

Decision No. 42423

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Associated Telephone Company, Ltd., a corporation, for authority to increase certain rates and charges applicable to telephone service.

Application No. 30339

Marshall K. Taylor, Donald C. Power, and O'Melveny & Myers by Harry L. Dunn and Sidney H. Wall for applicant; K. Charles Bean, T. H. Chubb, and Roger Arnebergh, for the City of Los Angeles; J. J. Deuel and Edson Abel for the California Farm Bureau Federation; Henry M. Busch for the Cities of Ontario and Upland; William J. Donahue for Aerojet Engineering Corporation; Joel E. Ogle for the County of Orange; Emmett J. Ward for the Director of the State Department of Finance, State of California; Irving M. Smith and Joseph B. Lamb for the City of Long Beach; H. R. Griffin for the City of San Bernardino; Carroll Webers for the Bellflower Chamber of Commerce.

INTERIM OPINION

By the above-entitled application, filed on May 24, 1949, and as amended on August 22, 1949, the Associated Telephone Company, Ltd., seeks authority to increase certain telephone rates and charges in the amount of \$2,493,680 annually. The applicant is a California corporation engaged in furnishing telephone exchange and toll service to over 350,000 telephone stations in 28 exchanges located in the Counties of Los Angeles, Orange, San Bernardino, and Santa Barbara.

Public hearings on Application No. 30339 were held on September 15 and 16, 1949, in Los Angeles before Commissioner Huls and Examiner Howard and on October 3, 1949 before Examiner Chiesa. During the course of these hearings, testimony was introduced by the Associated Telephone Company, Ltd., in support of its application and its witnesses were cross-examined by the Commission's staff and by certain interested parties. On September 15, 1949, counsel for the applicant moved that the

Commission immediately grant on an emergency and interim basis such portion of the rate increases sought as it believes just and proper. Representatives of the cities and other organizations generally opposed the granting of any interim increases at this time. The motion was not submitted and the proceeding was adjourned to October 3, 1949, in Los Angeles, to provide the interested parties further opportunity to cross-examine the applicant's witnesses. On October 3, 1949, following further testimony, the applicant renewed its motion for interim rates, at which time the motion was taken under submission and the hearing adjourned to a date to be set.

The evidence as to earnings presented by the applicant is related to the results for the six months ending June 30, 1949, to the estimated results for the six months ending December 31, 1949, and to the estimated results as of December 31, 1950, all extended to an annual basis. These results are:

Item	Period					
	Six Months Ending June 30, 1949	Present Rates	Six Months Ending Dec. 31, 1949	Co. Prop. Rates	As of Dec. 31, 1950	Co. Prop. Rates
Revenues	\$16,071,698	\$16,892,653	\$19,371,084	\$22,784,026		
Expenses	13,867,425	14,826,258	15,820,307	18,860,839		
Net Revenue	2,204,273	2,066,395	3,550,777	3,923,187		
Avg. Net Rate Base	47,869,984	54,664,622	54,664,622	73,497,387		
Per Cent Return	4.60%	3.78%	6.50%	5.34%		

The evidence shows that a downward trend in earnings exists, but not to the degree indicated by the applicant's estimates. A witness for the applicant, under cross-examination, agreed that, based upon the actual experience in recent months, the toll revenues for the six-month period ending December 31, 1949, on an annual basis would be approximately \$200,000 higher than shown in the applicant's estimates.

Applicant's witness also stated that the revenue estimates did not include approximately \$38,000 which, on an annual basis, will accrue to

the applicant by reason of increases in the message unit rates of The Pacific Telephone and Telegraph Company, effective September 1, 1949, pursuant to Decision No. 43145 of this Commission.

By reason of the continued rapid population growth and increase in demand for telephone service in the territory served by the applicant, a substantial growth has occurred in the applicant's plant and facilities during the past several years. The evidence shows that from January 1, 1947 to July 31, 1949, applicant's investment in telephone plant in service increased from \$33,093,337 to \$63,196,415, or 91%. During the same period, applicant's telephone stations increased from 215,939 to 352,482, or 63%. The applicant's construction program is estimated to increase the investment in telephone plant in service approximately \$14,480,000, or 27%, in 1949 and approximately \$17,900,000, or 26%, in 1950. One of the primary purposes of this large plant expansion program is to provide sufficient facilities to furnish service to applicants waiting for telephone service, of which there were 23,263 as of June 30, 1949.

The company's estimate of net operating revenue does not yield a reasonable return on its estimated net investment in properties used by it to render telephone service. In view of the fact that the company is confronted with the problem of obtaining funds to carry forward its construction program, an interim increase in rates is justified. Based on the testimony developed in this record, an interim order will be entered authorizing rate increases aggregating about \$1,100,000. These increases are subject to adjustment at the time the final decision is rendered on this application.

The evidence shows that most of applicant's rates and charges for telephone service have not been increased since 1921 or prior thereto, although there have been certain reductions in rates. The increases which the applicant proposes are set forth in detail in

Exhibit C attached to the first amended application. Increases are proposed in basic rates for business and residence individual line and party line service, as well as in rates and charges for extension stations, private branch exchange service, service connection and move and change charges, miscellaneous and supplemental equipment charges, private line, and toll telephone rates.

The interim rates authorized herein make no change in basic rates for business and residence individual line and party line service, including suburban and farmer line service. The increases in rates authorized herein, are set forth in Exhibit A attached hereto. Such increases in miscellaneous exchange rates are no higher than applicant proposes and in a number of instances are lower.

Increases in service connection and move and change charges authorized herein are estimated at \$287,000 on an annual basis, including increases for installation of business stations from \$3 and \$3.50 to \$7, residence stations from \$2.50 and \$3.50 to \$5, and extension stations and move and change charges from \$1.50 to \$3. It is proposed to continue the 25-cent wall set differential to existing installations only. The elimination of the wall set differential for future installations is authorized and it also appears appropriate to waive the move and change charge for a change from a wall or desk set instrument to a hand set instrument.

Installation charges are authorized and monthly rates increased for manual and dial PBX switchboard positions and for automatic PBX switching equipment. Rates for PBX flat rate trunk lines are 50% higher than the rate for individual line primary stations. Increases are also made in rates for intercommunicating system service, multiple line key cabinet service, and for receiving cabinet service. These changes are estimated to result in an increase of \$308,000 in annual revenue.

Increases in installation charges and monthly rates for a number of items of supplemental equipment are estimated at \$147,000 on an annual basis.

Business extension and PBX stations are increased in general by 25 cents per month and the discount for auxiliary line business service is eliminated. Mileage rates for off-premises extension and PBX station lines are increased, and in general the airline basis of measurement is substituted for circuit measurement. Rates for joint user service in connection with business lines are also increased. The combined effect of these changes is to increase annual revenues \$178,000.

Other miscellaneous changes authorized include an increase from \$3 to \$5 per month for interexchange receiving service; and increases in rates for certain foreign exchange service, vacation rate service, private line and mobile telephone service. It is estimated these changes will increase revenues by \$75,000 on an annual basis.

The applicant proposes increases in rates for message toll telephone service, which it is estimated will increase annual revenues \$105,000. These increases in toll rates will be authorized.

It should be understood that while the company's direct presentation has been completed, neither the other parties nor the Commission's staff as yet has presented evidence.

#### INTERIM ORDER

The Associated Telephone Company, Ltd., having applied to this Commission for an order authorizing certain increases in rates and charges and for such other or further relief as may be proper in the premises, public hearings having been held, a motion having been made for a grant of an interim rate increase pending completion of the entire proceeding, and it appearing to this Commission that certain increases are necessary on an interim basis,

IT IS HEREBY FOUND AS A FACT that the increases in rates and the revisions in rules and conditions authorized herein are justified; therefore,

IT IS HEREBY ORDERED that applicant is authorized to file with this Commission after the effective date of this order, in conformity with General Order No. 96, the schedules of rates, rules, and conditions shown in Exhibit A attached hereto, and, after not less than five (5) days' notice to the Commission and to the public, to make such rates effective by billing periods on and after November 16, 1949, for bills covering service furnished on and after November 16, 1949, excepting that rates, rules and conditions applicable to message unit service, toll telephone service, service connection, and move and change charges shall be made effective November 16, 1949, and excepting further that increases in installation charges shall be effective on applications received by applicant on and after November 16, 1949.

The effective date of this order shall be twenty (20) days after the date hereof.

Dated at San Francisco, California, this 18<sup>th</sup> day of October, 1949.

R. E. [Signature]  
Justice F. Garner  
[Signature]  
Harold P. Hull  
[Signature]  
Commissioners

R A T E S

The presently effective rates and conditions are changed as set forth in this exhibit.

Schedule No. A-1  
Individual Line and Party Line Service

Business Service  
Rate per Month

Extension Stations:  
Each Extension Hand Set Station:

With or without bell  
Flat rate service  
Message rate service

\$1.25  
1.00

Revise Special Condition 4 to provide for the installation of residence off-premises extension stations within 300 feet of the primary station at no mileage charge applicable in the Whittier exchange.

Schedule No. A-2  
Auxiliary Line Service - Exchanges Where Offered

Rates for Auxiliary Line Service are authorized to be canceled.

Schedule No. A-4  
Mileage Rates

Revise Schedule No. A-4 as shown on Exhibit C, attached to first amended application, Pages 9 (lower half of page), 10 (as amended), 11 and 12 except as follows:

1. Change RATE 1 to read:

The rates in 1.a apply to the airline distance measured from the subscriber's primary station, private branch exchange switchboard, intercommunicating system receiving station, receiving cabinet or initial multiple line key cabinet, and the nearest point on a base rate area boundary or special rate area boundary within the exchange or district area from which the primary service would normally be furnished, that measurement being used which, together with the appropriate base rate or special rate, will result in the lower monthly charge for service to the subscriber.

2. Change Special Condition 1 to read:

The mileage rates shown in Rate 1. are applicable to the services listed when the subscriber's instrumentalities are located outside of a base rate area or special rate area and within the exchange or district area in addition to the other rates applicable to those services.

3. Change Special Condition 3 to read:

Except as otherwise provided, the mileage rates set forth in Rate 3. above 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 and are in addition to the rates for extension stations and private branch exchange stations on the premises on which the primary station or private branch exchange switchboard is located. The application of these rates is in accordance with the conditions governing foreign exchange service.

Schedule No. A-5  
Suburban Service

Business Service  
Rate per Month

Extension Station Rate:	
Each Hand Set Station:	
Without bell:	
All exchanges	\$1.25
With bell:	
Covina, Downey, Lancaster, Long Beach, Pomona, Redondo, San Bernardino	1.25

Change Special Condition 6 to provide that in all exchanges no mileage charge will apply to off-premises residence extension stations located on the same continuous property and within 300 feet of the primary station.

Schedule No. A-6  
Commercial Private Branch Exchange Service - Exchanges Where Offered

	<u>Installation Charge</u>	<u>Rate per Month</u>
Manual Equipment:		
Cordless Type Switchboard		
5 Trunks and 12 Stations	\$80.00	\$9.00
Each Privately Owned Line Termination	7.00	3.50

Revise Special Condition 6 as set forth on Exhibit C, Page 24, attached to first amended application.

Cancel Special Conditions 8 and 11.

Schedules Nos. A-6 and A-7  
Commercial and Hotel Private Branch Exchange Service - Exchanges Where Offered

	<u>Installation Charge</u>	<u>Rate per Month</u>
Cord Type Switchboard:		
Non-multiple		
40 lines or less	\$120.00	\$15.00
41 to 80 lines	180.00	19.00
Over 80 lines	250.00	25.00
Multiple, per position	600.00	35.00
Mechanical Equipment:		
Each selector	-	3.00
Each connector	-	3.00
Each selector-connector	-	3.00
Each dial trunk between mechanical equipment and switchboard on subscriber's premises	-	1.00
Mechanical equipment of tie lines to other private branch exchanges:		
Arranged to select mechanical stations but not to be selected by mechanical stations	-	2.00
Arranged to be selected by mechanical stations but not to select mechanical stations	-	2.00
Arranged to select and to be selected by mechanical stations	-	1.00
Common Equipment	-	40.00

Rates for battery and power supply equipment and the minimum charge for mechanical equipment are authorized to be canceled.



Schedules Nos. A-6 and A-7  
Commercial and Hotel Private Branch Exchange Service - Exchanges Where Offered  
(Cont'd)

Rates for Attendant's Cabinet in Covina, Long Beach, Pomona, and San Bernardino are authorized to be canceled.

Station Rate:	Rate per Month		
	Commercial PBX	Hotel FBX Non-Guest Room	Hotel FBX Guest Room
Each hand set station	\$1.25	\$1.25	\$1.00

Schedules Nos. A-6, A-7, A-8, A-9  
Private Branch Exchange and Intercommunicating System Trunk Line Service - Exchanges  
Where Offered

Flat Rate Service

Each trunk line: 150% of individual line primary hand set station flat rate rounded to the lower 25 cent multiple.

Schedule No. A-7  
Hotel Private Branch Exchange Service - Exchanges Where Offered

Cancel Special Conditions 7 and 9.

Schedule No. A-8  
Automatic Private Branch Exchange Service - Exchanges Where Offered

<u>Switching Equipment Rate</u>	<u>Installation Charge</u>	<u>Rate per Month</u>
Automatic switching unit equipped for 20 station lines, 4 intercommunicating lines, and 5 trunks including attendant's cabinet	\$200.00	\$35.00

All other existing rates for switching equipment are authorized to be canceled.

Station Rate:	<u>Rate per Month Business or Residence Service</u>
Each hand set station:	
With push button and key in base	\$1.75
With push button in base	1.50
Without push button or key	1.25

All other existing station and miscellaneous equipment rates are authorized to be canceled.

Cancel special condition which provides for a five-year termination contract.

Add special condition to read:

The standard size automatic switching unit will be of 20 station lines, 4 intercommunicating lines and 5 trunk lines capacity. To meet traffic requirements, non-standard size units will be changed to standard size units at no charge to the subscribers.

The following station minimum requirements are authorized:

Business service      8 stations  
Residence service    6 stations

Schedule No. A-9  
Intercommunicating System Service - Exchanges Where Offered

Station Rates:

Proposed rates set forth on Exhibit C, attached to the first amended application, Pages 38 and 39 are authorized.

Rates and conditions covering intercommunicating system service apply to services established or applied for prior to the effective date of this schedule.

Schedule No. A-11  
Multiple Line Key Cabinet Service - Exchanges Where Offered

Proposed rates and conditions set forth on Exhibit C, attached to the first amended application, Page 40 as amended, are authorized.

Schedule No. A-13  
Joint User Service

	<u>Rate per</u> <u>Month</u>
Each joint user in connection with:	
Local Service:	
Individual line, party line or receiving cabinet service	\$1.50
PBX, ICS or order receiving service	2.50
Semi-public service	1.00

Schedule No. A-15  
Supplemental Equipment - Exchanges Where Offered

The proposed installation charges, monthly rates, and conditions set forth on Exhibit C, attached to the first amended application Pages 45 to 51 inclusive, are authorized to be made effective except as follows:

- a. No changes are authorized in the installation charge and monthly rate for extension bell or gong on suburban lines. (Ex. C, 45)
- b. Cancel installation charge for single and double head receiver. (Ex. C, 47)
- c. Continue in effect the present condition relating to relays furnished on suburban lines in the Carpinteria, Guadalupe, Lompoc, Los Alamos, Santa Barbara, and Santa Maria exchanges. (Ex. C, 47)
- d. Add the following condition relating to installation charges for loud speaker sets:  
  
Except where required for transmission of commercial power, fifty feet of inside wiring is furnished in connection with each loud speaker at the above rates. Outside wiring is subject to an installation charge based on the actual cost of labor and material involved. (Ex. C, 49)
- e. No change is authorized in the monthly rate for PBX Manual Conference Equipment. (Ex. C, 50)
- f. The proposed special conditions are not authorized to be made effective. (Ex. C, 51)

Schedule No. A-16  
Multi-residence Service - Exchanges Where Offered

Add the following condition:

The rates and conditions under this schedule apply only to installations established or applied for prior to the effective date of this schedule furnished to the same subscriber on the same premises. Additions to the service and supersedures of service are permitted under this condition.

Schedule No. A-17  
Interexchange Receiving Service - Exchanges Where Offered

Each interexchange receiving service

Rate per  
Month  
\$5.00

Schedule No. A-18  
Vacation Rate Service - Exchanges Where Offered

Residence exchange service

Discount on Total Fixed  
Monthly Exchange Service Charge  
50%

Schedule No. A-19  
Foreign Exchange Service

The proposed primary service and mileage rates set forth in Exhibit C, attached to the first amended application, Pages 55 to 57 inclusive, are authorized to be made effective except as follows:

- a. Where both the foreign exchange and local exchange are within the Los Angeles Extended Area, the following mileage rates are authorized in connection with residence local service:

	<u>Each One-Quarter Mile or Fraction Thereof</u>	
	<u>First One- Half Mile</u>	<u>Beyond First One-Half Mile</u>
Each individual line primary station	\$1.50	\$1.50
Each two-party line primary station	1.25	1.25
Each four-party line primary station	1.00	1.00
Each suburban line primary station	.50	.75

(Ex. C, 55)

- b. Los Angeles foreign exchange residence service in Downey-Topaz District Area:

No change in present mileage rates is authorized. (Ex. C, 57)

Schedule No. A-24  
Receiving Cabinet Service

The proposed installation charges, monthly rates, and special conditions set forth in Exhibit C, attached to the first amended application, Pages 59 and 60, are authorized to be made effective.

Schedule No. A-25  
Desk and Wall Set Telephones

The proposed rates and condition set forth in Exhibit C, attached to the first amended application, Page 61, are authorized to be made effective.

Schedule No. A-29  
Move and Change Charges

	<u>Charge</u>
<b>Subscriber's Telephone Sets:</b>	
Moving from one location to another on the same premises, each set	\$3.00
Change of subscriber's set not required by change in class, type or grade of service:	
Change between desk set and wall set	3.00
Change from hand set to wall set	3.00
Change from hand set to desk set	3.00
Change from wall set to hand set	No charge
Change from desk set to hand set	No charge
Change between manual and dial set where no change in type of set is involved	No charge
Other changes	3.00

**Private Branch Exchange Systems:**  
Each private branch exchange station

	<u>Same Room</u>	<u>Different Room</u>
Cordless switchboard; per position	\$10.00	\$20.00
Cord switchboard; per position:		
40 lines or less	10.00	20.00
41 to 80 lines	15.00	30.00
81 to 320 lines	35.00	70.00
Over 320 lines	Actual Cost	Actual Cost
Type A switchboards; all capacities	Actual Cost	Actual Cost
Intercommunicating systems, per station	7.50	10.00
Multiple line key cabinet system	Actual Cost	Actual Cost

Revise Condition 6 to read:

The total charges for changes in location or type of facilities will not exceed the charges which would apply to a new installation of the subscriber's complete service and facilities.

Schedule No. A-30  
Service Connection Charges

Charges set forth on Exhibit C, attached to the first amended application, Pages 64 and 65, except for supersedure, are authorized. No change is authorized in the present charge for supersedure.

Schedule No. B-1  
Toll Service

Mileage	Station Service				Person Service					
	Paid and Collect <sup>a</sup>				Paid and Collect					
	Day	Exc.	Sun.	Night <sup>b</sup> and Sunday	Day (Except Sunday)	Night <sup>b</sup>	and Sunday			
Up to:	First:	Each:	First:	Each:	First:	Each:	Addl. Min.:	First:	Each:	Ad. Min.:
and:	3:	3:	3:	3:	3:	3:	3:	3:	3:	3:
Over:	Incl.:	Mins.:	Min.:	Mins.:	Min.:	Mins.:	3:	3:	Mins.:	3:
0	12	\$0.10	\$0.05 <sup>c</sup>	Same as day rate	\$0.30	\$0.10	\$0.05	Same as day rate		
12	18	.15	.05	Same as day rate	.35	.10	.05	Same as day rate		
18	24	.20	.05	Same as day rate	.40	.10	.05	Same as day rate		
24	32	.25	.05	Same as day rate	.45	.15	.05	Same as day rate		
32	40	.30	.10	Same as day rate	.50	.15	.10	Same as day rate		
40	48	.35	.10	Same as day rate	.55	.15	.10	Same as day rate		
48	56	.40	.10	Same as day rate	.60	.20	.10	Same as day rate		
56	64	.45	.15	Same as day rate	.65	.20	.15	Same as day rate		
64	72	.50	.15	Same as day rate	.75	.25	.15	Same as day rate		
72	80	.55	.15	\$0.50 \$0.15	.80	.25	.15	\$0.75 \$0.25 \$0.15		

- a The minimum charge for a station service collect call is \$0.30 for the first 3 minutes, \$0.10 for each minute for the first three minutes of overtime and \$0.05 for each minute over the first three minutes of overtime.
- b Night rates apply between 6 p.m. and 4:30 a.m.
- c \$0.05 for each 2 minutes of overtime.

Schedule No. B-2  
Toll Station Service

Extension Station Rate:	<u>Rate per Month</u>
Each wall, desk, or hand set	\$1.25

Schedule No. H-1  
Message Unit Service

Number of Message Units:

The number of message units applicable to a message shall be equivalent to the toll charge for a sent-paid station message over the particular route involved divided by 5 cents.

Schedule No. G-1  
Private Line Telephone Service

Station Rate, per month:	<u>Rate</u>
Each station with or without battery	\$1.50
Interexchange Channels:	
Each channel:	
Each mile or fraction thereof, airline measurement:	
Per month	5.60
One week or less	2.50

Schedule No. G-5  
Channels for Program Transmission in Connection with Loud Speakers and Sound Recordings

	<u>Rate.</u>
Interexchange Channels, per month:	
Each channel - for transmission of speech only	
Each mile or fraction thereof, airline measurement	\$7.00

Schedule No. G-6  
Channels for One-Way Speech Network in Connection with Loud Speakers

Local Channels:  
Transmitting or Receiving Station Channels, per month:  
  Each channel:  
    First  $\frac{1}{2}$  mile or fraction thereof, airline measurement 3.50

Schedule No. G-7  
Channels for the Transmission of Recorded Music and Speech

Interexchange Channels, per month:	
Each channel:	
Each mile or fraction thereof, airline measurement	5.60

Schedule No. G-9  
Channels for Signal Transmission

Local Channels:  
Each channel, per month:  
  First  $\frac{1}{2}$  mile or fraction thereof, airline measurement 3.00  
  Each additional  $\frac{1}{2}$  mile or fraction thereof, airline measurement 1.00

Schedule No. G-21  
Supplemental Equipment - Private Line Service

The proposed installation charges, monthly rate, and conditions set forth on Exhibit C, attached to the first amended application, Pages 75 to 84 inclusive, as amended, are authorized to be made effective except as follows:

- a. No changes are authorized in the installation charge and monthly rate for keys: (Ex. C, 75)
- b. The monthly rate for each operator's set substituted for a standard telephone set are authorized as follows:  
  With single head receiver:  
    Hand set station rate plus \$.75 per month.  
  With double head receiver:  
    Hand set station rate plus \$1.00 per month. (Ex. C, 76)
- c. Cancel installation charge for single and double head receiver: (Ex. C, 76)
- d. Add the following maximum charge applicable to operational teletypewriter characters:  
  Maximum charge for characters changed at the same time per service \$18.00  
  (Ex. C, 80)
- e. No change is authorized in the installation charge for tabulating equipment and for time switches: (Ex. C, 80)
- f. No charge is authorized in the installation charge for paper boxes: (Ex. C, 81)
- g. The proposed special condition is not authorized to be made effective: (Ex. C, 84)

Schedule No. G-22  
Private Line Service - Move and Change Charges

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

Private Line Telephone Sets:

	<u>Charge</u>
Move or change on same premises:	
Each telephone moved	\$3.00
Change between desk set and wall set	3.00
Change from hand set to wall set	3.00
Change from hand set to desk set	3.00
Change from wall set to hand set	No charge
Change from desk set to hand set	No charge
Change between manual and dial sets where no change in type of set is involved	No charge

Schedule No. L-1  
Mobile Telephone Service

The proposed installation charges and monthly rates set forth in Exhibit C, attached to the first amended application, Page 86 as corrected, are authorized to be made effective.

Rule and Regulation No. 16  
Basis of Mileage Charges

Revise off-premises station mileage to conform with authorized Schedule No. A-4 - Mileage Rates.