telephone - desk set rate plus \$.25 per month

- (3) Private Line Turret Rate:
 - Each 2 position turret, fully equipped for 10 lines, including 2 attendant's telephones 5.00
 - Each 2 position turret, fully equipped for 20 lines, including 2 attendant's telephones 7.50

CONDITIONS:

- (1) The above rates include battery renewals.
- (2) Private lines are provided within the Zone, solely for communication between the stations thereon, and are not permitted to be connected to exchange service lines.
- (3) Private lines will not be terminated on private branch exchange switchboards.
- (4) An installation charge of \$2.00 per station is applicable and is in addition to the above rates.
- (5) The above mileage rates apply to the air-line distance measured between the terminals of the private line.
- (6) When the line involves more than two terminals, the number of quarter-miles will be computed separately for each leg (the air-line distance between a pair of terminals), fractional quarter-miles being considered as whole quarter-miles. The number of legs on which the total charge is based will be one less than the number of terminals but must include all terminals involved.

EXCHANGE SERVICE SCHEDULE NO. _____PRIVATE LINE SERVICE (Cont'd)SAN FRANCISCOCONDITIONS (Cont'd)

(7) The total mileage to which the mileage rates are applicable is the combination of leg mileage as computed above in whole quarter-miles, which gives the least total.

(8) In this schedule "terminals" means the stations or station and turret between which the private line is connected.

EXCHANGE SERVICE SCHEDULE NO. _____

PUBLIC TELEPHONE SERVICE

SAN FRANCISCO

SERVICE:

Applicable to service from the Company's non-listed public telephone stations throughout the Base Rate Area of the San Francisco Zone.

RATE:

Each Zone message \$.05

EXCHANGE SERVICE SCHEDULE NO.

SERVICE CONNECTION CHARGES

SAN FRANCISCO

SERVICE:

Applicable to Service Connection Charges within the San Francisco Zone.

RATE:

Charge

Individual, Party and Auxiliary Lines, Private Branch Exchange and Intercommunicating Systems, and Extension Stations.

(1) New and Additional Service:

Business Service:

Each individual or party line primary station - - - - -	\$ 3.50
Each private branch exchange or intercommunicating system - trunk- - - - -	3.50
Each private branch exchange or intercommunicating system station, except operator's sets - - - - -	1.50
Each extension station- - - - -	1.50

Residence Service:

Each individual or party line primary station - - - - -	3.00
Each private branch exchange or intercommunicating system - trunk- - - - -	3.50
Each private branch exchange or intercommunicating system station, except operator's sets - - - - -	1.50
Each extension station- - - - -	1.50

(2) Instrumentalities in place, and no change of location or type of facilities involved. Subscriber's exchange service and facilities:

One or more units - - - - -	1.50
-----------------------------	------

EXCHANGE SERVICE SCHEDULE NO.SUPPLEMENTAL EQUIPMENTSAN FRANCISCOSERVICE:

Applicable to Miscellaneous Supplemental Equipment furnished within the San Francisco Zone.

RATE:

	<u>Installation Charge</u>	<u>Rate Per Month</u>
Ordinary extension bell - - - - -	\$ 1.25	\$.25
Ordinary extension bell with key- - -	1.50	.35
Loud ringing extension bell - - - - -	1.25	.40
Loud ringing extension bell with key-	1.50	.50
Buzzer circuit, inc. 1 push button, 1-buzzer, battery and 50 ft. of wiring- - - - -	1.50	.25
Each additional push button - - - - -	.35	.05
Each additional buzzer- - - - -	.35	.10
Each additional 50 ft. or less of wire- - - - -	.50	.10
Each key installed in addition to station - - - - -	1.25	.25
Desk set cords, over 6 ft. but not exceeding 15 ft. in length- - - - -	1.00	.10
Booth - - - - -	5.00	1.50
Substation vacuum tube amplifier for deaf persons- - - - -	10.00	3.50
Chest transmitter and head receiver for use by relief operators on private branch exchange switch- boards equipped with such sets:		
With single head receiver - - - -	-	1.00
With double head receiver - - - -	-	1.25
Head receiver in addition to, or in place of, the hand receiver on a primary or extension station:		
Single head receiver or watch case receiver- - - - -	-	.25
Double head receiver or two watch case receivers - - - - -	-	.50
Each operator's chair for use with non-multiple switchboards where such switchboards are not mounted on a platform - - - - -	-	.25
Double head receiver substituted for a single head receiver- - - - -	-	.25

EXCHANGE SERVICE SCHEDULE NO.SUPPLEMENTAL EQUIPMENT (CONT'D)SAN FRANCISCORATE: (CONT'D)

	<u>Installation Charge</u>	<u>Rate Per Month</u>
Each terminal in central office in connection with night list- ing for private branch exchange systems - - - - -	\$ -	\$ 1.25
Jack and plug installations for use with portable telephones: Each jack - - - - -	3.00	.10

CONDITIONS:1. Jack and Plug Installations:(a) Individual Line Service:

Each extension line, including one portable telephone equipped with cord and plug with a bell permanently connected to the line, or without a bell, will be furnished at the extension station rate.

Each additional portable telephone equipped with cord and plug with a bell permanently connected to the line, or without a bell, will be furnished at the extension station rate.

(b) Private Branch Exchange Service:

Each local line, including one portable telephone equipped with cord and plug with a bell permanently connected to the line, or without a bell, will be furnished at the private branch exchange station rate.

Each additional portable telephone equipped with cord and plug with a bell permanently connected to the line, or without a bell, will be furnished at the private branch exchange station rate.

(c) The number of portable telephones with a bell permanently connected to the line, or without a bell, will not exceed the number of extensions permitted under the grade of service furnished.

(d) A bell permanently connected to the line will be furnished with each initial installation of a portable telephone, at the option of the subscriber, without additional charge. Bells in excess of those associated with portable instruments will be furnished at the rate and installation charge for extension bells.

EXCHANGE SERVICE SCHEDULE NO.SUPPLEMENTAL EQUIPMENT (CONT'D)SAN FRANCISCOCONDITIONS: (CONT'D)

(e) The number of bells connected to a jack equipped central office line shall not exceed four (4) on any one line.

(f) Jack and plug installations exposed to the weather or subject to unusual conditions shall be made at the discretion of the Company. In such cases where special equipment or unusual construction is required the subscriber will be billed for the actual cost of each installation.

2. Ownership and Maintenance of Equipment:

The equipment covered by the above rates is owned and maintained by the Company.

3. Special Assemblies of Equipment:

When a subscriber desires a special equipment for which provision is not otherwise made, an installation and monthly charge may be made based upon the total cost of the equipment furnished or of the special work required.

EXCHANGE SERVICE SCHEDULE NO.

TIE LINE SERVICE

SAN FRANCISCO

SERVICE:

Applicable to Tie Lines between private branch exchange systems within the San Francisco Zone.

RATE:

Rate Per Month

(1) Same Subscriber:

- (a) Each tie line between private branch exchanges or intercommunicating systems on same premises - - - - - \$1.50
- (b) Each tie line between private branch exchanges or intercommunicating systems on different premises:
 - First one-quarter mile or fraction thereof - - - - - 2.00
 - Each additional one-quarter mile or fraction thereof - - - - - 1.00

(2) Different Subscribers:

- Each tie line between private branch exchanges or intercommunicating systems:
 - First one-quarter mile or fraction thereof - - - - - 8.00
 - Each additional one-quarter mile or fraction thereof - - - - - 1.00

CONDITIONS:

- (1) The above rates apply to the air line distance measured between the terminals of the tie line involved.
- (2) When any line under the above schedule involves more than two terminals the number of quarter miles will be computed separately for each leg (the air line distance between a pair of terminals), fractional quarter miles being considered as whole quarter miles. The number of legs on which the total charge is based will be one less than the number of terminals but must include all terminals involved.
- (3) The total mileage to which the mileage rates are applicable is the combination of leg mileages as computed above in whole quarter miles, which gives the least total.
- (4) Tie lines, except those to private branch exchange systems having no direct central office connection, may be equipped to prevent connections with central office lines and with stations outside of the premises on which the switchboards are located.
- (5) In this schedule "terminals" means the systems between which the tie line is connected.

EXCHANGE SERVICE SCHEDULE NO.

VACATION RATE SERVICE

SAN FRANCISCO

SERVICE:

Applicable to Vacation Rate service furnished within the San Francisco Zone.

RATE:

Subscribers to residence service, while temporarily absent from their residences, may be granted a discount of fifty per cent (50%) on the total exchange service charge.

CONDITIONS:

(1) In the case of flat rate service the fifty per cent (50%) discount applies to the total fixed monthly exchange service charges. In the case of message rate service, the fifty per cent (50%) discount applies to the total fixed exchange service charges, which charges entitle the subscriber to fifty per cent (50%) of the regular message allowance. No discount applies to the additional message rate charge.

(2) At the time the discount is applied for, the subscriber shall be receiving residence service at the regular rate and all bills rendered shall have been paid in full.

(3) The exchange service charge, at the Vacation rate, for the initial period of suspension, is payable at the time of the application for the vacation rate service.

(4) Service at the vacation rate may begin on any day of the month, provided notice is given sufficiently in advance for arrangements to be made, and may be granted for any period of not less than one month and not more than eight months.

(5) The service furnished during the period of suspension will consist of outgoing service only. Persons calling for the telephone number in question will be advised by the operator that the "(telephone Number) has been temporarily disconnected at the subscriber's request."

(6) Complete service will be restored without notice from the subscriber not later than 5 P. M. on the last day of the period of suspension. Should the subscriber desire incoming service restored in advance of that date, notification should be given to the Company sufficiently in advance of the desired date to permit of the necessary arrangements. Should the subscriber desire the period of vacation service extended, the same will be granted (in accordance with paragraph (4) above) upon notification sufficiently in advance to permit of the necessary arrangements.

EXCHANGE SERVICE SCHEDULE NO.VACATION RATE SERVICE (Cont'd)SAN FRANCISCOCONDITIONS: (Cont'd)

(7) In the event of advance restoration of service, the subscriber will be billed at the regular rate from and including the date following that on which the service was restored, and the payment previously made for such period at the vacation rate will be credited to the subscriber as a payment on account.

EXCHANGE SERVICE SCHEDULE NO.

INTER-ZONE SERVICE

SAN FRANCISCO

SERVICE:

Applicable to service between the San Francisco Zone and East Bay Zone of the San Francisco-East Bay Exchange Area.

RATE:

Each message, 5 minutes or less - - - - -	\$.10
Each additional 3 minutes or fraction thereof - - - - -	.05

EXCHANGE SERVICE SCHEDULE NO.

BUSINESS SERVICE - INDIVIDUAL LINE

EAST BAY

SERVICE:

Applicable to Business Individual Line message rate service furnished within the Base Rate Area of the East Bay Zone.

RATE:

	<u>Rate Per Month</u>
Each individual line desk set station:	
First 85 zone messages or less per month.....	\$5.25
All over 85 zone messages per month, per message.....	\$.035
Each extension desk set station.....	.75
Each wall set station - desk set station rate less \$.25 per month.	
Each hand set station - desk set station rate plus \$.25 per month.	

CONDITIONS:

(1) Individual line service will be provided outside the Base Rate Area and within the Zone at the above rates and mileage rates.

(2) Extension stations at the above rates are installed on the premises on which the primary station is located. The above rates and mileage rates are applicable to off-premises extension stations.

EXCHANGE SERVICE SCHEDULE NO. _____

SEMI-PUBLIC SERVICE - INDIVIDUAL LINE

EAST BAY

SERVICE:

Applicable to Semi-Public Coin-Box service furnished within the Base Rate Area of the East Bay Zone.

RATE:

	<u>Rate</u>
Each individual line coin-box wall set station:	
Minimum charge per day - - - - -	\$.25
Each Zone message - - - - -	.05
Each extension desk set station without coin-box, per month - - - - -	.75
Each extension wall set station without coin-box, per month - - - - -	.50

CONDITIONS:

(1) Semi-public coin-box service will be furnished upon applicant's request in stores, shops, restaurants, theatres, or other semi-public locations where there is a collective use of the service by a number of guests, members, employees, or occupants or where there is the requirement for a combination of transient and subscriber usage.

(2) Semi-public coin-box service will be provided outside the Base Rate Area and within the Zone at the above rates and mileage rates.

(3) Extension stations at the above rates are installed only on the premises on which the primary station is located.

EXCHANGE SERVICE SCHEDULE NO. _____

APARTMENT HOUSE SEMI-PUBLIC SERVICE-
INDIVIDUAL LINE

EAST BAY

SERVICE:

Applicable to Apartment House Semi-Public Coin-Box service furnished within the Base Rate Area of the East Bay Zone.

RATE:

	<u>Rate</u>
Each individual line coin-box wall set station:	
Minimum charge per day.....	\$.25
Each Zone message .....	.05
Each extension desk set station without coin-box, per month.....	.75
Each extension wall set station without coin-box, per month .....	.50
Each extension wall set station with coin-box, per month.....	.75

CONDITIONS:

(1) Apartment House semi-public coin-box service will be furnished upon applicant's request in apartment houses, rooming houses, and hotels where there is a collective use of the service by a number of guests, employees, or occupants or where there is the requirement for a combination of transient and subscriber usage.

(2) Apartment House semi-public coin-box service will be provided outside the Base Rate Area and within the Zone at the above rates and mileage rates.

(3) Extension stations at the above rates are installed only on the premises on which the primary station is located.

EXCHANGE SERVICE SCHEDULE NO. _____

RESIDENCE SERVICE - INDIVIDUAL LINE AND PARTY LINE

EAST BAY

SERVICE:

Applicable to Residence Individual Line and Party Line flat rate and message rate service furnished within the Base Rate Area of the East Bay Zone.

RATE:

Rate Per Month

FLAT RATE SERVICE

Each individual line desk set station - - - - -	\$4.25
Each two-party line desk set station - - - - -	3.25

MESSAGE RATE SERVICE

Each two-party line desk set station, including 60 Zone messages or less, per month - - - - -	2.50
All over 60 Zone messages per month, per message - - - - -	\$.035

EXTENSION SERVICE

Each extension desk set station - - - - -	.75
---	-----

Each wall set station - desk set station rate less \$.25 per month.
Each hand set station - desk set station rate plus \$.25 per month.

CONDITIONS:

(1) Individual line and party line services will be provided outside the Base Rate Area and within the Zone at the above rates and mileage rates.

(2) Extension stations at the above rates are installed on the premises on which the primary station is located. The above rates and mileage rates are applicable to off-premises extension stations.

EXCHANGE SERVICE SCHEDULE NO.COMMERCIAL MANUAL AND DIAL PRIVATE BRANCH EXCHANGE SERVICE EAST BAYSERVICE:

Applicable to Commercial Private Branch Exchange message rate service furnished within the Base Rate Area of the East Bay Zone.

RATE:

	<u>Rate Per Month</u>
(1) <u>Manual Equipment Rate:</u>	
Each switchboard position with battery and ringing power supply circuits and switchboard telephone including dial where required:	
<u>Cordless Type Switchboard:</u>	
Capacity 3 trunk lines and 7 stations - - -	\$4.00
Capacity 5 trunk lines and 12 stations - - -	5.00
<u>Cord Type Switchboard:</u>	
Non-multiple 40 lines or less - - - - -	6.00
Non-multiple 41 to 80 lines - - - - -	10.00
Non-multiple over 80 lines - - - - -	12.50
Multiple, per position - - - - -	18.00
Multiple station jacks or lamp sockets, in excess of one per line, per strip of 20 or portion thereof installed - - - - -	.20
Multiple trunk jacks or lamp sockets, in excess of one per line, per strip of 10 or portion thereof installed - - - - -	.10
(2) <u>Mechanical Equipment Rate:</u>	
Each selector - - - - -	2.00
Each selector-connector - - - - -	2.50
Each connector - - - - -	2.50
Each dial trunk between mechanical equipment and switchboard - - - - -	1.00
Battery and power supply equipment - each station, each selector, each connector, each selector-connector - - - - -	.15
Mechanical equipment of tie lines to other private branch exchanges:	
Arranged to select a mechanical station, but not to be selected by that station-	2.00
Arranged to be selected by a mechanical station, but not to select that station-	2.00
Arranged to select and to be selected by a mechanical station - - - - -	4.00
Minimum charge - - - - -	35.00

EXCHANGE SERVICE SCHEDULE NO. _____COMMERCIAL MANUAL AND DIAL PRIVATE
BRANCH EXCHANGE SERVICE (Cont'd)EAST BAYRATE: (Cont'd)Rate Per Month(3) Trunk Rate:

First two trunk lines	\$5.00
Each additional trunk line	2.00

(4) Message Rate:

Each Zone message	\$.035.
-------------------------	---------

(5) Station Rate:

Each desk set station, with or without dial ....	.75
Each walk set station - desk set station rate less \$.25 per month.	
Each hand set station - desk set station rate plus \$.25 per month.	

CONDITIONS:

(1) Each commercial private branch exchange system will consist of at least one switchboard position, two trunk lines and four stations, excluding switchboard telephone.

(2) Commercial private branch exchange service will be provided outside the Base Rate Area and within the Zone at the above rates and mileage rates.

(3) A subsidiary private branch exchange comprising the mechanical equipment of a dial private branch exchange system, with dial equipped stations but without switchboard or central office trunks, will be furnished at off-premises locations from the main system. Connection with the main system will be provided by means of tie lines at rates in effect for such lines.

(4) Stations at the above rates are installed on the premises on which the switchboard or subsidiary private branch exchange is located. The above rates and mileage rates are applicable to off-premises stations.

(5) When operating conditions make it necessary to install an isolated power plant in connection with manual equipment on a subscriber's premises, the Company will require the subscriber to furnish the electrical energy necessary for its operation.

(6) The supplemental equipment to provide the mechanical features of the system will be furnished by the Company subject to regulations as set forth under (a) or (b) following:

- (a) An initial payment, payable upon request, prior to the installation of the equipment, not to exceed one-half of the cost of the equipment and its installation, may be made to the Company by the subscriber. If such equipment is retained for a period of one year or more by the subscriber in conjunction with exchange service, the Company will pay to the subscriber the following amounts, provided the subscriber retains service throughout the respective period for which the payment applies and further, provided that the subscriber has paid any and all sums due and payable to the Company.

EXCHANGE SERVICE SCHEDULE NO.COMMERCIAL MANUAL AND DIAL PRIVATE
BRANCH EXCHANGE SERVICE (Cont'd)EAST BAYCONDITIONS: (Cont'd)

(a) (Cont'd)

- On expiration of first year following installation,
20% of initial payment.
- On expiration of second year following installation,
20% of initial payment.
- On expiration of third year following installation,
20% of initial payment.
- On expiration of fourth year following installation,
20% of initial payment.
- On expiration of fifth year following installation,
20% of initial payment.

In addition to the above payment, interest will be paid on each payment made and on the unpaid balance at the rate of 6 per cent per annum.

- (b) The Company may enter into a contract with the subscriber requiring, that if the equipment is not retained by the subscriber in conjunction with exchange service for a period of five years, the subscriber will pay to the Company, upon request, an amount not to exceed that determined as follows:

- If discontinued before the end of the first year, 50% of the cost of the equipment and installation.
- If discontinued during the second year, 40% of the cost of the equipment and installation.
- If discontinued during the third year, 30% of the cost of the equipment and installation.
- If discontinued during the fourth year, 20% of the cost of the equipment and installation.
- If discontinued during the fifth year, 10% of the cost of the equipment and installation.

- (c) The Company has the option of applying either of the regulations under sections (a) or (b).

(7) The electrical energy necessary to operate the power plant for the supplemental mechanical equipment shall be supplied by the subscriber at his expense.

EXCHANGE SERVICE SCHEDULE NO. _____.

HOTEL MANUAL AND DIAL PRIVATE BRANCH EXCHANGE SERVICE. EAST BAY

SERVICE:

Applicable to Hotel Private Branch Exchange message rate service furnished within the Base Rate Area of the East Bay Zone.

RATE:

Rate Per Month

(1) Manual Equipment Rate:

Each switchboard position with battery and ringing power supply circuits and switchboard telephone, including dial where required:

Cordless Type Switchboard:

Capacity 3 trunk lines and 7 stations \$4.00
Capacity 5 trunk lines and 12 stations 5.00

Cord Type Switchboard:

Non-multiple 40 lines or less 6.00
Non-multiple 41 to 80 lines 10.00
Non-multiple over 80 lines 12.50
Multiple, per position 18.00
Multiple station jacks or lamp sockets, in excess of one per line, per strip of 20 or portion thereof installed20
Multiple trunk jacks or lamp sockets, in excess of one per line, per strip of 10 or portion thereof installed10

(2) Mechanical Equipment Rate:

Each selector 2.00
Each selector-connector 2.50
Each connector 2.50
Each dial trunk between mechanical equipment and switchboard 1.00
Battery and power supply equipment - each station, each selector, each connector, each selector-connector15
Mechanical equipment of tie lines to other private branch exchanges:
Arranged to select a mechanical station, but not to be selected by that station .. 2.00
Arranged to be selected by a mechanical station, but not to select that station . 2.00
Arranged to select and to be selected by a mechanical station..... 4.00
Minimum charge 35.00

EXCHANGE SERVICE SCHEDULE NO. _____HOTEL MANUAL AND DIAL PRIVATE BRANCH EXCHANGE SERVICE EAST BAY
(Continued)RATE: (Continued)

	<u>Rate Per Month</u>
(3) <u>Trunk Rate:</u>	No charge
(4) <u>Message Rates:</u>	
Each Zone message	\$.04
(5) <u>Station Rate:</u>	
Each desk set station not in guest room, with or without dial	\$.75
Each desk set station in guest room, with or without dial .....	.60
Each wall set station - desk set station rate less \$.25 per month.	
Each hand set station - desk set station rate plus \$.25 per month.	

CONDITIONS:

(1) Each hotel private branch exchange system will consist of at least one switchboard position and four stations, excluding switchboard telephone. Trunks sufficient to meet the traffic demand will be furnished by the Company without additional charge to the subscriber.

(2) Hotel private branch exchange service will be provided outside the Base Rate Area and within the Zone at the above rates and mileage rates.

(3) The above rates are applicable to private branch exchange service furnished to hotels, rooming and apartment houses. In those cases where the use of the service for hotel, club, and apartment house purposes is incidental to the total use of service, the hotel station rate will apply to those stations located in rooms let to people for living quarters.

(4) A subsidiary private branch exchange comprising the mechanical equipment of a dial private branch exchange system, with dial equipped stations but without switchboard or central office trunks, will be furnished at off-premises locations from the main system. Connection with the main system will be provided by means of tie lines at rates in effect for such lines.

(5) Stations at the above rates are installed on the premises on which the switchboard or subsidiary private branch exchange is located. The above rates and mileage rates are applicable to off-premises stations.

(6) When operating conditions make it necessary to install an isolated power plant in connection with manual equipment on a subscriber's premises, the Company will require the subscriber to furnish the electrical energy necessary for its operation.

EXCHANGE SERVICE SCHEDULE NO. _____HOTEL MANUAL AND DIAL PRIVATE BRANCH EXCHANGE SERVICE. EAST BAY
(continued)CONDITIONS: (Cont'd.)

(7) The supplemental equipment to provide the mechanical features of the system will be furnished by the Company subject to regulations as set forth under (a) or (b) following:

- (a) An initial payment, payable upon request, prior to the installation of the equipment, not to exceed one-half of the cost of the equipment and its installation, may be made to the Company by the subscriber. If such equipment is retained for a period of one year or more by the subscriber in conjunction with exchange service, the Company will pay to the subscriber the following amounts, provided the subscriber retains service throughout the respective period for which the payment applies and further, provided that the subscriber has paid any and all sums due and payable to the Company:

On expiration of first year following installation,
20% of initial payment,
On expiration of second year following installation,
20% of initial payment,
On expiration of third year following installation,
20% of initial payment,
On expiration of fourth year following installation,
20% of initial payment,
On expiration of fifth year following installation,
20% of initial payment.

In addition to the above payment, interest will be paid on each payment made and on the unpaid balance at the rate of 6 per cent per annum.

- (b) The Company may enter into a contract with the subscriber requiring that if the equipment is not retained by the subscriber in conjunction with exchange service for a period of five years, the subscriber will pay to the Company, upon request, an amount not to exceed that determined as follows:

If discontinued before the end of the first year, 50% of the cost of the equipment and installation.
If discontinued during the second year, 40% of the cost of the equipment and installation.
If discontinued during the third year, 30% of the cost of the equipment and installation.
If discontinued during the fourth year, 20% of the cost of the equipment and installation.
If discontinued during the fifth year, 10% of the cost of the equipment and installation.

- (c) The Company has the option of applying either of the regulations under sections (a) or (b).

(8) The electrical energy necessary to operate the power plant for the supplemental equipment shall be supplied by the subscriber at his expense.

EXCHANGE SERVICE SCHEDULE NO.

RESIDENCE MANUAL AND DIAL PRIVATE BRANCH
EXCHANGE SERVICE.

EAST BAY.

SERVICE:

Applicable to Residence Private Branch Exchange flat rate service furnished within the Base Rate Area of the East Bay Zone.

RATE:

Rate Per Month

(1) Manual Equipment Rate:

Each switchboard position with battery and ringing supply circuits and switchboard telephone, including dial where required:

Cordless Type Switchboard:

Capacity 3 trunk lines and 7 stations - - - \$4.00
Capacity 5 trunk lines and 12 stations - - - 5.00

Cord Type Switchboard:

Non-multiple 40 lines or less - - - - - 6.00
Non-multiple 41 to 80 lines - - - - - 10.00
Non-multiple over 80 lines - - - - - 12.50
Multiple, per position - - - - - 18.00
Multiple station jacks or lamp sockets, in excess of one per line, per strip of 20 or portion thereof installed - - - - - .20
Multiple trunk jacks or lamp sockets, in excess of one per line, per strip of 10 or portion thereof installed - - - - - .10

(2) Mechanical Equipment Rate:

Each selector - - - - - 2.00
Each selector-connector - - - - - 2.50
Each connector - - - - - 2.50
Each dial trunk between mechanical equipment and switchboard - - - - - 1.00
Battery and power supply equipment - each station, each selector, each connector, each selector-connector - - - - - .15
Mechanical equipment of tie lines to other private branch exchanges:
Arranged to select a mechanical station, but not to be selected by that station - - - 2.00
Arranged to be selected by a mechanical station, but not to select that station - 2.00
Arranged to select and to be selected by a mechanical station - - - - - 4.00
Minimum charge - - - - - 35.00

EXCHANGE SERVICE SCHEDULE NO. _____

RESIDENCE MANUAL AND DIAL PRIVATE
BRANCH EXCHANGE SERVICE (Cont'd).

EAST BAY

RATE: (Cont'd)

Rate per Month

(3) Trunk Rate:

Each trunk line,..... \$7.25

(4) Station Rate:

Each desk set station, with or without dial, .75

Each wall set station - desk set station
rate less \$.25 per month.

Each hand set station - desk set station
rate plus \$.25 per month.

CONDITIONS:

(1) Each residence private branch exchange system will consist of at least one switchboard position, one trunk line, and four stations, excluding switchboard telephone.

(2) Residence private branch exchange service will be provided outside the Base Rate Area and within the Zone at the above rates and mileage rates.

(3) A subsidiary private branch exchange comprising the mechanical equipment of a private branch exchange system, with dial equipped stations but without switchboard or central office trunks, will be furnished at off-premises locations from the main system. Connection with the main system will be provided by means of tie lines at rates in effect for such lines.

(4) Stations at the above rates will be installed on the premises on which the switchboard or subsidiary private branch exchange is located. The above rates and mileage rates are applicable to off-premises stations.

(5) When operating conditions make it necessary to install an isolated power plant in connection with manual equipment on a subscriber's premises, the Company will require the subscriber to furnish the electrical energy necessary for its operation.

(6) The supplemental equipment to provide the mechanical features of the system will be furnished by the Company subject to regulations as set forth under (a) or (b) following:

- (a) An initial payment, payable upon request, prior to the installation of the equipment, not to exceed one-half of the cost of the equipment and its installation, may be made to the Company by the subscriber. If such equipment is retained for a period of one year or more by the subscriber in conjunction with exchange service, the Company will pay to the subscriber the following amounts, provided the subscriber retains service throughout the respective period for which the payment applies and, further, provided that the subscriber has paid any and all sums due and payable to the Company:

EXCHANGE SERVICE SCHEDULE NO. _____.RESIDENCE MANUAL AND DIAL PRIVATE
BRANCH EXCHANGE SERVICE (Cont'd.)EAST BAYCONDITIONS: (Cont'd.)

- On expiration of first year following installation,
20% of initial payment.
- On expiration of second year following installation,
20% of initial payment.
- On expiration of third year following installation,
20% of initial payment.
- On expiration of fourth year following installation,
20% of initial payment.
- On expiration of fifth year following installation,
20% of initial payment.

In addition to the above payment, interest will be paid on each payment made and on the unpaid balance at the rate of 6 per cent per annum.

- (b) The Company may enter into a contract with the subscriber requiring that if the equipment is not retained by the subscriber in conjunction with exchange service for a period of five years, the subscriber will pay to the Company, upon request, an amount not to exceed that determined as follows:

- If discontinued before the end of the first year,
50% of the cost of the equipment and installation.
- If discontinued during the second year, 40% of the
cost of the equipment and installation.
- If discontinued during the third year, 30% of the
cost of the equipment and installation.
- If discontinued during the fourth year, 20% of the
cost of the equipment and installation.
- If discontinued during the fifth year, 10% of the
cost of the equipment and installation.

- (c) The Company has the option of applying either of the regulations under sections (a) or (b).

(7) The electrical energy necessary to operate the power plant for the supplemental mechanical equipment will be supplied by the subscriber at his expense.

EXCHANGE SERVICE SCHEDULE NO. _____BUSINESS INTERCOMMUNICATING SYSTEM SERVICE.EAST BAYSERVICE:

Applicable to Business Intercommunicating System message rate service furnished within the Base Rate Area of the East Bay Zone.

RATE:

	<u>Rate Per Month</u>
<u>(1) Switching Device Rates</u>	
Each 10 line switching device:	
On same premises as receiving station ...	\$1.25
Off premises on which receiving station is located but not more than 300 feet, circuit measurement, from receiving station	2.00
<u>(2) Trunk Rate:</u>	
First two trunk lines	5.00
Each additional trunk line	2.00
<u>(3) Message Rate:</u>	
Each Zone message	\$.035
<u>(4) Station Rate:</u>	
Each desk set station .....	.75
Each wall set station .....	.50
Each hand set station	1.00

CONDITIONS:

(1) Each business intercommunicating system will consist of at least two trunk lines and four stations, including receiving stations.

(2) The above rates are applicable to service provided within the Base Rate Area. Service will be provided outside the Base Rate Area and within the Zone at the above rates and mileage rates.

EXCHANGE SERVICE SCHEDULE NO.

RESIDENCE INTERCOMMUNICATING SYSTEM SERVICE

EAST BAY

SERVICE:

Applicable to Residence Intercommunicating System flat rate service furnished within the Base Rate Area of the East Bay Zone.

RATE:

	<u>Rate Per Month</u>
<u>(1) Switching Device Rate:</u>	
Each 12 line switching device on same premises as primary station.....	\$1.25
Each 24 line switching device on same premises as primary station.....	1.50
Each switching device not on same premises as primary station and not more than 300 feet, circuit measurement, from primary station, above rates plus \$.75.	
<u>(2) Trunk Rate:</u>	
Each trunk line.....	7.25
<u>(3) Station Rate:</u>	
Each desk set station.....	.75
Each wall set station.....	.50
Each hand set station.....	1.00

CONDITIONS:

(1) Each residence intercommunicating system will consist of at least one trunk line and three stations.

(2) The above rates are applicable to service provided within the Base Rate Area. Service will be provided outside the Base Rate Area and within the Zone at the above rates and mileage rates.

EXCHANGE SERVICE SCHEDULE NO.ORDER RECEIVING EQUIPMENT SERVICEEAST BAYSERVICE:

Applicable to Order Receiving Equipment message rate service furnished within the Base Rate Area of the East Bay Zone.

RATE:Rate Per Month

- (1) Single Position Turret:
- (a) Each single-position turret, fully equipped for one private branch exchange turret line and one supplementary outward line, including one attendant's telephone with dial where required..... \$2.00
- (b) Each private branch exchange turret line... 1.00
- (c) Each individual business line terminating on turret:
 First 85 Zone messages or less, per month 5.25
 All over 85 Zone messages per month,
 per message.....\$.035
- (2) Multi-Position Turret:
- (a) Each two-position turret, fully equipped for 10 lines, including 2 attendant's telephones with dials where required..... 7.50
- (b) Each four-position turret, fully equipped for 10 lines, including 4 attendant's telephones with dials where required and multiple jack equipment for 20 lines. Extra multiple jack equipment for 20 lines, per turret..... .40
- (c) Each private branch exchange turret line... 1.00
- (d) Each call circuit..... 1.00
- (e) Each line for multiplying order turret trunks to private branch exchange switchboard..... 1.00
- (f) First two trunk lines..... 5.00
 Each additional trunk line..... 2.00
- (g) Each Zone message.....\$.035
- (h) Each desk set station..... .75
 Each wall set station - desk set station rate less \$.25 per month.
 Each hand set station - desk set station rate plus \$.25 per month.

CONDITIONS:

(1) Order receiving equipment will be installed off the premises on which the switchboard is located at the above rates and mileage rates applicable to lines between the order receiving equipment and the private branch exchange switchboard. Stations will be installed off the premises on which the order receiving equipment is located at the above station rates and mileage rates.

EXCHANGE SERVICE SCHEDULE NO. _____ (Cont'd)

ORDER RECEIVING EQUIPMENT SERVICE (CONT'D)

EAST BAY

CONDITIONS: (Cont'd)

(2) Order receiving equipment service will be provided outside the Base Rate Area and within the Zone at the above rates and mileage rates.

(3) Multi-position order boards will be furnished at the above unit rates.

(4) When operating conditions make it necessary to install an isolated power plant on a subscriber's premises, the Company will require the subscriber to furnish the electrical energy necessary for its operation.

EXCHANGE SERVICE SCHEDULE NO. _____SUBURBAN SERVICEEAST BAYSERVICE:

Applicable to Suburban Ten-Party Line flat rate service furnished in the Suburban Area of the East Bay Zone.

RATE:

	<u>Rate Per Month</u>
(1) <u>Business Service:</u>	
Each ten-party line desk set station.....	\$4.00
Each extension desk set station without bell.....	1.00
(2) <u>Residence Service:</u>	
Each ten-party line desk set station.....	3.50
Each extension desk set station without bell.....	.75

Each wall set station - desk set station rate
less \$.25 per month.

Each hand set station - desk set station rate
plus \$.25 per month.

CONDITIONS:

(1) Suburban service is furnished outside the Base Rate Area and within the Zone. In no case will the total number of primary stations connected to one circuit exceed ten (10) stations.

(2) Extension stations, at the above rates, are furnished without bells and are installed on the premises on which the primary station is located.

EXCHANGE SERVICE SCHEDULE NO.APARTMENT HOUSE PRIVATE SYSTEMEAST BAYSERVICE:

Applicable to Apartment House Private Systems located in the East Bay Zone.

RATE:

	<u>Rate Per Month</u>
(1) Each vestibule station with wall type telephone equipped to call stations connected with the system:	
12 station system.....	\$1.00
24 station system.....	1.25
36 station system.....	1.50
(2) Each janitor or manager station with wall type telephone, with or without annunciator, equipped to call stations connected with the system and to operate a door latch, above rates plus \$.50 per month.	
(3) Each apartment station wall set, equipped to call manager and janitor station and to operate a door latch.....	.50

CONDITIONS:

(1) Each apartment house private system will consist of at least one vestibule station and four apartment stations.

(2) Exchange service will be provided in connection with apartment, manager, and janitor telephones at the rates shown in the Exchange Service Schedules.

(3) The apartment house private system will be provided upon application by the apartment house management. Exchange service in connection with apartment house private system service will be furnished upon application by tenants or management.

(4) If more than one standard vestibule, tradesman, manager, or janitor station is installed, the additional stations will be provided at the above rates. Apartment stations will be connected with one vestibule, one tradesman, one manager, one janitor station, or any combination of such stations not to exceed four stations for any one system.

(5) Vestibule, manager, and janitor stations provided in connection with systems of more than 36 stations will be furnished at the 36 station system rate.

EXCHANGE SERVICE SCHEDULE NO.APARTMENT HOUSE PRIVATE SYSTEM (Cont'd)EAST BAYCONDITIONS: (Cont'd)

(6) The door latch and necessary wiring for connection to the apartment house system shall be furnished, installed and maintained by the apartment house management. The connection of the wiring to the apartment house system will be performed by the Company.

(7) Structural alterations necessitated by the installation of a vestibule station shall be at the expense of the subscriber.

(8) An installation charge of \$2.00 for each station will apply in addition to the above rates.

(9) When operating conditions make it necessary to install an isolated power plant on a subscriber's premises, the Company will require the subscriber to furnish the electrical energy necessary for its operation.

EXCHANGE SERVICE SCHEDULE NO.

DIRECTORY LISTINGS

EAST BAY

Applicable to Listings in the alphabetical section of the East Bay Telephone Directory.

Listings in the alphabetical section of the telephone directory are intended solely for the purpose of identifying subscribers' telephone numbers as an aid to the use of telephone service. Telephone directories remain the property of the Telephone Company and may be collected upon issuance of the new directories.

RATE:

(1) Primary Service Listing:

Subscribers are entitled, without additional charge, to listings in the alphabetical section of the directory, as follows:

- Each individual line primary station..... One Listing
- Each party line primary station..... One Listing
- Each joint user service..... One Listing
- Each private branch exchange system..... One Listing
- Each intercommunicating system..... One Listing
- Each order receiving equipment system, not associated with a private branch exchange..... One Listing

(2) Additional Listings and Lines of Information:

Rate Per Month

- Each business listing..... \$.50
- Any individual residing at a residence, listed at the residence, each listing..... .25
- Listing of guest of hotel, each listing..... .25
- Reference to service of same subscriber, each listing..... .25
- Reference to service of another subscriber, each listing..... .50
- Other information in addition to a listing, each line..... .25

CONDITIONS:

(1) Business listings consist of a name, the address of the premises on which the primary station, private branch exchange switchboard, or receiving station is located, and the telephone number. A designation descriptive of the business or profession will be included if the name does not indicate the nature of the business.

(2) Business listings may be those of an individual engaged in a business or profession, names of firms or members thereof, the names of corporations or the officers thereof, the names of employees or departments and branches of the business. When an additional listing involves the name of a member of a firm, or an officer of a corporation, or a name of an employee, or department or branch of the same business, or a trade name, the listing shall include a reference to the name of the firm, company, or corporation subscribing to the telephone service and

EXCHANGE SERVICE SCHEDULE NO. _____

DIRECTORY LISTINGS (Cont'd.)

EAST BAY

CONDITIONS: (Cont'd.)

may include the same business designation as the primary service listing.

A trade name may be used as a listing when the business is conducted under that name, as may be evidenced by the fact that the telephone service is so subscribed for, or in the case of an extra listing, is authorized in writing by the proper authority.

(3) All additional listings in connection with a subscriber's service, except night service, must bear the same address and telephone number as the primary listing, except that additional listings in connection with private branch exchange stations and extension stations not located on the same premises as the primary station, may show the address at which the station is located. Listings in connection with joint user service must bear the same address and telephone number as the listed service of the subscriber at the address at which joint user service is rendered.

(4) Residence listings consist of a name, an abbreviation indicating "residence", the address of the premises at which service is furnished, and the telephone number.

(5) Residence listings may be those of the subscriber or members of the subscriber's domestic establishment residing on the premises on which the subscriber's service is provided.

(6) Residence listings of professional subscribers may indicate the same designations of title or profession as their business service listings. When professional subscribers are not subscribers to business service, the listings may include designations of title. Residence listings of clergymen, professors, military or naval officers, and nurses may, for the purpose of identification, include designations of title.

(7) The charges for additional listings begin with the day they are entered in the information records and when such listings are included in the directory they may not be discontinued until the end of the directory period unless the listed party or concern vacates the subscriber's premises or subscribes for service of the same class as furnished the subscriber or unless the subscriber's service is discontinued - or in the case of a guest listing, the listed party becomes a subscriber to residence service in his own name in the same exchange.

(8) Business listings may be arranged under a caption when in the judgment of the Company the employment of that caption will facilitate the use of the directory. For example:

Standard Mercantile Co. Gen Ofc 16 South..	Main 1225
Wholesale Dept 25 East	
Sales Room 16 South.....	Main 2440
Warehouse 18 West.....	Main 1468

EXCHANGE SERVICE SCHEDULE NO. _____

DIRECTORY LISTINGS (Cont'd.)

EAST BAY

CONDITIONS: (Cont'd.)

(9) Residence listings may be arranged under a caption when the subscriber has separate services and when, in the judgment of the Company, the employment of that caption will facilitate the use of the directory. The service provided for use of the subscriber's domestic employees will be listed in terms commonly used to designate employees of a domestic establishment. For example:

SMITH J R r 200 Hillsborough Drive..... Main 2123
 Caretaker r 250 Hillsborough Drive..... Main 1440
 Chauffeur r 250 Hillsborough Drive..... Main 2281
 Housekeeper r 200 Hillsborough Drive... Main 1332

(10) Lines of information acceptable to the Company may be arranged for at the rate shown in the schedule, to include additional telephone numbers to be called in the event there is no answer from the subscriber's station. For example:

Standard Mercantile Co 16 South..... Main 1225
 If no answer call..... Main 2435

(11) Reference listings may be arranged for at the additional listing rate, referring to a subscriber's business or residence listing in a different alphabetical section of the same directory. For example:

Smith A B atty 16 South..... Main 2235
 Smith A B r See San Francisco

(12) Reference listings may, at the discretion of the Company, be arranged for at the additional listing rate, referring to a business or residence listing in a separate directory. For example:

Jones C D r 15 West..... Main 1492
 Jones C D atty San Jose..... Long Distance

(13) Subscribers whose names are currently spelled in more than one way may arrange for additional listings, at the additional listing rate, to be included in their proper alphabetical order if they are not for the purpose of securing a preferential position in the alphabetical list. For example:

Wilcox E F atty 16 State..... Main 1425
 Willcox E F atty 16 State..... Main 1425

(14) Subscribers to business service may, for the additional listings and lines of information rate, arrange for listings of trunks, other than those included in an underlined group, to be used after business hours. For example:

Standard Mercantile Co Gen Ofc 16 South Main 1225
 After 6 P.M. call Superintendent..... Main 2329
 Warehouse 18 West..... Main 1468

EXCHANGE SERVICE SCHEDULE NO. _____DIRECTORY LISTINGS (Cont'd.)EAST BAYCONDITIONS: (Cont'd.)

(15) All applications for additional listings and lines of information shall be made by the subscriber or authorized agent.

(16) Telephone numbers of public telephones will not be listed in the telephone directory.

EXCHANGE SERVICE SCHEDULE NO.FARMER LINE SERVICEEAST BAYSERVICE:

Applicable to Farmer Line service furnished within the East Bay Zone.

RATE:

	<u>Rate Per Year</u>
Each residence station.....	\$15.00
Each business station.....	30.00

CONDITIONS:

(1) Farmer line service is furnished outside the Base Rate Area and normally within the Zone at the above rates. A farmer line station shall not be located within the Base Rate Area. A farmer line shall not extend across an exchange area boundary except upon a foreign exchange basis, as hereinafter provided.

(2) The Company will provide, own, and maintain all lines and facilities used to furnish farmer line service to the boundary of the Base Rate Area except where the city limits are beyond this boundary, in which case the lines and facilities extend to the boundary of the city limits.

(3) The subscriber will provide, own, and maintain all lines and facilities beyond the boundary of the Base Rate Area or city limits.

(4) Farmer line service will be rendered to less than five subscribers, provided, the total minimum exchange revenue of each circuit is not less than that of five residence stations.

(5) The subscriber will be allowed a discount of ten per cent (10%) on the charge for exchange service, if the bill is paid at the Company's office during the first month of the year. New subscribers will be billed from the date of connection to the end of the year, and annually in advance thereafter. Initial bills rendered new subscribers will be subject to a ten per cent (10%) discount on the charge for exchange service, provided the bill is paid at the Company's office within thirty days after date of bill.

(6) Foreign exchange farmer line service will be furnished from one exchange to a farmer line station located in the Suburban Area of a contiguous exchange under the following rates and conditions:

(a) The rate per station will be one and one-half times the farmer line rate applying in the exchange from which the service is furnished, but not less than \$6.00 per station per year.

(b) The Company has the right to cease to render telephone service to a subscriber or subscribers served by means of a privately owned line by disconnection of such privately owned line, if a fault on that privately owned line is causing interruption to service furnished to other subscribers not served by such privately owned line; and may refuse to reconnect such line until the fault shall have been repaired and the line placed in an operating condition.

(c) The above service will be furnished, provided, the line owned by the subscriber or subscribers is properly constructed and in an operating condition.

EXCHANGE SERVICE SCHEDULE NO.FARMER LINE SERVICE (Cont'd)EAST BAYCONDITIONS: (Cont'd)

(d) Foreign exchange service will be furnished subject to the same conditions as to the use of the service by others than the subscriber and his representatives which are applicable in connection with other classes of subscribers' telephone service. Foreign exchange service will not be provided for public or semi-public use.

(e) The scope of local service for, and the toll rates to and from, stations connected for foreign exchange service will be in accordance with the tariff provisions of the foreign exchange for the particular class of service.

(f) A farmer line may not be connected to more than one exchange. In the event that the farmer line is so connected, and upon failure, after notice to the subscribers of record on that line, to comply with the above provision, the Company then shall have the right to disconnect that line from any or all the exchanges to which it is connected.

EXCHANGE SERVICE SCHEDULE NO.JOINT USER SERVICEEAST BAYSERVICE:

Applicable to Joint User service furnished within the East Bay Zone.

RATE:Rate Per Month

Each joint user service in connection with:		
(1)	Individual line business service	\$1.00
(2)	Individual line semi-public service	1.00
(3)	Commercial private branch exchange service ..	2.00
(4)	Hotel private branch exchange service	2.00
(5)	Business intercommunicating system service ..	2.00
(6)	Order receiving equipment service	2.00

CONDITIONS:

(1) The applicability of joint user service is determined by the obvious or actual use made of the service. The subscriber's facilities are not to be extended off the premises on which the primary service is located to provide joint user service only.

(2) The rate for joint user service includes a listing in the telephone directory and applies in addition to the rates and charges for the facilities and all other service provided. Joint user service is applicable and is furnished upon application made by the subscriber as follows:

(a) Application for the use of the subscriber's service by any individual, firm, company, or association occupying jointly or in part the premises on which the primary service is located or the premises on which the subscriber's off-premises service is located.

(b) Application for the use of the subscriber's service for another business conducted separately by the subscriber and differing in character or name from that for which the facilities are provided.

(3) In the case of individuals, firms, companies, and associations engaged in the same business or profession, utilizing a common reception room with offices opening thereon or adjoining thereto, one of the number may become the subscriber and the remainder joint users. If the individuals or members of a firm, company, or association file a joint income tax return, that will be accepted as sufficient evidence of a single business, and joint user service is not applicable. Whenever any individual member of a firm, company, or association does not substantially participate in the earnings of his fellow members of such firm, company, or association, then that fact shall be conclusive evidence that he is a joint user and the joint user rate is applicable.

(4) The minimum charge for joint user service shall be the monthly rate, provided that if the listing is included in the telephone directory, it shall be paid for until the end of the directory period unless the joint user vacates the subscriber's premises or the subscriber's service is discontinued or the joint user becomes a subscriber to business service in the same exchange.

(5) Joint user service is not available in connection with residence telephone service.

EXCHANGE SERVICE SCHEDULE NO.LINE EXTENSION CHARGESEAST BAYSERVICE:

Zone. Applicable to charges for Line Extensions in the East Bay

RATE:Charge

- (1) Line Extension within Base Rate Area:
 Extensions of pole plant necessary to provide telephone service within Base Rate Area - - - - - No charge
- (2) Line Extension in Suburban Area:
- (a) Extensions to pole plant for distances of 750 feet or less, per primary station - - - - - No charge
- (b) Extensions to pole plant for distances of more than 750 feet per primary station:
 Each 100 feet or fraction thereof- \$ 1.00

CONDITIONS:

(1) The routing of line extensions will be determined by the Telephone Company.

(2) Payments for line extension charges are not refundable.

(3) All line extensions will be owned and maintained by the Telephone Company. The applicant, however, if he so elects, may furnish and set the required poles in accordance with the construction standards of the Company, in lieu of the charges applicable, but in all instances the ownership of facilities shall be entirely vested in the Telephone Company.

(4) No line extension charge is applicable for the installation of additional wire facilities when no pole line extension is required.

(5) Line extensions to provide service to an applicant engaged in temporary or speculative business, will be made on the condition that applicant pays to the Telephone Company the total cost of the construction and removal of the line necessary in furnishing the service, less the salvage value of the materials used.

(6) Contracts, covering periods of not to exceed three years of telephone service, may be required by the Telephone Company as a condition precedent to the establishment of the service when line extensions are necessary.

(7) In any instance of line extension requirement which may appear to warrant a departure from the above, either on behalf of the Telephone Company or of the applicant for service, the matter may be submitted to the Railroad Commission of the State of California for adjustment.

EXCHANGE SERVICE SCHEDULE NO.

MILEAGE RATES

EAST BAY

Mileage Rates applicable throughout the East Bay Zone.

RATE:

1. Within Suburban Area.

<u>Service</u>	<u>Rate per each one-quarter mile or fraction thereof per month</u>
Each individual line primary station	\$.50
Each two-party line primary station .....	.35
Each four-party line primary station .....	.25
Each private branch exchange intercom- municating system or order receiving equipment - trunk line .....	.50
Each battery supply circuit .....	.50
Each ringing power supply circuit .....	.50

The above rates are based on air-line distance measured from the subscriber's primary station or private branch exchange switchboard to the nearest point on the boundary of the Base Rate Area. These rates are applicable to the services listed above when the subscriber's instrumentalities are located outside the Base Rate Area and within the East Bay Zone in addition to the other rates applicable to those services.

2. Off Subscriber's Premises and Within the East Bay Zone:

	<u>Rate per month</u>
(a) <u>Same Subscriber:</u>	
Each extension station line, private branch exchange station line, or order receiving equipment line:	
(1) Where the terminals are in different buildings on continuous property, where such buildings are located beyond 300 feet from the primary station: Each one-quarter mile or fraction thereof	\$1.00
(2) Where the terminals are on non-continuous property: First one-quarter mile or fraction thereof	2.00
Each additional one-quarter mile or fraction thereof	1.00

No mileage charge applies in those cases where the terminals are in the same building or in different buildings on continuous property within 300 feet from the primary station or private branch exchange switchboard.

EXCHANGE SERVICE SCHEDULE NO.

MILEAGE RATES (Cont'd.)

EAST BAY

RATE: (Cont'd.)

Rate Per Month

(b) Different Subscribers:

Each extension station line, private branch exchange station line, or order receiving equipment line:

- (1) Where the terminals are in the same building:
 Each one-quarter mile or fraction thereof..... \$1.00
- (2) Where the terminals are in different buildings on either continuous or non-continuous property:
 First one-quarter mile or fraction thereof..... 2.00
 Each additional one-quarter mile or fraction thereof..... 1.00

The above rates apply to air-line distances measured between the terminals of the line involved.

(3) Extension Station or Private Branch Exchange Station Located Outside the East Bay Zone and Off Subscriber's Premises on which the Primary Station or Private Branch Exchange Switchboard is Located.

(a) When the primary station or private branch exchange switchboard is located in the East Bay Zone and connected for foreign exchange service from a contiguous exchange and the extension or private branch exchange station is located in that contiguous exchange area, the rates under 2-(a) apply.

(b) When the primary station or private branch exchange switchboard is located in the East Bay Zone and not connected for foreign exchange service from a particular contiguous exchange area, and the extension station or private branch exchange station is located in that contiguous exchange area.

Each Extension or Private Branch Exchange Station in Foreign Exchange Area
Rate Per Month

- (1) Rate for each one-quarter mile or fraction thereof, air line measurement, from the extension station or private branch exchange station to the nearest point on the common exchange boundary.....\$1.50

EXCHANGE SERVICE SCHEDULE NO.MILEAGE RATES: (Cont'd)EAST BAYRATE: (Cont'd)

3. (b) (Cont'd)

Each Extension or Private
Branch Exchange Station in
Foreign Exchange Area.
Rate per month.

- (2) Rate for each one-quarter mile or fraction thereof, air line measurement, from said nearest point on the common exchange boundary to the primary station or private branch exchange switchboard \$ 1.00

The total mileage charge is the sum of the charges determined under 3-(b)-(1) and 3-(b)-(2).

These rates are applicable in connection with extension stations and private branch exchange stations located off the premises on which the primary station or private branch exchange switchboard is located and in an exchange area contiguous to that in which the primary station or private branch exchange switchboard is located, in addition to the rate for extension stations and private branch exchange stations in that contiguous exchange. The application of these rates is in accordance with the conditions governing foreign exchange service.

CONDITIONS:1. Conditions applicable to Section 2 above:

(1) When any line under the above rate involves more than two terminals, the number of quarter miles will be computed separately for each leg, (the air line distance between a pair of terminals), fractional quarter miles being considered as whole quarter miles. The number of legs on which the total charge is based will be one less than the total number of terminals but must include all terminals involved.

(2) The total mileage to which the mileage rates are applicable, is the combination of leg mileages as computed above in whole quarter miles, which gives the least total.

(3) No mileage charge is applicable to an extension station from an off-premises extension or private branch exchange station located on the same premises as that off-premises extension or private branch exchange station.

(4) In this schedule "terminals" means the stations or station and switchboard between which the off-premises line is connected.

EXCHANGE SERVICE SCHEDULE NO. _____MILEAGE RATES: Cont'd)EAST BAYCONDITIONS: (Cont'd)

(5) An off-premises extension station or private branch exchange station may be installed on the premises of another subscriber to an individual line, party line, intercommunicating system, or private branch exchange service. A residence extension station, residence intercommunicating system station or residence private branch exchange station will not be installed on a business premises.

(6) When two or more off-premises station services are furnished on the premises of one or more other subscribers, such other subscribers shall not use those off-premises station services for communicating with each other.

EXCHANGE SERVICE SCHEDULE NO.MOVE AND CHANGE CHARGES.EAST BAYSERVICE:

Applicable to charges for Moves and Changes within the East Bay Zone.

RATE:

Moves and changes of telephone equipment, apparatus, and wiring on the subscriber's premises, performed by the Company at the request of the subscriber, will be subject to the following charges:

(1) Subscriber's Telephone Sets:

	<u>Charge</u>
Moving from one location to another on the same premises, each set.....	\$1.50
Change of subscriber's set, not required by change in class, type, or grade of service:	
Change between desk set and wall set.....	1.50
Change between hand set and wall set.....	1.50
Change between hand set and desk set.....	No Charge
Change between manual and dial sets, where no change in type of set is involved....	No Charge
Other changes.....	1.50

(2) Private Branch Exchange and Intercommunicating Systems:

	<u>Charge</u>	
	<u>Same Room</u>	<u>Different Room</u>
(a) Intercommunicating systems, per station.....	\$5.00	\$7.50
(b) P.B.X. systems, cord and cordless, per station.....	1.50	1.50
(c) P.B.X. switchboards, per position:		
Cordless.....	5.00	10.00
40 line or less.....	5.00	10.00
80 line.....	7.50	15.00
160 line.....	10.00	25.00
320 line.....	17.50	40.00
Over 320 line.....	Actual Cost	Actual Cost

(3) Other Equipment and Wiring:

Charges for moving, rearranging, or changing of equipment, apparatus, or wiring, other than as provided for in (1) and (2) above will be an amount equal to the actual cost of labor and material used.

(4) Maintenance:

When moves, rearrangements, or changes are initiated by the Telephone Company, no charges are applicable.

(5) Change in Class of Service:

No charges are applicable if the move, rearrangements, or change is required on account of a change in class, type, or grade of service.

EXCHANGE SERVICE SCHEDULE NO. _____

PRIVATE INTERCOMMUNICATING SYSTEM SERVICE:

EAST BAY

SERVICE:

Applicable to Private Intercommunicating System service furnished within the East Bay Zone.

RATE:

	<u>Rate Per Month</u>
(1) <u>Switching Device Rate:</u>	
Each 10 line switching device	\$ 1.00
(2) <u>Station Rate:</u>	
Each desk set station . . . . .	.75
Each wall set station . . . . .	.50
Each hand set station	1.00
(3) Stations located more than 300 feet but less than 600 feet, circuit measurement to the farthest station, but on the same premises, will be furnished at the above rates plus \$.75 per station, per month.	

CONDITIONS:

(1) Private intercommunicating systems will be installed when they can be effected with standard wiring, telephones and switching devices.

(2) Each private intercommunicating system will consist of at least four stations.

140a

EXCHANGE SERVICE SCHEDULE NO. _____

PRIVATE LINE SERVICE

EAST BAY

SERVICE:

Applicable to Private Lines furnished within the East Bay Zone.

RATE:

	<u>Rate Per Month</u>
(1) <u>Mileage Rate:</u>	
First one-quarter mile or fraction thereof, air-line mileage	\$ 2.00
Each additional one-quarter mile or fraction thereof, air-line mileage	1.00
(2) <u>Station Rate:</u>	
Each desk set telephone and battery	1.00
Each wall set telephone - desk set rate less \$.25 per month.	
Each hand set telephone - desk set rate plus \$.25 per month.	
(3) <u>Private Line Turret Rate:</u>	
Each 2 position turret, fully equipped for 10 lines, including 2 attendant's tele- phones	\$ 5.00
Each 2 position turret, fully equipped for 20 lines, including 2 attendant's tele- phones.	7.50

CONDITIONS:

- (1) The above rates include battery renewals.
- (2) Private lines are provided within the Zone solely for communication between the stations thereon, and are not permitted to be connected to exchange service lines.
- (3) Private lines will not be terminated on private branch exchange switchboards.
- (4) An installation charge of \$2.00 per station is applicable and is in addition to the above rates.
- (5) The above mileage rates apply to the air-line distance measured between the terminals of the private line.
- (6) When the line involves more than two terminals, the number of quarter-miles will be computed separately for each leg (the air-line distance between a pair of terminals), fractional quarter-miles being considered as whole quarter-miles. The number of legs on which the total charge is based will be one less than the number of terminals but must include all terminals involved.

EXCHANGE SERVICE SCHEDULE NO. _____PRIVATE LINE SERVICE (Cont'd)EAST BAYSERVICE: (Cont'd)CONDITIONS: (Cont'd)

(7) The total mileage to which the mileage rates are applicable is the combination of leg mileage as computed above in whole quarter-miles, which gives the least total.

(8) In this schedule "terminals" means the stations or station and turret between which the private line is connected.

EXCHANGE SERVICE SCHEDULE NO. _____

PUBLIC TELEPHONE SERVICE

EAST BAY

SERVICE:

Applicable to service from the Company's non-listed public telephone stations throughout the Base Rate Area of the East Bay Zone.

RATE:

Each Zone Message\$.05

EXCHANGE SERVICE SCHEDULE NO. _____

SERVICE CONNECTION CHARGES

EAST BAY

SERVICE:

Applicable to Service Connection Charges within the East Bay Zone.

RATE:

Individual, Party and Auxiliary Lines, Private Branch Exchanges and Intercommunicating Systems, and Extension Stations.

Charge

(1) New and Additional Service:

Business Service:

Each individual or party line primary station	\$3.50
Each private branch exchange or inter-communicating system trunk	3.50
Each private branch exchange or inter-communicating system station, except operator's sets	1.50
Each extension station	1.50

Residence Service:

Each individual or party line primary station	\$3.00
Each private branch exchange or inter-communicating system trunk	3.50
Each private branch exchange or inter-communicating system station, except operator's sets	1.50
Each extension station	1.50

(2) Instrumentalities in place, and no change of location or type of facilities involved. Subscriber's exchange service and facilities:

One or more units	1.50
-----------------------------	------

EXCHANGE SERVICE SCHEDULE NO. _____SUPPLEMENTAL EQUIPMENTEAST BAYSERVICE:

Applicable to Miscellaneous Supplemental Equipment furnished within the East Bay Zone.

RATE:

	<u>Installation Rate</u>	
	<u>Charge</u>	<u>Per Month</u>
Ordinary extension bell	\$1.25	\$.25
Ordinary extension bell with key.....	1.50	.35
Loud ringing extension bell	1.25	.40
Loud ringing extension bell with key	1.50	.50
Buzzer circuit, including 1 push button, 1-buzzer, battery and 50 ft. of wiring ...	1.50	.25
Each additional push button .....	.35	.05
Each additional buzzer .....	.35	.10
Each additional 50 ft. or less of wire .....	.50	.10
Each key installed in addition to station ..	1.25	.25
Desk set cords, over 6 ft. but not exceed- ing 15 ft. in length	1.00	.10
Booth	5.00	1.50
Substation vacuum tube amplifier for deaf persons	10.00	3.50
Chest transmitter and head receiver for use by relief operators on private branch exchange switchboards equipped with such sets:		
With single head receiver.....	-	1.00
With double head receiver.....	-	1.25
Head receiver in addition to, or in place of, the hand receiver on a primary or extension station:		
Single head receiver or watch case receiver.....	-	.25
Double head receiver or two watch case receivers.....	-	.50
Each operator's chair for use with non- multiple switchboards where such switch- boards are not mounted on a platform.....	-	.25

EXCHANGE SERVICE SCHEDULE NO.

SUPPLEMENTAL EQUIPMENT (CONT'D)

EAST BAY

RATE: (CONT'D)

	<u>Installation Charge</u>	<u>Rate Per Month</u>
Double head receiver substituted for a single head receiver	\$ -	\$.25
Each terminal in central office in connection with night listing for private branch exchange systems	-	1.25
Jack and plug installations for use with portable telephones:		
Each jack.....	3.00	.10

CONDITIONS:

1. Jack and Plug Installations:

(a) Individual Line Service:

Each extension line, including one portable telephone equipped with cord and plug with a bell permanently connected to the line, or without a bell, will be furnished at the extension station rate.

Each additional portable telephone equipped with cord and plug with a bell permanently connected to the line, or without a bell, will be furnished at the extension station rate.

(b) Private Branch Exchange Service:

Each local line, including one portable telephone equipped with cord and plug with a bell permanently connected to the line, or without a bell, will be furnished at the private branch exchange station rate.

Each additional portable telephone equipped with cord and plug with a bell permanently connected to the line, or without a bell, will be furnished at the private branch exchange station rate.

(c) The number of portable telephones with a bell permanently connected to the line, or without a bell, will not exceed the number of extensions permitted under the grade of service furnished.

(d) A bell permanently connected to the line will be furnished with each initial installation of a portable telephone, at the option of the subscriber, without additional charge. Bells in excess of those associated with portable instruments will be furnished at the rate and installation charge for extension bells.

EXCHANGE SERVICE SCHEDULE NO. _____SUPPLEMENTAL EQUIPMENT: (CONT'D)EAST BAYCONDITIONS: (CONT'D)

- (e) The number of bells connected to a jack equipped central office line shall not exceed four (4) on any one line.
- (f) Jack and plug installations exposed to the weather or subject to unusual conditions shall be made at the discretion of the Company. In such cases where special equipment or unusual construction is required the subscriber will be billed for the actual cost of each installation.

2. Ownership and Maintenance of Equipment:

The equipment covered by the above rates is owned and maintained by the Company.

3. Special Assemblies of Equipment:

When a subscriber desires a special equipment for which provision is not otherwise made, an installation and monthly charge may be made based upon the total cost of the equipment furnished or of the special work required.

EXCHANGE SERVICE SCHEDULE NO. _____

TIE LINE SERVICE

EAST BAY

SERVICE:

Applicable to Tie Lines between private branch exchange systems within the East Bay Zone.

RATE:

Rate Per Month

(1) Same Subscriber:

(a) Each tie line between private branch exchanges or intercommunicating systems on same premises..... \$1.50

(b) Each tie line between private branch exchanges or intercommunicating systems on different premises:
 First one-quarter mile or fraction thereof 2.00
 Each additional one-quarter mile or fraction thereof..... 1.00

(2) Different Subscribers:

Each tie line between private branch exchanges or intercommunicating systems:
 First one-quarter mile or fraction thereof. 8.00
 Each additional one-quarter mile or fraction thereof..... 1.00

CONDITIONS:

(1) The above rates apply to the air-line distance measured between the terminals of the tie line involved.

(2) When any line under the above schedule involves more than two terminals the number of quarter miles will be computed separately for each leg (the air-line distance between a pair of terminals), fractional quarter miles being considered as whole quarter miles. The number of legs on which the total charge is based will be one less than the number of terminals but must include all terminals involved.

(3) The total mileage to which the mileage rates are applicable is the combination of leg mileages as computed above in whole quarter miles, which gives the least total.

(4) Tie lines, except those to private branch exchange systems having no direct central office connection, may be equipped to prevent connections with central office lines and with stations outside of the premises on which the switchboards are located.

(5) In this schedule "terminals" means the systems between which the tie line is connected.

EXCHANGE SERVICE SCHEDULE NO. _____VACATION RATE SERVICEEAST BAYSERVICE:

Applicable to Vacation Rate service furnished within the East Bay Zone.

RATE:

Subscribers to residence service, while temporarily absent from their residences, may be granted a discount of fifty per cent (50%) on the total exchange service charge.

CONDITIONS:

(1) In the case of flat rate service the fifty per cent (50%) discount applies to the total fixed monthly exchange service charges. In the case of message rate service, the fifty per cent (50%) discount applies to the total fixed exchange service charges, which charges entitle the subscriber to fifty per cent (50%) of the regular message allowance. No discount applies to the additional message rate charge.

(2) At the time the discount is applied for, the subscriber shall be receiving residence service at the regular rate and all bills rendered shall have been paid in full.

(3) The exchange service charge, at the vacation rate, for the initial period of suspension, is payable at the time of the application for the vacation rate service.

(4) Service at the vacation rate may begin on any day of the month, provided notice is given sufficiently in advance for arrangements to be made, and may be granted for any period of not less than one month and not more than eight months.

(5) The service furnished during the period of suspension will consist of outgoing service only. Persons calling for the telephone number in question will be advised by the operator that the "(telephone number) has been temporarily disconnected at the subscriber's request."

(6) Complete service will be restored without notice from the subscriber not later than 5 P.M. on the last day of the period of suspension. Should the subscriber desire incoming service restored in advance of that date, notification should be given to the Company sufficiently in advance of the desired date to permit of the necessary arrangements. Should the subscriber desire the period of vacation service extended, the same will be granted (in accordance with paragraph (4) above) upon notification sufficiently in advance to permit of the necessary arrangements.

(7) In the event of advance restoration of service, the subscriber will be billed at the regular rate from and including the date following that on which the service was restored, and the payment previously made for such period at the vacation rate will be credited to the subscriber as a payment on account.

EXCHANGE SERVICE SCHEDULE NO. _____

INTER-ZONE SERVICE

EAST BAY

SERVICE:

Applicable to service between the East Bay Zone and San Francisco Zone of the San Francisco-East Bay Exchange Area.

RATE:

Each message, 5 minutes or less.....	\$.10
Each additional 3 minutes or fraction thereof.....	.05