

Decision No. 25115.**ORIGINAL**

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the Investigation on the Commission's own motion into the rates, tolls, rentals, charges, classifications, rules, regulations, practices, contracts, operations, service, or any of them, of Los Gatos Telephone Company.

Case No. 3199.

Chaffee E. Hall, for Los Gatos Telephone Company.

BY THE COMMISSION:

O P I N I O N

This is a proceeding instituted by the Railroad Commission on its own motion on February 15, 1952, for the purpose of an investigation of the operations of Los Gatos Telephone Company.

The Los Gatos Telephone Company was organized in 1910, for the purpose of acquiring the properties of Sunset Home Telephone and Telegraph Company in Los Gatos. At that time there were approximately 400 telephones in service. The historical reproduction cost of the property as of December 31, 1920, was \$44,330.00 (Decision No. 7419, April 9, 1920). The books of the Company as of December 31, 1931, show the amount of \$184,823.67 as invested in plant and equipment, and 1,690 connected stations. The Company now operates one exchange with service to approximately 1,400 subscribers in Los Gatos and vicinity, including a large area of sparsely settled mountainous territory. Los

Gatos Telephone Company owns 222 of the outstanding 268 shares of stock of Campbell Telephone Company, a small utility operating in the territory surrounding the Town of Campbell, a few miles distant from Los Gatos.

Public hearings in this matter were held by Examiner Johnson in Los Gatos on April 26, June 14 and 15, 1932, and on this latter date the case was submitted for decision.

A preliminary investigation of the accounting methods and records of this company revealed the necessity for making a complete valuation of the plant and equipment, together with an analysis of the revenues and expenses, as the company appeared to be earning a return greatly in excess of that usually permitted by the Commission.

Valuation and Rate Base.

E. W. Watson, Assistant Engineer of the Commission's staff, presented an estimate of the historical reproduction cost and reproduction cost new of the properties of the company as of December 31, 1931, which compare with the amount on the books as of that date as follows:

Historical Reproduction Cost	\$156,771.92
Reproduction Cost New	\$148,969.17
Book Cost	\$184,823.67

The company did not present a valuation, but used the Commission engineer's estimate of historical reproduction cost in its estimate of rate base. No criticisms were offered of the valuations as made.

Mr. Watson presented a rate base applicable to the year 1932, while the rate base offered by G. S. Jacobs, Engineer for the company, was applicable to the twelve-month period ending June 30, 1933. The suggested rate bases compare as

follows:

	<u>Commission Engineer</u>	<u>Company Engineer</u>
Historical Valuation, December 31, 1931,	\$156,772.	\$156,772.
Additions and Betterments,	11,275.	16,102.
Materials and Supplies,	2,920.	3,200.
Working Cash Capital,	<u>545.</u>	<u>500.</u>
Estimated Rate Base,	\$171,512.	\$176,574.

The evidence shows no material differences relative to the base upon which the company should realize a return, ignoring the difference in the period selected, as Mr. Jacobs included the total additions and betterments estimated for the year 1932. The estimate of additions and betterments includes a line purchased this year from The Pacific Telephone and Telegraph Company at the estimated cost new of that line, whereas the company has actually acquired the line for less than one-third of such estimate.

Revenue.

In the estimates of the number of stations and amount of revenue produced therefrom, the Commission engineer used the year 1932, while the Company engineer adopted the twelve-month period ending June 30, 1933. The two estimates of stations and revenue are as follows:

	<u>Commission Engineer</u>	<u>Company Engineer</u>
Number of Stations,	1,630	1,653
Exchange Revenue,	\$44,761.	\$43,468.
Toll Revenue,	8,200.	8,090.
Miscellaneous Revenue,	<u>600.</u>	<u>600.</u>
Total Revenue---	\$53,561.	\$52,158.

The estimate of stations presented by Mr. Jacobs appears to be incorrect, as it was based on the report of the company to the Commission, which a check by the Commission staff showed to be in excess of the actual number of active stations.

As a result, the per station revenue assumed by Mr. Jacobs was too low. On the other hand, the testimony of Mr. Farwell, President of the company, on the outlook for the future, convinces us that the estimate of exchange service revenue offered by the Commission staff exceeds the amount which it is reasonable to assume will be earned in 1932, by approximately \$500.00.

Toll service revenue, estimated by the company's witness, excludes from consideration the toll usage of one subscriber who has been responsible for approximately thirteen per cent of the toll revenue during the past twelve months and is continuing such usage, because the company witness prophesied that the account would be discontinued. The possibility of such discontinuance must be considered, but the continuing revenue cannot be ignored.

Expenses:

The major difference of opinion between company and Commission witnesses in this proceeding centers around the estimates of necessary and reasonable future operating expenses. With respect to certain classes of expense the amounts recorded on the books in the past are not reliable in furnishing a basis for future estimates, inasmuch as the company, throughout its existence, has failed to properly follow the system of accounts for telephone companies prescribed by the Interstate Commerce Commission and adopted by this Commission in respect to certain maintenance, depreciation, and capital expenditures. The operating expenses shown by the company in its report to the Commission for 1931, and the es-

timates of the witnesses for similar expenses are as follows:

LOS GATOS TELEPHONE COMPANY

Operating Expenses, exclusive of Depreciation.

	Reported 1931	Future Estimates Company Engineer	Commission Engineer
Repairs of Wire Plant,	\$2,392.40	\$3,778.)	
Repairs of Equipment,	287.15	236.)	
Station removals and changes,	474.01	1,623.)	\$6,643.
Other maintenance expenses,	1,817.39	1,003.)	
Unclassified,	-	1,700.)	
Total Maintenance Expenses-	\$4,970.95	\$8,340.	\$6,643.
Traffic Expenses,	\$11,864.26	\$11,200.	\$11,222.
General office salaries,	4,975.00	4,591.	3,387.
Other general expenses,	7,293.97	7,153.	5,943.
Total Operating Expenses,	\$29,104.18	\$31,284.	\$27,195.

Howard Tyson, Manager of the company, was called to offer the detailed support for the estimate of unclassified expense submitted by the company engineer. Mr. Tyson testified that he had made an analysis of the labor charges to the depreciation reserve for the years 1929, 1930, and 1931, and that in those years labor costs in the sum of \$3,259.24 had been charged to the depreciation reserve which should have gone to current maintenance. This analysis was the basis for Mr. Jacob's estimate of \$1,700. for unclassified maintenance. It developed, on cross-examination of Mr. Tyson, that in 1930, the year of maximum charges of this sort, a large proportion of these charges while described in the company records as "repairs" were, nevertheless, charged to the reserve. During 1931 and 1932, expenditures for similar "repairs" were, generally at least, properly charged to maintenance. The actually recorded charges for 1931, coupled with a knowledge of necessary maintenance requirements of companies of this character, served as

the basis for Mr. Watson's estimate of current maintenance, which Mr. Jacobs used exclusive of the unclassified item. Obviously, the addition of \$1,700. as "unclassified maintenance" to the sum so estimated would result in the duplication of amounts allowed in the initial estimate based on the expenditures properly recorded as maintenance in 1931. Maintenance expense in the amount estimated by Mr. Watson appears adequate. In passing, it should be noted that labor costs throughout the estimates are based upon present wage and salary levels and that these are still at the maximum point for this company.

Estimates of traffic expense submitted were practically in agreement.

Mr. Jacobs' estimate of general office salaries is greater than that submitted by the Commission's engineer, due to an allowance of \$1,200. for the salary of an additional office clerk. Additional help thus far has not been employed by the company and in the face of declining revenue and stations and a continuance of the depression predicted by the company, the necessity for such additional expense in the future is not evident.

Mr. Jacobs' estimate of other general expense was \$1,210. in excess of the Commission engineer's estimate. This difference is accounted for substantially by an estimate of \$200. for the amortization of expenses of the company in this proceeding, \$100. classified as "sundries," and additional \$50. for "miscellaneous labor" and \$840. additional for directors' fees. The expense of conducting this proceeding, as well as the expenses classified as "sundries" and "miscellaneous labor" represent non-recurring expenditures already provided for from past revenues, and nothing has been presented in this instance to

convince us that these expenditures should be included in the estimate of expense used to test future rates. On the other hand, an allowance will be made in the expense estimate to care for increased costs due to federal taxes imposed during the pendency of this proceeding.

Mr. Watson's estimate included an allowance of \$420. for directors' fees following the company's practice for some time prior to June, 1931, when the fee for each of the directors was increased from \$5. to \$15. per meeting. There appears to be no necessity for such increase in the fees paid this group of seven directors at this time.

Commission and company witnesses are in substantial agreement with respect to the annual allowance for accruing depreciation, although the amount is less than half that set up during 1931 on the books of the company. As an undepreciated rate base is being used for testing the rates of this company, annual depreciation will be computed on a six per cent sinking fund basis. The sum found reasonable for inclusion in the estimate of operating expense for 1932 is \$4,453.

Counsel urged that because the rates of Los Catos Telephone Company were as low or lower than the rates for similar classes of service in cities comparable in size the existing rates must be reasonable and no reduction is warranted; also, because neither subscribers nor Town Trustees had complained to the Commission of the rates no action involving a reduction of rates should be considered. The Commission cannot agree that either of these facts should control its action. The fact that this company is furnishing the community with a satisfactory service at rates as low as generally found else-

where, possibly to some extent because of an economical and careful management, would not excuse this Commission in allowing unreasonable earnings to the company for the future, although it does warrant the Commission in being relatively liberal in fixing the rate of return to be allowed as a reward for prudent and efficient management.

This company, from the time it began operation, has issued two stock dividends in the amount of \$29,620. par value; paid eight per cent dividends on all stock outstanding, and has built up a surplus of approximately \$53,400. as of December 31, 1931.

Due to an unusual telephone density in the area, the capital investment and operation costs on a station basis are appreciably less than are found in other exchanges serving similar populations. The company has been receiving considerably more than an adequate return on a liberal rate base. It is apparent from the estimates and testimony received that the continuance of the present rates would result in this company receiving materially more than a reasonable return for the year 1932, and that some modification of rates and charges for telephone service of this company is required. Certain reductions in the principal rates will, therefore, be ordered.

Mr. Farwell, President of the company, testified that he did not approve of the advance payment of a \$3.50 service connection charge before a prospective subscriber could "do business" with the company. He stated that this charge should not be eliminated, but should be reduced. We are in agreement with this opinion as applied to the conditions existing in the Los Gatos Exchange and the rates herein ordered made effective

will set forth lower connection charges.

Decision No. 7419, dated April 9, 1920 (18, CRC. 55), ordered Los Gatos Telephone Company to set aside its depreciation reserve in a fund and at the rate of \$2,172. per year. The depreciation expense is now greatly in excess of this amount and it is not in the best interest of the company or its subscribers to set the reserve aside in a fund. The discontinuance of the above referred to section of Decision No. 7419 will, therefore, be ordered.

Commission and company witnesses testified to the effect that some of the accounting practices of the company have been erroneous. Los Gatos Telephone Company is required to keep its accounts in conformity with the "Uniform System of Accounts for Telephone Companies" as prescribed by the Interstate Commerce Commission and adopted by this Commission, and strict compliance with the terms thereof will be enforced.

O R D E R

The Railroad Commission of the State of California having instituted an investigation of the operations of Los Gatos Telephone Company, public hearings having been held, the matter having been submitted and now being ready for decision,

The Railroad Commission of the State of California, after giving full and careful consideration to the record before it and the argument of counsel, concludes and finds as follows,
to wit:

1. A reasonable rate base for Los Gatos Telephone Company for the year 1932, including therein all elements of cost, both tangible and intangible, an allowance for working cash capital and materials and supplies sufficient to meet the ordinary operating requirements, work in progress, and estimated average net additions and betterments for the year and with no deduction for accrued depreciation, is \$171,000.

2. The reasonably to-be-anticipated gross operating revenue under existing rates for the year 1932, is in excess of \$53,000.
3. The reasonable requirement for the year 1932, to meet operating expenses, depreciation and taxes commensurate with the volume of business and revenue expressed in Finding "2" is \$37,000.
4. The reasonably to-be-anticipated net revenue available for return in 1932, under existing rates and with efficient and economical management, is not less than \$16,000.
5. Under the rates here prescribed, the net revenue available for return reasonably to be anticipated in a year such as 1932, with efficient and economical management, is \$12,900.
6. The sum of \$12,900. is found to be a reasonable and fair return on the rate base of \$171,000. under the conditions and circumstances now surrounding Los Gatos Telephone Company.
7. The present rates of Los Gatos Telephone Company are unreasonable to the extent they differ from the rates herein ordered, which are found to be just and reasonable rates for the future.

Basing its Order on the above findings of fact and such other findings of fact and conclusions as are contained in the Opinion preceding this Order,

IT IS HEREBY ORDERED that Los Gatos Telephone Company shall:

1. Charge and collect for exchange service furnished on and after October 1, 1932, the rates and charges shown in Exhibit "A" attached to and made a part of this Order.
2. Submit for filing on or before September 15, 1932, schedules of rates and charges as set forth in Exhibit "A" attached hereto.
3. Cancel all schedules of rates and charges and all rules and regulations which are not in conformity with those set forth in Exhibit "A" attached hereto and its Rule and Regulation No. 9, "Service Charge for Restoration of Service," as of October 1, 1932.

IT IS HEREBY FURTHER ORDERED that Los Gatos Telephone Company may discontinue setting aside its depreciation reserve

in a fund and at the rate of \$2,172. per year, as required by the Order of the Railroad Commission in Decision No. 7419, dated April 9, 1920 (18 C.R.C. 55).

For all other purposes the effective date of this Order shall be twenty (20) days from and after the date hereof.

Dated at San Francisco, California, this 29th day of August, 1932.

Chas. J. ...
Leon ...
W. A. ...
W. B. ...
Fred G. ...
 Commissioners.

EXHIBIT "A"

EXCHANGE SERVICE - SCHEDULE NO.INDIVIDUAL LINE AND PARTY LINE SERVICELOS GATOSSERVICE:

Applicable to business and residence individual line and party line flat rate service furnished within the Base Rate Area of the Los Gatos Exchange.

RATE:Rate per Month

(1) Business Flat Rate Service:

Each individual line desk set station.....	\$2.75
Each two-party line desk set station.....	2.25
Each extension wall or desk set station, with or without bell.....	1.00

(2) Residence Flat Rate Service:

Each individual line desk set station.....	\$2.25
Each two-party line desk set station.....	2.00
Each four-party line desk set station.....	1.75
Each extension wall or desk set station, with bell.....	1.00
Each extension wall or desk set station, without bell.....	.50

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

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

CONDITIONS:

(1) Individual line and party line business and residence service will be furnished outside the Base Rate Area and within the Exchange Area 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.

(3) Permanent connection of two or more telephone lines at the request of the subscriber:

- (a) Individual business lines and individual residence lines, at the above individual business and residence station rates, will be permanently connected at the subscriber's request provided the stations so connected are applied for by the same subscriber of record and the service is for the use of such subscriber in his premises.
- (b) Not more than four (4) lines will be permanently connected. Signaling, in accordance with the Company's standards, for the several stations will be performed as requested by the subscriber.
- (c) In cases where actual or obvious use indicates that the station for which connection to a business primary station is requested is a business extension station, this schedule does not apply, but the regular business extension rate with mileage, if any, does apply.

EXCHANGE SERVICE - SCHEDULE NO.

SEMI-PUBLIC SERVICE

LOS GATOS

SERVICE:

Applicable to individual line semi-public coin-box service furnished within the Base Rate Area of the Los Gatos Exchange.

RATE:

	<u>Rate</u>
Each individual line coin-box wall set station:	
Each exchange message.....	\$.05
Minimum charge per day.....	.10
Each individual line coin-box desk set station - wall set station rate plus \$.25 per month.	
Each extension wall or desk set station without coin box, per month.....	\$1.00
Each extension hand set station without coin box, per month.....	1.25

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 furnished outside the Base Rate Area and within the Exchange Area 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.

JOINT USER SERVICE

LOS GATOS

SERVICE:

Applicable to joint user service furnished within the Los Gatos Exchange Area.

RATE:

	<u>Rate Per Month</u>
Each joint user service in connection with flat rate business service.....	\$1.00

CONDITIONS:

(1) Joint user service is an arrangement whereby an individual, other than an employee, member or officer of the concern which is the subscriber, or a firm, corporation or association shares in the use of a subscriber's business telephone service. To facilitate this use, a directory listing will be provided for each joint user without additional charge. 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) Joint user service is applicable and will be furnished upon application by the subscriber as follows:

- (a) Application for the use of the subscriber's service by any individual, firm, company, corporation, 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.
- (c) Application for service in the name of another individual, firm, company, corporation, or association to be furnished over the facilities utilized in furnishing service to the subscriber.

(3) The above rates apply in addition to the rates and charges for the facilities and all other service provided. The minimum charge for joint user service shall be the monthly rate, provided that if the listing is included in the telephone directory, the service 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.

(4) Joint user service is not furnished in connection with residence telephone service.

(5) Joint user service is not furnished in connection with foreign-exchange service.

EXCHANGE SERVICE - SCHEDULE NO.

SUPPLEMENTAL EQUIPMENT

LOS GATOS

SERVICE:

Applicable to supplemental equipment furnished within the Los Gatos Exchange Area.

CHARGE AND RATE:

	<u>Instal- lation Charge</u>	<u>Rate Per Month</u>	
(1) Miscellaneous Supplemental Equipment:			
Extension bell, small gongs.....	\$1.25	\$.25
Extension bell, 6" gongs.....	1.50		.35
Each cam lever switch or key:			
Installed in addition to station....	1.25		.25
Installed in lieu of station.....	*		*
*Regular primary or extension wall set station rate and service connection charge apply.			
Cords over 6 feet but not exceeding 15 feet in length:			
Each installation and replacement...	1.00		-
Attendant's hand set for use with non-multiple cord switchboard.....	-		1.00
Substation vacuum tube amplifier for deaf persons.....	5.00		2.00

(2) Station Auxiliary Signals:

	<u>Instal- lation Charge</u>	<u>Rate Per Month</u>	
		<u>Indoor</u>	<u>Outdoor</u>
Signal Control Equipment:			
Each relay for continuous operation.....	\$1.50	\$1.25	-
Each relay for non-continuous operation.....	1.25	.70	-
Each key furnished for station auxiliary signal equipment.....	1.25	.25	-
Signal Operated by Commercial Power:			
Each 10" bell (A.C. or D.C.).....	1.25	.50	\$.75
Each horn (A.C. or D.C.).....	1.25	.50	.50

Fifty feet of inside wiring is furnished in connection with the signal control equipment at the above rates. Each additional 50 feet or less of inside wiring is subject to an installation charge of \$.50 and rate of \$.10 per month.

Outdoor wiring is subject to an installation charge and monthly rate based on actual cost.

EXCHANGE SERVICE - SCHEDULE NO. (CONT'D)

SUPPLEMENTAL EQUIPMENT (CONT'D)

CHARGE AND RATE: (CONT'D)

	<u>Instal- lation Charge</u>	<u>Rate Per Year</u>
(3) Jack and Plug Installations to permit use of Portable Telephones:		
Two jacks or less.....	\$5.00	\$1.50
Three jacks.....	6.00	1.50
Four jacks.....	7.00	1.75
Five jacks.....	8.00	2.00
Six jacks.....	9.00	2.25
Seven jacks.....	10.00	2.50
Eight jacks.....	12.00	2.75
Each additional jack.....	3.00	.25

(4) 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, subject to the review of such charges by the Railroad Commission of the State of California.

CONDITIONS:

(1) Supplemental equipment and wiring will be provided to effect any standard arrangement and will be maintained by the Company.

(2) Station Auxiliary Signals:

- (a) Where extension bells operated by ringing current do not provide a sufficient volume of sound or when subscribers require visual signals instead of audible signals, station auxiliary signal equipment may be provided in connection with individual and P.B.X. station lines in common battery manual and dial areas.
- (b) The subscriber will furnish, install and maintain the commercial power supply and all circuits directly connected with commercial power.
- (c) The above charges and conditions apply to all regular installations of station auxiliary signal equipment.

(3) Jack and Plug Installations:

- (a) Station wiring is terminated on mounted spring jacks at the above rates. One to four jacks will be installed on one line, usually confined to the same room, but jacks will be installed in adjoining rooms on the subscriber's premises to meet special conditions. In the case of hospitals and restaurants, additional jacks per line will be installed if, in the judgment of the Company, traffic requirements will permit.
- (b) One telephone (instrument and sub-station), either permanent or portable, with cord and plug, is allowed for each station line terminated on jacks at the primary station rate. Additional portable telephones with cord and plug, will be provided at the extension station rate.

EXCHANGE SERVICE - SCHEDULE NO.LINE EXTENSION CHARGESLOS GATOSSERVICE:

Applicable to charges for pole line extensions made in the Los Gatos Exchange Area.

RATE:Charge

- (1) First 500 feet or less, per primary station..... No Charge
 (2) Each additional 100 feet or fraction thereof..... \$2.00

CONDITIONS:

(1) Extensions to pole plant, necessary to render telephone service throughout the entire area served by the Company will be made in accordance with the above.

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

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

(4) 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.

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

(6) 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.

(7) 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.

(8) 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.

MOVE AND CHANGE CHARGES

LOS GATOS

SERVICE:

Applicable to charges for moves and changes within the Los Gatos Exchange Area.

RATE:

	<u>Charge</u>
(1) Telephone Sets:	
(a) Moving from one location to another in the same room, each set.....	\$1.00
(b) Moving from one room to another on the same premises, each set.....	1.50
(c) Change in type or style of set, each set..	1.00*

*This charge is not applicable if change is occasioned by an application for a higher grade of service.

(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, per station.....	1.00	1.50
(c) P.B.X. switchboards, per position:		
30 lines or less.....	5.00	10.00
80 line.....	7.50	15.00
160 line.....	10.00	25.00
Over 160 line.....	Actual Cost	Actual Cost

(3) Other Equipment and Wiring

*

*Charge equal to actual cost of labor and material used.

CONDITIONS:

(1) When moves and changes of telephone apparatus and wiring on the subscriber's premises are made by the Company at the request of the subscriber, the above charges apply.

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

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

(4) The total charges for change in location or type of facilities shall not exceed the charges for the initial establishment of the subscriber's complete service and facilities.

EXCHANGE SERVICE - SCHEDULE NO.

SERVICE CONNECTION CHARGES

LOS GATOS

SERVICE:

Applicable to service connection charges within the Los Gatos Exchange Area.

RATE:

	<u>Charge</u>
(1) New and Additional Service:	
(a) Each business primary station.....	\$2.50
(b) Each residence primary station.....	1.50
(c) Each private branch exchange trunk.....	2.50
(d) Each private branch exchange station.....	1.50
(e) Each extension station.....	1.00
(2) Instrumentalities in Place:	
(a) One or more units.....	1.50

CONDITIONS:

(1) Service connection charges are payable at the time application for the particular service or facility is made, and are in addition to the regular schedule of rates.

(2) Service connection charges apply to business and residence subscriber's exchange service and facilities, all types, except farmer line service.

(3) The above charges under section (2) apply to service where instrumentalities are already in place on subscriber's premises and no change in type or location of facilities is involved.

(4) A change in location or type of facilities made at subscriber's request is subject to the charges for moves and changes, provided the total charges for such moves and changes shall not exceed the charges for the initial establishment of the subscriber's complete service and facilities.

(5) Service connection charges do not apply under the following conditions:

(a) Business Service:

1. When the service is assumed by a receiver or by trustee, executor or administrator of an estate.
2. Change in the name of the business concern (i.e. individual, partnership, syndicate or corporation) when there is no complete change in ownership or management.

EXCHANGE SERVICE - SCHEDULE NO. _____ (CONT'D)SERVICE CONNECTION CHARGES (CONT'D)CONDITIONS: (CONT'D)

(b) Residence Service:

1. When service is assumed by a member of the former subscriber's family located on the same premises.
2. When there is no change in the individuality of the recipient.
3. When the subscriber's name has been changed by marriage or court order.