

Decision No. 41021

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY,
a corporation (inclusive of its wholly-owned
subsidiary, Southern California Telephone
Company, a corporation), for authority to
increase certain intrastate rates and charges
applicable to service furnished within the
State of California.

Application No. 28211

Pillsbury, Madison and Sutro, by Felix T. Smith, John A. Sutro, Arthur T. George, and Fletcher Rockwood for Applicant; John J. O'Toole, Dion R. Holm, and Paul L. Beck for the City and County of San Francisco; J. J. Deuel and Edson Abel for California Farm Bureau Federation; Roger Arnebergh, K. Charles Bean, and T. M. Chubb for the City of Los Angeles; Joseph A. Bonacina and Dr. L. Melvin Pollard for the City of Sunnyvale; F. Bert Fernhoff, J. Kerwin Rooney, John W. Collier, and Archer Bowden for the City of Oakland; Robert T. Anderson for the City of Berkeley; C. M. Ozias for the City of Fresno; Mrs. Kathie Zahn, interested party; Byron E. Harding, James K. MacIntosh, and Charles M. Dinneen for the United States of America; Russell Zaches for the City of Monterey; A. H. Rolfes for the El Nido Telephone Company; William L. Hudson for the City of Carmel; Wesley W. Kergan for Monterey Chamber of Commerce; Reginald E. Foster for the City of Pacific Grove; Philip Eden for Local 120 of American Communications Association, et al.; Samuel Vickers for the City of Vallejo; Theodore Smith for San Lorenzo Valley Property Owners Association, Ben Lomond; Henry McClernan and John H. Lauten for the City of Glendale; H. Burton Noble and Frank L. Kostlan for the City of Pasadena; Frank V. Rhodes for California Independent Telephone Association; Everett L. Parker for Municipal League of Los Angeles and also representing James L. Doherty for Utility Workers Union of America; Richard C. Waltz for the City of Beverly Hills; George W. Irving for the City of Burbank; Theodore K. Resney in propria persona and for California Progressives; Earl C. Craig for the Public Affairs Forum, Los Angeles; Lawrence L. Cardwell in propria persona; Joy A. Winans for the People's Lobby of California; Emmett H. Tompkins for the City of Alhambra; B. Guy Cornyn for the City of Arcadia; William D. Libby for the Arcadia Chamber of Commerce; Emuel J. Forman and E. A. Hosmer for the Cities of Alhambra, Beverly Hills, Burbank, Culver City, El Monte, El Segundo, Glendale, Hawthorne, Inglewood, Pasadena, South Pasadena, Arcadia, and South Gate; Clyde W. Woodworth for the Cities of Inglewood, El Segundo, and South Gate; Robert A. Schwamb for the City of Montebello; M. Tellefson for the City of Culver City; L. L. Drouet in propria persona; Braeme E. Gigas for the City of South Pasadena; M. Anderson Thomas for the San Francisco Council of Churches and the Northern California and Western Nevada Council of Churches; Taubner G. Hanna for the City of Stockton; Everett M. Glenn for the City of Sacramento; Robert E. Cassin for the City of San Jose; Mrs. Richard Werthimer for Noe Valley Shoppers Club and other shopper groups of the City of San Francisco; Kenneth Tjoflat for San Francisco Chapter, Progressive Citizens of America; Reginald L. Vaughan for Cities of Sacramento, Stockton, Fresno, Tracy, Modesto, Madera, Visalia, Sunnyvale, Redwood City, Oroville, Bakersfield, San Jose, North Sacramento, Petaluma, Lodi, Turlock, Los Banos, Clovis, Merced, Selma, Tulare, and Willows.

HULS, MITTELSTAEDT, Commissioners:

THIRD INTERIM OPINION

In the above-entitled proceeding originally filed February 14, 1947, 34 days of hearings have been held and 226 exhibits received.

At the hearing November 14, 1947, Applicant introduced evidence to the effect that its ratio of earnings to its net telephone plant and working capital in California for the most recent period was substantially less than the earlier test period earnings upon which its amended application is based. Based on this evidence, Applicant moved that a further interim rate adjustment be granted of \$6,460,000.

The Commission now has the benefit of further hearings on December 3, 4, and 5, at which time testimony on cost of money has been presented on behalf of a number of cities in California⁽¹⁾ and the California Farm Bureau Federation and on behalf of the Treasury Department of the United States.

This application, as originally filed, sought \$20,200,000 in increased rates. Subsequently, increased wages were made effective. Upon a showing of the effect of the wage increase on intrastate operations in California, this Commission by its interim order authorized increases in rates totaling \$10,500,000, effective July 6, 1947.

The Applicant, on August 6, submitted its amended application, hearings on which are now in progress. By this amended application, further increases of \$20,090,000 were sought, being approximately the same in dollars as the initial application, but based on the newly established rates of the interim order, and making in effect a total request of \$30,590,000.

At the hearings on August 20 to 22, Applicant completed its presentation of evidence on direct, and on August 22, after presenting evidence on earnings of June and July, Applicant asked for an immediate interim grant of the \$10,926,000 increase in toll rates sought in its amended application. By its second interim order of August 26, 1947, the Commission authorized toll rate increases totaling \$5,500,000, effective September 6, 1947.

⁽¹⁾ Alhambra, Arcadia, Bakersfield, Beverly Hills, Burbank, Clovis, Culver City, El Monte, El Segundo, Fresno, Glendale, Hawthorne, Inglewood, Lodi, Los Banos, Madera, Merced, Modesto, North Sacramento, Oroville, Pasadena, Petaluma, Redwood City, Sacramento, San Jose, Selma, Stockton, Sunnyvale, South Gate, South Pasadena, Tracy, Tulare, Turlock, Visalia, and Willows.

Hearings are now in progress to receive evidence of the interested parties. Witnesses called by the California Farm Bureau Federation were heard at Los Angeles, October 29, Fresno, November 6, and San Francisco, November 13. On November 14, at San Francisco, a study of earnings by separate exchanges outside extended areas was presented by Applicant at the request of the Commission's staff. Testimony on cost of money and fair rate of return, as stated, has just been presented. Further hearings are scheduled in January, 1948, for receipt of additional evidence on behalf of the interested parties, following which the Commission's staff will present its reports.

The Commission now has for consideration Applicant's motion for a further interim rate increase in order to maintain its credit. Mr. W. L. Kietzman, for Applicant, testified that the rate of return for California intrastate operations for the four months of June, July, August, and September, 1947 was 3.48% as compared with the return of 4.44% for the test period comprising the last half of 1946 plus twice the first quarter of 1947, shown by Exhibit 145, the earnings being adjusted in each case to reflect the effect of rate increases already authorized, wage increases, and changes in methods of separation.

The results for the four months ended September 30, 1947 (equated to an annual basis) as compared with the earlier test period follow, (adjusted in both instances to present rate levels).

<u>Item</u>	<u>Last Half 1946 . Plus Twice First Quarter 1947</u>	<u>Four Months Ending September 30, 1947 (Annual Basis)</u>	<u>Difference</u>	<u>Per Cent- Increase</u>
Total Revenues	\$ 200,899,000	\$ 210,844,000	\$ 9,945,000	5.0%
Expenses and Taxes	<u>185,439,000</u>	<u>197,180,000</u>	<u>11,741,000</u>	<u>6.3</u>
Net Revenue	15,460,000	13,664,000	(1,796,000)	(11.6)
Avg. Net Plant and Working Capital	348,557,000	392,135,000	43,578,000	12.5
Rate of Return	4.44%	3.48%	(0.96)%	(21.6)%

(Red Figure)

It will be noted that although gross revenues increased five per cent. during the period, net revenue has declined 11.6% owing to a 6.3% increase in expense. This decline in net revenue, coupled with a 12.5% increase in net plant, has caused the rate of return to decline 21.6% to 3.48% based on company figures.

Mr. S. W. Campbell, in addition to reciting Applicant's declining earnings, outlined the new capital requirements, pointing out that the debt ratio will be about 46% at the end of 1947 under present financing. If financing through debt were continued, Mr. Campbell estimated the debt ratio would rise to 69% by the end of 1950 and stated he believed this would result in an unsound capital structure.

Mr. M. R. Sullivan, Applicant's president, emphasizing the testimony of Mr. Campbell, reviewed the large new capital needs and stressed the necessity of Applicant being in a position to raise new capital in part by common stock.

The Commission now also has before it testimony of some of the witnesses for protestants, particularly dealing with cost of money and fair return.

Dr. Ralph E. Badger, a witness called on behalf of a number of cities and the California Farm Bureau Federation, introduced testimony and exhibits to support his conclusion that Applicant's current cost of money lies between 5.18% and 5.52% and testified that, in his opinion, a fair rate of return would be 5.5%. Mr. David A. Kosh, a witness for the United States Treasury Department, found the cost of money to be in the range 4.77% to 4.97% and concluded that the fair rate of return would lie between five per cent and 5.25%.

The interim rate increase of \$6,460,000 requested by Applicant will raise its return from 3.48%, on its basis of computation, to about 4.5% which is less than the cost of money to Applicant as found by any of the protestants' witnesses.

The Applicant asks that a further increase in toll rates, together with a further increase in service connection and move and change charges be authorized or, in lieu thereof, at the discretion of the Commission, that the increase be granted in such other or different rate increases as the Commission may find appropriate.

The City of Los Angeles and also other cities in the Los Angeles extended area vigorously oppose the granting of further toll rate increases and service connection and move and change charges which will affect the Los Angeles area, citing the reported earnings of this area as an indication that no further increases are justified. A motion was, in fact, made by the City of Los Angeles

that prior interim increases granted in this proceeding be rescinded in so far as they affect the Los Angeles extended area subscribers. Representatives of northern California cities neither consented to nor opposed the motion of the Applicant but urged the Commission not to disturb existing rate relationships in ordering interim increases.

We find no evidence in the record to support a higher charge for installation of telephones at this time. It is noted that substantial increases were made in these charges on July 6, that the Applicant in its amended application did not seek further increases, and that it introduced no cost or other figures to support such a request. We do not believe a further increase should be authorized in these charges at this time to the disregard of numerous types of increases sought by Applicant and on which a record has been made.

In evaluating the form the rate increases should take, the record shows that the detail study of earnings by exchanges (Exhibit 157) results in somewhat higher earnings in total for all of the exchanges outside of the San Francisco-East Bay and the Los Angeles extended areas than a study for the same areas made previously (Exhibit 145). The testimony of Mr. Kietzman shows, assuming the differences to be applied to the extended areas, that the earnings for the test period consisting of the last six months of 1946 plus twice the first quarter of 1947, adjusted for interim rate increases, wage increases, and changes in separation methods, would be about as follows, as compared with the earlier study:

	Exhibit 145	Exhibit ⁽¹⁾ 157
Los Angeles Extended Area	7.4%	6.6%
San Francisco-East Bay Extended Area	2.2	0.7
San Diego Extended Area	4.7	6.8
Outside Exchanges	(1.6)	2.3
Intrastate Toll	5.5	5.5
Total	4.4%	4.4%

(Red Figure)

Mr. Kietzman pointed out a number of reasons why the two studies would differ and, in the case of the latter study, has assumed no change in the allocation to toll. Nevertheless, both studies indicate a definitely lower over-all

⁽¹⁾ Exhibit 157 covered outside exchanges and other adjustments are based on testimony in the record as to probable reallocations to extended areas.

earning in the San Francisco-East Bay extended area and in the Outside Exchanges, as compared with Los Angeles, San Diego, and with the toll classification.

Earnings in the latter part of 1947, the record shows, are nearly one per cent lower than the over-all 4.4% shown above and presumably the earnings of all segments are now lower than those shown above.

It would appear to the Commission that there is considerable merit to the protest of the representatives of cities in the Los Angeles extended area and further substantial rate increases should not be assessed at this time to subscribers in that area.

Reviewing the earnings by areas, the Commission cannot but conclude that equity requires, at this time, that increases in the rates of the San Francisco-East Bay extended area and in most of the exchanges throughout the state outside of the extended areas be granted, but that in view of the record to date it would be inequitable to adjust rates as proposed by the company or to use a uniform state-wide surcharge.

As related to the San Francisco-East Bay exchange, we believe an increase in general of 25 cents a station a month for zone service and a reduction in interzone initial period from five to three minutes with a corresponding overtime adjustment are reasonable.

The rates sought by Applicant as to the smaller exchanges throughout the state are, in many instances, found to be justified, but in view of the cost studies presented, we are of the opinion that present rate levels in Sacramento, Fresno, and Stockton should not be disturbed in this interim order, and that lesser increases than those sought by Applicant in many cities are justified.

Therefore, for the purpose of this third interim order, increases will be based on a new schedule⁽¹⁾ set forth in the following tabulations:

Group	Company Stations as of 12-31-46	Business Flat Rate		Semi- public	Residence Flat Rate		
		1-Pty.	2-Pty.		1-Pty.	2-Pty.	4-Pty.
1	1 - 150	\$4.25	\$3.75	\$0.15	\$3.00	\$2.75	\$2.25
2	151 - 500	4.75	4.00	.16	3.25	2.75	2.25
3	501 - 4,000	5.25	4.25	.18	3.50	3.00	2.50
4	4,001 - 8,000	5.75	4.75	.20	3.50	3.00	2.50
5	8,001 - 12,000	6.25	5.25	.21	3.50	3.00	2.50
6	12,001 - 50,000	6.75	5.75	.22 $\frac{1}{2}$	3.75	3.00	2.50
7	50,001 - 100,000	7.75	6.50	.22 $\frac{1}{2}$	3.75	3.00	2.50

(1) Does not apply to exchanges within the Los Angeles, San Diego or San Francisco-East Bay extended areas.

Group	Company Stations as of 12-31-46		Suburban Business Residence		Farmer Line Business Residence	
1	1 -	150	\$3.50	\$2.75	\$0.75	\$0.50
2	151 -	500	3.75	2.75	.75	.50
3	501 -	4,000	4.00	3.00	1.00	.60
4	4,001 -	8,000	4.00	3.00	1.25	.70
5	8,001 -	12,000	4.00	3.00	1.50	.80
6	12,001 -	50,000	4.25	3.00	1.75	.90
7	50,001 -	100,000	4.25	3.00	2.00	1.00

Note: Above rates, except Farmer Line, apply to hand or desk set stations. Wall set rates are 25 cents less. All rates are on a monthly basis, except coin-box service which is on a per day basis.

This level will be carried into the local rate schedules of the San Francisco-East Bay extended area and appropriate extended service rates will be fixed. Since the residence rates in this extended area were not increased by the first interim order, rather substantial increases in residence rates appear at this time in Marin County, on the Peninsula, and other areas in the extended area. For the exchanges outside extended areas, the increases in the present order are smaller in amount because of the increases authorized effective July 6, although increases in individual exchanges vary because the classification of company stations, as of December 31, 1946, takes into account varying degrees of growth since the classification in 1919, while under Federal control. It should be noted that many of the rates of these exchanges have never been adjusted previously by the Commission.

In the toll schedule, night and Sunday station rates are comparatively low for rate distances over 65 miles and it appears to the Commission that an increase in the initial period rates by from five cents to 20 cents, with appropriate adjustments in overtime rates, between 65 and 330 miles in this classification in the amount of \$1,917,000 will be reasonable at this time.

These four adjustments will then total about \$6,460,000 as follows:

Increases in exchange rates in exchanges outside of the extended areas	\$1,412,000
Increases in exchange rates in the San Francisco-East Bay extended area	2,222,000
Increases in night and Sunday station toll rates between 65 and 330 miles	1,917,000
Decrease time period - Interzone service	904,000
Total	\$6,455,000

It will be understood that the proceeding has not as yet been completed, and that the Commission is not necessarily accepting and using figures quoted herein except for the purpose of this interim order. Further treatment of these and all other rate changes sought will be reserved for later consideration in this proceeding.

We have considered the motion of the City of Los Angeles that the previous interim orders with respect to the Los Angeles extended area charges be set aside, but believe that under all the circumstances this motion should be denied without prejudice.

From the facts recited herein, however, the Commission is of the opinion and finds that the Applicant herein is in need of the interim relief sought. This relief is necessary in order to maintain Applicant in a reasonably sound financial condition. Accordingly, it follows that such relief should be made effective as soon as possible. Therefore, we find that the public interest requires that this decision become effective ten (10) days from the date hereof. Applicant will be authorized to file its tariffs reflecting the increase in rates granted herein and to make the same effective upon one (1) day's notice to the Commission and to the public.

We recommend the following form of Order:

THIRD INTERIM ORDER

The Pacific Telephone and Telegraph Company having made a motion requesting authority to place into effect increased rates on an emergency basis, and it appearing from the showing made in the record so far in this proceeding and the Commission hereby finding that the increases ordered herein are justified and should be authorized; therefore,

IT IS ORDERED that The Pacific Telephone and Telegraph Company is hereby authorized to file and publish, in accordance with General Order No. 96, the schedule of rates and conditions set forth in Exhibit A attached hereto and, after not less than one (1) day's notice to the Commission and to the public, make said rates and conditions effective by billing periods on and after January 1, 1948 for bills covering service furnished on and after January 1, 1948, except rates and conditions applicable to message toll telephone service and interzone

message service, which may be made effective on January 1, 1948.

IT IS FURTHER ORDERED that the motion of the City of Los Angeles to rescind and set aside prior interim orders in this proceeding in so far as such orders pertain to the Los Angeles extended area be and it is hereby denied without prejudice.

IT IS FURTHER ORDERED that Application No. 28211 is continued to permit the holding of such further hearings and receipt of such additional evidence as may be deemed appropriate before final determination of said application is made.

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

This Order shall become effective ten (10) days after the date hereof.

Dated at San Francisco, California, this 17th day of December, 1947.

Harold P. Hule

Justice F. Green

Isaac H. Powell

R. Z. Zimmerman

Commissioners

EXHIBIT A

Sheet 1 of 15

SERVICE IN EXCHANGES OUTSIDE EXTENDED AREAS

Rates

Each Primary Desk or Hand Set Station
Wall Set 25¢ Less

Rate Group	Business Flat Rate Service Monthly Rate		Semi- Public Min.Charge Per Day	Residence Flat Rate Service Monthly Rate		
	1-Pty.	2-Pty.		1-Pty.	2-Pty.	4-Pty.
1	\$4.25	\$3.75	\$0.15	\$3.00	\$2.75	\$2.25
2	4.75	4.00	.16	3.25	2.75	2.25
3	5.25	4.25	.18	3.50	3.00	2.50
4	5.75	4.75	.20	3.50	3.00	2.50
5	6.25	5.25	.21	3.50	3.00	2.50
6	6.75	5.75	.22-1/2	3.75	3.00	2.50
7	7.75	6.50	.22-1/2	3.75	3.00	2.50

Rate Group	Suburban Service Monthly Rate		Farmer Line Service* Monthly Rate	
	Business	Residence	Business	Residence
1	\$3.50	\$2.75	\$0.75	\$0.50
2	3.75	2.75	.75	.50
3	4.00	3.00	1.00	.60
4	4.00	3.00	1.25	.70
5	4.00	3.00	1.50	.80
6	4.25	3.00	1.75	.90
7	4.25	3.00	2.00	1.00

*Telephone instrument furnished by subscriber.

EXHIBIT A
Sheet 2 of 15

SERVICE IN EXCHANGES OUTSIDE EXTENDED AREAS

Rate Grouping

<u>Exchange</u>	<u>Rate Group</u>	<u>Exchange</u>	<u>Rate Group</u>	<u>Exchange</u>	<u>Rate Group</u>
Alleghany	1	Butte City	1#	Dutch Flat	1#
Alta	1	Byron	1	Earlimart	1
Anaheim	4#	Calexico	3#	Edgewood	1
Anderson	1	Calipatria	2	El Centro	3#
Angels Camp	3	Calistoga	3	Elk Creek	1
Annapolis	1	Cambria	2	Elmira	1
Antioch	3	Camptonville	1	Emigrant Gap	1
Applegate	1	Carmel	3	Emmet	1
Aptos	2	Caruthers	1	Encinitas	3#
Arcata	3	Castroville	2	Escalon	2
Arroyo Grande	2	Cayucos	1#	Escondito	3
Artois	1	Challenge	1	Esparto	1
Arvin	2#	Chico	4	Eureka	4
Atascadero	3	Chilcoot	1	Fair Oaks	2
Atwater	2	Chowchilla	2	Fallbrook	2
Auburn	3	Chualar	1#	Fall Creek	1
Avalon	3	Clay	1	Felton	2#
Avenal	3	Cloverdale	2	Fields Landing	1#
Bakersfield	6	Clovis	2	Fillmore	3
Bangor	1	Coalinga	3	Firebaugh	2
Bay	1	Colton	3#	Folsom	2
Beckwith	1	Concord	3	Fontana	3#
Benicia	3	Corning	3	Forestville	1
Ben Lomond	2#	Corona	3	Fort Bragg	3
Biggs	1	Cottonwood	1	Fortuna	3
Blairsden	1	Coulterville	1	French Gulch	1
Blue Lake	1	Crockett	3#	Fresno	6
Bodega	1	Crows Landing	1	Fullerton	3#
Bolinas	1	Dana Point	1#	Fulton	1
Boonville	1	Danville	2	Galt	2
Boulder Creek	2	Davis	3	Garden Grove	3#
Bradley	1	Delano	3	Gazelle	1
Brawley	3	Del Mar	3#	Georgetown	1
Brea	3#	Del Rey	1	Gerber	1#
Brentwood	2	Diablo	2	Geyserville	1
Bridgeville	1	Dinuba	3	Gonzales	2
Brockway	2	Dixon	2	Grass Valley	3
Browns Valley	1	Downieville	1	Greenfield	2
Buena Park	3#	Dunnigan	1	Grenada	1
Burrel	1	Dunsmuir	3#	Gridley	3

Farmer Line Service not offered.

EXHIBIT A
Sheet 3 of 15

SERVICE IN EXCHANGES OUTSIDE EXTENDED AREAS

Rate Grouping

<u>Exchange</u>	<u>Rate Group</u>	<u>Exchange</u>	<u>Rate Group</u>	<u>Exchange</u>	<u>Rate Group</u>
Groveland	1	Lincoln	2	Newport Beach	4#
Guerneville	2	Live Oak	2	Nicasio	1
Gustine	2	Livermore	3	Nice	1#
Half Moon Bay	2#	Lockeford	1	Nicolaus	1
Hamilton	1	Lodi	3	Nipomo	1#
Hanford	3	Loleta	1	North San Juan	1
Healdsburg	3	Loomis	1	Oakdale	3
Herald	1	Los Banos	3	Oakley	1
Highland	3	Los Molinos	1	Oceanside	4#
Hilt	1	Lower Lake	2	Occidental	1
Hollister	3	Loyalton	1	Ojai	3#
Holtville	3#	Madera	3	Orange	3#
Homewood	1#	Martinez	3	Orange Cove	2
Hopland	1	Marysville	4	Orland	3
Hornbrook	1	Mendocino	1	Oroville	3
Hughson	2	Mendota	1#	Pala	1#
Hudsville	1	Merced	4	Palmdale	2
Ignacio	1#	Meridian	2#	Panoche	1
Imperial	2	Mesa Grande	1	Paradise	3
Inverness	1	Michigan Bar	1	Paraiso Springs	1
Ione	2	Middletown	1	Parlier	1
Jackson	3	Milton	1	Paskenta	1
Jacumba	1#	Miranda	1	Paso Robles	3
Jamestown	2	Moccasin	1#	Penryn	1
Julian	1	Modesto	5	Pescadero	1
Kelsey	1	Mojave	2	Petaluma	3
Kelseyville	2	Mokelumne Hill	1	Philo	1
Keystone	1	Montague	1	Pincle	2#
King City	3	Monterey	5	Piru	1
Kingsburg	3	Monte Rio	1#	Pismo Beach	2#
Knighten	1	Moorpark	2#	Pittsburg	3
Knight's Ferry	1	Morre Bay	2#	Pixley	1
Korbel	1	Moss Beach	1#	Placencia	3
La Honda	1#	Mountain Copper	1	Placerville	3
Lakeport	3	Mount Shasta	3	Planada	1
Laton	2	Napa	4	Pleasant Grove	1
Lebec	1	Nevada City	3	Pleasanton	2
Le Grand	1	Newcastle	1	Plymouth	1
Lemoore	3	Newhall	3	Point Arena	1
Lewiston	1	Newman	2	Point Reyes	1

Farmer Line Service not offered.

EXHIBIT A
Sheet 4 of 15

SERVICE IN EXCHANGES OUTSIDE EXTENDED AREAS

Rate Grouping

<u>Exchange</u>	<u>Rate Group</u>	<u>Exchange</u>	<u>Rate Group</u>	<u>Exchange</u>	<u>Rate Group</u>
Port Chicago	2	Santa Rosa	5	Truckee	2
Porterville	3	Saticoy	2#	Tulare	3
Portola	3	Sebastopol	3#	Turlock	3
Potter Valley	1	Selma	3	Ukiah	3
Poway	1	Shafter	3	Upper Lake	2
Quincy	3	Shingle Springs	1	Vacaville	3
Rackerby	1	Sierraville	1	Vallejo	6
Ramona	2	Simi	2#	Valley Ford	1
Rancho Santa Fe	2#	Smartsville	1	Valley Springs	1
Red Bluff	3	Soda Springs	1	Ventura	4
Redding	4	Soledad	2	Vina	1
Rialto	3	Sonoma	3#	Visalia	4
Richvale	1	Sonora	3	Vista	3#
Rio Dell	1	Springville	1	Wallace	1
Rio Linda	2	Standard	1	Warner Springs	1
Riverbank	2	Stinson Beach	1	Wasco	3
Riverdale	2	St. Helena	3	Waterford	1
Riverside	6#	Stockton	6	Watsonville	1
Rocklin	1	Stonyford	1	Weed	3
Rodeo	3#	Stratford	1	Weott	1#
Rosamond	1	Suisun	3	Wheatland	2
Sacramento	7	Sunol	1#	Willits	3
Salinas	5	Sutter Creek	2	Willows	3
San Andreas	2	Tahoe City	2#	Windsor	1
San Ardo	1	Tallac	2	Winters	2
San Clemente	2#	Tehachapi	2	Woodlake	2
San Juan	2	Templeton	1	Woodland	3
San Juan Capistrano	2	Terra Bella	1	Yountville	2
San Lucas	1	Thornton	1	Yreka	3
San Luis Obispo	4	Three Rivers	1		
San Martin	1	Tipton	1#		
San Ysidro	2#	Tomales	1		
Santa Ana	6#	Tracy	3		
Santa Cruz	5#	Tres Pinos	1		
Santa Margarita	1	Trinidad	1		

Farmer Line Service not offered.

EXHIBIT A
Sheet 5 of 15

SAN FRANCISCO-EAST BAY SERVICE AND LOCAL AND EXTENDED SERVICE IN
THE EXCHANGES IN THE SAN FRANCISCO-EAST BAY EXTENDED AREA

Local Service

Each Primary Desk or Hand Set Station
Wall Set 25¢ Less

Rate Group	Business Flat Rate Service Monthly Rate		Semi- Public* Min. Charge Per Day	Residence Flat Rate Service Monthly Rate		
	1-Pty.	2-Pty.		1-Pty.	2-Pty.	4-Pty.
1	\$4.25	\$3.75	\$0.15	\$3.00	\$2.75	\$2.25
2	4.50	4.00	.16	3.25	2.75	2.25
3	5.25	4.25	.18	3.50	3.00	2.50
4	5.75	4.75	.20	3.50	3.00	2.50
5	6.25	5.25	.21	3.50	3.00	2.50
6	6.75	5.75	.22-1/2	3.75	3.00	2.50

Rate Group	Suburban Service Monthly Rate		Farmer Line Service** Monthly Rate	
	Business	Residence	Business	Residence
1	\$3.50	\$2.75	\$0.75	\$0.50
2	3.75	2.75	.75	.50
3	4.00	3.00	1.00	.60
4	4.00	3.00	1.25	.70
5	4.00	3.00	1.50	.80
6	4.25	3.00	1.75	.90

*Semi-public service is furnished:

- On a non-optional extended service basis at a minimum charge of \$0.22-1/2 per day in the Orinda, Palo Alto, Richmond, San Jose and San Mateo exchanges.
- On an optional basis in the Hayward Exchange at a minimum charge of \$0.22-1/2 per day for extended service.

**Telephone instrument furnished by subscriber.

EXHIBIT A

Sheet 6 of 15

SAN FRANCISCO-EAST BAY SERVICE AND LOCAL AND EXTENDED SERVICE IN THE
EXCHANGES IN THE SAN FRANCISCO-EAST BAY EXTENDED AREASan Francisco-East Bay Service and Extended ServiceEach Primary Desk or Hand Set Station
Wall Set 25¢ Less

Rate Group	Business Serv. 1-Pty. Monthly Rate		Residence Flat Rate Service Monthly Rate		Res. Message Rate Service Monthly Rate
	Flat Rate	Message Rate	1-Pty.	2-Pty.	2-Pty.
A	\$5.25	-	\$3.75	\$3.00	-
B	6.25	-	4.00	3.25	-
C	7.00	-	4.00	3.25	-
D	7.50	-	4.00	3.25	-
E	8.00	-	4.00	3.25	-
F	-	\$4.75(80)3-1/2	4.00	3.25	-
G	-	5.00(85)3-1/2	4.25	3.25	\$2.50(60)3-1/2*
SF-EB	-	5.00(85)3-1/2	4.25	3.25	2.50(60)3-1/2

*Orinda only.

SF-EB Exch.: Semipublic Service - Minimum charge \$0.22-1/2 per day
 Suburban Service - Per month, Bus. \$4.75, Res. \$3.50
 Farmer Line Service- EB Zone, per month, Bus. \$2.75, Res. \$1.50

Rate Grouping

<u>Exchange</u>	<u>Local</u>	<u>Ext.</u>	<u>Exchange</u>	<u>Local</u>	<u>Ext.</u>
Alvarado	1	B	Orinda	3#**	G
Belvedere	3#	B	Palo Alto	6#	D
Campbell	3#	E	Redwood City	4#	D
Centerville	2	A	Richmond	6#	F
Corte Madera	3#	C	San Carlos-Belmont	3#	D
Decoto	1	B	San Jose	6	E
Hayward	4	F	San Mateo	6#	D
Irvington	2	A	San Rafael	5	C
Lafayette	3#	B	Saratoga	3#	E
Los Altos	3#	D	Sausalito	3	B
Millbrae	3#	D	Sharp Park	2#	F
Mill Valley	3	C	South San Francisco	4#	F
Mission San Jose	1	A	Sunnyvale	3#	E
Moraga	1#	G	Walnut Creek	3	B
Mountain View	3#	D	Warm Springs	1#	A
Newark	2	A	Woodside	3#	D
Niles	2	A			

Farmer Line Service not offered.

** Suburban Service not offered.

EXHIBIT A
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Other Authorized Changes in Exchange Service

Party Line Business and Residence Service

Rates for party line business and residence service are authorized to be cancelled as follows:

a. Four-party Line Business Service

Calistoga	Compton	Potter Valley
Cambria	Corona	Sonoma
Cayucos	Lakeport	Turlock

b. Eight-party Line Business and Residence Service

Corona

c. Ten-party Line Business and Residence Service

Potter Valley

Suburban Service

Mileage zone rates for suburban service in the following listed exchanges are authorized to be cancelled:

Calistoga	Lower Lake	Sebastopol
Guerneville	Middletown	Sonoma
Healdsburg	Nice	Upper Lake
Kelseyville	Potter Valley	
Lakeport	Santa Rosa	

Condition covering discount in the Campbell exchange is authorized to be withdrawn.

Farmer Line Service

Conditions covering discounts are authorized to be withdrawn.

Conditions covering minimum charge are authorized to be changed to the revenue of not less than that of three residence stations.

The following rates for farmer line service in El Cajon and Pasadena are authorized:

Exchange	Rate Per Month	
	Business	Residence
El Cajon	\$1.00	\$0.60
Pasadena	2.00	1.00

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Sheet 8 of 15

EXCHANGE SERVICE SCHEDULE NO. A-5
COMMERCIAL MANUAL AND DIAL PRIVATE BRANCH EXCHANGE SERVICE

Exchanges Outside Extended Areas

Trunk Rate:	<u>Rate Per Month</u>
Corona	
Each trunk line	\$7.00
Turlock	
First bothway trunk line	7.00
Each additional bothway trunk line	5.25

San Francisco-East Bay
and Extended Message Rate Service

Hayward	Orinda	Sharp Park
Moraga	Richmond	South San Francisco
	San Francisco-East Bay	

Trunk Rate:

First two trunk lines:	
Both trunk lines - Business individual line message desk set station rate with no message allowance.	
Each additional trunk line	\$2.00

Message Rate:

Each zone or exchange message - 3-1/2¢.

Flat Rate Extended Service in Exchanges
in the San Francisco-East Bay Extended Area

Trunk Rate:

Each trunk line - 150% of business individual line desk set station
rate rounded to lower 25¢ multiple.

EXHIBIT A
Sheet 9 of 15

EXCHANGE SERVICE SCHEDULE NO. A-6
ORDER RECEIVING EQUIPMENT

Local Service

Orinda

	<u>Rate Per Month</u>
Each individual business line terminating on turret	\$5.25

San Francisco-East Bay
and Extended Message Rate Service

Hayward	Orinda	Sharp Park
Moraga	Richmond	South San Francisco
	San Francisco-East Bay	

Each individual business line terminating on turret -
Business individual line desk set station rate.

Trunk Rate:	<u>Rate Per Month</u>
-------------	-----------------------

First two trunk lines:

Both trunk lines - Business individual line message
desk set station rate with no message allowance.

Each additional trunk line	\$2.00
----------------------------	--------

Message Rate:

Each zone or exchange message - 3-1/2¢.

Flat Rate Extended Service in Exchanges
in the San Francisco-East Bay Extended Area

Exchanges where service is currently offered

Each individual business line terminating on turret -
Business individual line desk set station rate.

Trunk Rate:

Each trunk line - 150% of business individual line desk set station
rate rounded to lower 25¢ multiple.

EXHIBIT A
SHEET 10 of 15
EXCHANGE SERVICE SCHEDULE NO. A-7
HOTEL MANUAL AND DIAL PRIVATE BRANCH EXCHANGE SERVICE

Exchanges Outside Extended Areas

Trunk Rate:	<u>Rate Per Month</u>
Corona	
Each trunk line	\$7.00
Turlock	
First bothway trunk line	7.00
Each additional bothway trunk line	5.25

San Francisco-East Bay Exchange

Message Rate:

Each zone message - 5¢.

EXCHANGE SERVICE SCHEDULE NO. A-8
RESIDENCE MANUAL AND DIAL PRIVATE BRANCH EXCHANGE SERVICE

San Francisco-East Bay Exchange

Trunk Rate:	<u>Rate Per Month</u>
Each trunk line	\$6.25

EXCHANGE SERVICE SCHEDULE NO. A-9
BUSINESS INTERCOMMUNICATING SYSTEM SERVICE

Turlock Exchange

Trunk Rate:	<u>Rate Per Month</u>
First bothway trunk line	\$7.00
Each additional bothway trunk line	5.25

San Francisco-East Bay Exchange

Trunk Rate:	<u>Rate Per Month</u>
First two trunk lines	\$5.00
Each additional trunk line	2.00

EXHIBIT A

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EXCHANGE SERVICE SCHEDULE NO.A-10

RESIDENCE INTERCOMMUNICATING SYSTEM SERVICE

San Francisco-East Bay Exchange

Trunk Rate:	<u>Rate Per Month</u>
Each trunk line	\$6.25

EXCHANGE SERVICE SCHEDULE NO.A-32

BUSINESS DIAL PRIVATE BRANCH EXCHANGE SYSTEM SERVICE

San Francisco-East Bay
and Extended Message Rate ServiceHayward
MoragaOrinda
Richmond
San Francisco-East BaySharp Park
South San Francisco

Trunk Rate:	<u>Rate Per Month</u>
First two trunk lines:	
Both trunk lines - Business individual line message desk set station rate with no message allowance.	
Each additional trunk line	\$2.00

Message Rate:

Each zone or exchange message - 3-1/2¢

Flat Rate Extended Service in Exchanges
in the San Francisco-East Bay Extended AreaExchanges where service is currently offered
Trunk Rate:Each trunk line - 150% of business individual line desk set station
rate rounded to lower 25¢ multiple.Exchanges Outside Extended Areas

Trunk Rate:	<u>Rate Per Month</u>
Corona	
Each trunk line	\$7.00
Turlock	
First bothway trunk line	7.00
Each additional bothway trunk line	5.25

EXHIBIT A
Sheet 12 of 15

EXCHANGE SERVICE SCHEDULE NO. A-33
RESIDENCE DIAL PRIVATE BRANCH EXCHANGE SYSTEM SERVICE

San Francisco-East Bay and Local and Extended Service
in Exchanges in the San Francisco-East Bay Extended Area

Local Service

Trunk Rate:	<u>Rate Per Month</u>
First trunk line - Residence individual line desk set station rate	
Each additional trunk line:	
Los Altos	\$2.00
Palo Alto	2.00
Redwood City	2.00
San Jose	2.25
San Mateo	2.00
San Rafael	2.00
Walnut Creek	2.00

San Francisco-East Bay

Trunk Rate:	<u>Rate Per Month</u>
Each trunk line	\$6.25

Extended Service

Trunk Rate:
Each trunk line - 150% of residence individual line desk set station rate rounded to lower 25% multiple.

EXCHANGE SERVICE SCHEDULE NO. A-16
FOREIGN EXCHANGE SERVICE

Primary rates for foreign exchange local and extended services are adjusted to the extent required by changes in the basic individual line, party line and PBX trunk rates.

EXCHANGE SERVICE SCHEDULE NO. A-18
INTERZONE SERVICE - SAN FRANCISCO-EAST BAY

Rate:	
Each message, 3 minutes or less	10
Each additional 2 minutes or fraction thereof	5

EXCHANGE SERVICE SCHEDULE NO. A-19
JOINT USER SERVICE

Palo Alto	San Jose
Richmond	San Mateo

Withdraw rates in connection with local semipublic service and include rates (\$1.00) in connection with extended semipublic service.

EXHIBIT A

Sheet 13 of 15

EXCHANGE SERVICE SCHEDULE NO. A-21

MILEAGE RATES - CORONA

Withdraw rate for 8-party line primary stations.

EXCHANGE SERVICE SCHEDULE NO. A-25

PUBLIC TELEPHONE SERVICE - NORTHERN CALIFORNIA

Modify Condition 1. as follows:

In the San Francisco zone, East Bay zone, and the following exchanges the above rates comprehend service without additional charge as set forth in Exchange Service Schedule No. A-38 which indicates the local service areas:

Hayward
Orinda

Palo Alto
Richmond

San Jose
San Mateo

EXCHANGE SERVICE SCHEDULE NO. A-37

TOLL TERMINALS

San Francisco-East Bay Exchange

Rates and Charges:

Rate Per Month

(1) Rate:

(a) Toll Terminal Rate:

Each toll terminal located within the central office district in which the toll office is located

1. Where the termination is in a commercial private branch exchange switchboard or order receiving equipment, or a desk set station. \$5.00
2. Where the termination is in a hotel private branch exchange switchboard -
Same as present rate.
3. Where the termination is in a wall set station or a key in lieu of an instrument -
Desk set station rate less 25¢ per month.

Riverside Exchange

Rates and Charges:

Rate Per Month

(1) Rate:

(a) Toll Terminal Rate:

Each toll terminal located within the base rate area and within the central office district in which the toll office is located

1. Where the termination is in a commercial or hotel private branch exchange switchboard or order receiving equipment, or a desk or hand set station. \$6.75
2. Where the termination is in a wall set station or a key in lieu of an instrument -
Desk set station rate less 25¢ per month.

EXHIBIT A
Sheet 14 of 15
RULE AND REGULATION
NO. 1
DESCRIPTION OF SERVICE

Paragraph (H), Farmer Line Service, revised as follows:

Farmer line service will be rendered outside the base rate area, but within the exchange area, to less than three (3) subscribers, provided that the total minimum exchange revenue of each circuit is not less than that of three (3) residence stations.

SCHEDULE NO. H-1
MESSAGE UNIT SERVICE - SAN FRANCISCO-EAST BAY

Rates:

Message Unit Rate:

1. Business Foreign Exchange Service
2. Hotel Private Branch Exchange Service
3. Other services set forth above

Each Message Unit

5¢
5¢
3-1/2¢

EXHIBIT A
Sheet 15 of 15

MESSAGE TOLL TELEPHONE SERVICE
INTRASTATE RATE TABLE

Mileages and Corresponding Rates for Different Classes of Service

Mileage	R A T E							
	DAY, NIGHT AND SUNDAY							
	Station-to-Station				Person-to-Person			
	Paid		Collect		Paid and Collect			
	Initial	Overtime	Initial	Overtime	First 3 Mins.	Each 3 Mins.	First 3 Mins.	After 3 Mins.
---	\$.05-3 m	\$.05-3 m	Not Quoted				Not Quoted	
0- 12	.10-3 m	.05-2 m	\$.20-3 m	\$.05-1 m	.20		\$.05	\$.05
13- 18	.15-3 m	.05-1 m	.25-3 m	.05-1 m	.25		.05	.05
19- 24	.20-3 m	.05-1 m	.25-3 m	.05-1 m	.30		.10	.05
25- 32	.25-3 m	.05-1 m	.25-3 m	.05-1 m	.35		.10	.05

	PAID AND COLLECT									
	DAY (EXCEPT SUNDAY)					NIGHT AND SUNDAY				
	Station to Station		Person to Person			Station to Station		Person to Person		
	First 3 Mins.	Each Add. Min.	First 3 Mins.	Each 3 Mins.	After 3 Mins.	First 3 Mins.	Each Add. Min.	First 3 Mins.	Each 3 Mins.	After 3 Mins.
	Mins.	Min.	Mins.	3	3	Mins.	Min.	Mins.	3	3
33- 40	\$.30	\$.10	\$.40	\$.10	\$.10	\$.30	\$.10	\$.40	\$.10	\$.10
41- 48	.35	.10	.50	.15	.10	.35	.10	.50	.15	.10
49- 56	.40	.10	.55	.15	.10	.35	.10	.50	.15	.10
57- 64	.45	.15	.65	.20	.15	.35	.10	.55	.15	.10
65- 72	.50	.15	.70	.20	.15	.40	.10	.60	.20	.10
73- 80	.55	.15	.75	.25	.15	.45	.15	.65	.20	.15
81- 90	.60	.20	.85	.25	.20	.50	.15	.75	.25	.15
91-100	.65	.20	.90	.30	.20	.50	.15	.75	.25	.15
101-110	.70	.20	1.00	.30	.20	.55	.15	.85	.25	.15
111-120	.75	.25	1.05	.35	.25	.60	.20	.90	.30	.20
121-130	.80	.25	1.10	.35	.25	.65	.20	.95	.30	.20
131-140	.85	.25	1.20	.40	.25	.65	.20	1.05	.35	.20
141-150	.90	.30	1.25	.40	.30	.70	.20	1.05	.35	.20
151-170	.95	.30	1.35	.45	.30	.70	.20	1.15	.35	.25
171-190	1.00	.30	1.40	.45	.30	.75	.25	1.20	.40	.25
191-210	1.05	.35	1.45	.45	.35	.80	.25	1.25	.40	.25
211-230	1.10	.35	1.55	.50	.35	.80	.25	1.35	.45	.30
231-250	1.15	.35	1.60	.50	.35	.85	.25	1.35	.45	.30
251-270	1.20	.40	1.70	.55	.40	.85	.25	1.45	.45	.30
271-300	1.25	.40	1.75	.55	.40	.90	.30	1.50	.50	.30
301-330	1.30	.40	1.80	.60	.40	.95	.30	1.55	.50	.35
331-360	1.35	.45	1.90	.60	.45	.95	.30	1.65	.55	.35
361-390	1.40	.45	1.95	.65	.45	1.00	.30	1.65	.55	.35
391-430	1.45	.45	2.05	.65	.45	1.05	.35	1.75	.55	.35
431-470	1.50	.50	2.10	.70	.50	1.10	.35	1.80	.60	.40
471-510	1.55	.50	2.15	.70	.50	1.15	.35	1.85	.60	.40
511-550	1.60	.50	2.25	.75	.50	1.20	.40	1.95	.65	.40
551-590	1.65	.55	2.30	.75	.55	1.25	.40	1.95	.65	.40
591-630	1.70	.55	2.40	.80	.55	1.30	.40	2.05	.65	.45
631-685	1.75	.55	2.45	.80	.55	1.35	.45	2.10	.70	.45
686-740	1.80	.60	2.50	.80	.60	1.40	.45	2.15	.70	.45
741-795	1.85	.60	2.60	.85	.60	1.45	.45	2.25	.75	.50
796-850	1.90	.60	2.65	.85	.60	1.50	.50	2.25	.75	.50
851-905	1.95	.65	2.75	.90	.65	1.55	.50	2.35	.75	.50