

Decision No. 44678

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of INTERSTATE TELEGRAPH COMPANY, a corporation, for an Order Authorizing an Increase of Telephone Service Rates; and for an Order authorizing said Company to Adopt and Make Effective through or direct toll telephone rates in Kern and San Bernardino Counties, California, for California intrastate toll telephone messages interchanged with The Pacific Telephone and Telegraph Company, a Corporation.

Application No. 31247

Henry W. Coil and H. M. Hammack, for applicant; J. J. Deuel, for California Farm Bureau Federation; G. J. Anderson, for Mojave Valley Pomona Grange No. 33 and Hesperia Grange No. 682; H. J. O'Connell, for Mono County Chamber of Commerce; W. W. Franklin, for Big Bear Lake Chamber of Commerce; D. A. Jensen, for June Lake Citizens Organization; G. A. Lewis, for City of Los Angeles, Department of Water and Power; Bert L. Lunceford, for City of Barstow.

O P I N I O N

Interstate Telegraph Company, a corporation, by the above-entitled application filed April 3, 1950, requests an order of the Commission authorizing an increase in telephone rates for service in El Dorado, Alpine, Mono, Inyo, Kern, and San Bernardino Counties and to make effective through or direct toll rates in Kern and San Bernardino Counties for California intrastate toll telephone messages interchanged with The Pacific Telephone and Telegraph Company. A summary of applicant's present and proposed rates is filed in this proceeding as Exhibit 12. A public hearing on this application was held before Examiner Edwards on June 28, and 29, 1950, at Bishop and

on June 30, 1950, at Barstow, California. The matter was submitted for decision at the close of the hearing on June 30, 1950.

The applicant is engaged in a general exchange and toll telephone and telegraph business in the Counties of El Dorado, Alpine, Mono, Inyo, Kern, and San Bernardino in the State of California and the Nevada Counties of Douglas, Lyon, and Esmeralda. Within this area at the end of April, 1950, the applicant served 17 exchanges, 16 of which were located in California. As of April 30, 1950, the applicant had a total of 7,012 stations connected to its system of which 6,427 were located in California and 585 in Nevada. The applicant furnishes toll telephone service within its service territory and toll telephone messages are interchanged with The Pacific Telephone and Telegraph Company at Highland, Mojave, and San Bernardino, and with the Bell Telephone Company of Nevada at Carson City, Nevada. Applicant's financial statement, set forth on Exhibit B attached to the application, shows telephone plant in service as of December 31, 1949, of approximately \$3,740,000 and total operating revenues for the year 1949 of approximately \$952,700 of which 31% was from local service, 66% from toll service, and 3% from miscellaneous services. As of February 1, 1950, after the merger of the United Farmers Telephone and Telegraph Company, approximately 93% of the applicant's telephone plant was located in California, and approximately 94% of its total operating revenues is now obtained from California operations.

The plan proposed by applicant is estimated to produce an increase of approximately \$129,000 in annual revenue at the 1950 level of business, of which \$57,530 is directly chargeable to applicant's customers. In general, the company seeks a uniform increase of 18.96% in all rates for exchange and directory advertising services and an increase of 20% in intracompany toll rates. The proposed change to through or direct toll rates, based on airline distances, in Kern and San Bernardino Counties will result in an estimated reduction of

\$143,900 annually which applicant proposes to offset partially by applying a flat 15-cent surcharge to intercompany toll messages. Increases in rates for interexchange channels in connection with private line telephone and teletypewriter services are also proposed.

The company has been confronted with extraordinary demands for additional and higher grades of service in its territory since immediately prior to World War II. Growth has been so phenomenal that almost complete reconstruction of its telephone plant was necessary. Plant investment has increased 316% since 1940, revenues 404%, and expenses 514%. Wage rates have practically doubled in this 10-year interval; and common items of materials and supplies have nearly all shown large increases in unit price, some ranging as high as 223%. The average number of stations has increased 272% during this same period, from 1,589 to 5,904. The number of unserved applications for service or held orders is approximately 1,000. During 1950, the company estimates that it will gain a total of 966 stations and still hold approximately 900 unfilled applications for service at the end of the year.

Customer Statements

Several customers appeared at the hearings and furnished statements in opposition to the rate increase. The opposition mainly was based on the type of service this utility has been able to furnish at its present level of rates and charges. Customers from June Lake area told of difficulty in hearing on long distance toll calls, as well as delay in obtaining the operator, and delay in completing calls. Similar complaints were heard from residents in the Mammoth Lake area and around Barstow and Victorville. A representative from Big Bear Lake complained at the lack of repair service on Saturdays and Sundays. Complaint was also made regarding the slowness of the utility in installing telephones to new applicants. Some 93 potential

customers in the Newberry district, approximately 20 miles east of Barstow, desire to know what action is required to obtain service. The present discrepancy of intrastate toll rates as compared to interstate toll rates was brought to the Commission's attention.

Near the close of the hearing on Friday, June 30, applicant's vice president supplied answers to some of the customers' statements and outlined the company's plans for facility additions and service improvements in the immediate future and extending over a three-year period. The utility is spending \$500,000 to \$800,000 annually to improve service, but the service area is so extensive that the construction budget would have to be much larger to furnish immediately all of the improvements requested by subscribers.

The territory served by this utility is sparse. Growth is rapid in several localities and cannot be determined accurately, sufficiently in advance, to enable the utility to meet promptly all of the demand for service. One of the main reasons for the delay in connecting service for new applicants is a 22-month delivery schedule on new central office automatic switching equipment. The utility has adopted modern dial service to reduce operating expense and is adding to its investment in plant at the rate of 12% to 20% annually in attempting to keep pace with the demand for improved telephone service in the area. We shall expect the company to proceed as expeditiously as possible with the completion of its program to improve service and to provide service to waiting applicants and the higher types and grades of service which may be desired. Such specific complaints as have not been answered, including the provision of service to the Newberry district, will be made the subject for further investigation by the Commission staff on an informal basis.

Summary of Earnings - Present Rates - 1950

In determining the validity of applicant's request for higher rates, we look at the utility's present and near-future expenses and costs of rendering service. Both applicant and the Commission staff submitted estimates of revenues, expenses, rate base, and rate of return. The estimates, segregated to the principal items of revenue and expense, are compared in the following tabulation:

Summary of Earnings
Present Rates
1950

Item	Staff :(Exhibit 18):	Applicant :(Exhibit 5):	Staff Higher Than Applicant Amount:	Per Cent:
<u>Operating Revenues</u>				
Local Service	\$ 318,700	\$ 316,500	\$ 2,200	.69%
Toll Service	698,800	698,300	500	.07
Miscellaneous	30,700	31,100	(400)	(1.30)
Uncollectibles - Dr.	(7,300)	(8,800)	1,500	20.55
Total Operating Revenues	1,040,900	1,037,100	3,800	.36
<u>Operating Expenses</u>				
Maintenance	224,300	226,200	(1,900)	(.85)
Depreciation*	128,000	126,600	1,400	1.09
Traffic	154,800	157,400	(2,600)	(1.68)
Commercial	94,400	96,000	(1,600)	(1.69)
General Office Sal. & Exp.	74,700	55,600	19,100	25.57
Other Operating Expense	29,400	47,200	(17,800)	(60.54)
Operating Taxes	161,900	157,300	4,600	2.84
Total Operating Expenses	867,500	866,300	1,200	.14
Net Revenues	173,400	170,800	2,600	1.50
Avg. Rate Base - Depr.	4,115,000	4,205,380	(90,380)	(2.14)
Rate of Return	4.21%	4.06%	0.15%	

* Straight-line method.

(Red Figure)

The staff estimate of revenues and expenses gives consideration to the recorded figures for the first three months of 1950, as well as to the trend in operating results for the years 1948 and 1949. Allowance is made for increased expenses and revenue as a result of the merger of the United Farmers Telephone and Telegraph Company with

the Interstate Company as of February 1, 1950. The staff's estimates of revenues and expenses were both slightly higher than the applicant's and resulted in a net revenue only \$2,600 greater.

The rate base on which applicant is allowed a return is comprised of capital invested in plant plus working capital items consisting of materials and supplies, and working cash capital. Customer's advances for construction are deducted as well as the depreciation reserve.

The staff's estimate of rate base was approximately \$90,000 less than applicant's. The principal difference was in the allowance for working cash capital. Applicant estimated this item at \$97,100 while the staff figure was \$43,000. The company's figure represents two months' operating expenses exclusive of depreciation and taxes. The staff's figure was derived by using the usual one-month's expenses less depreciation and taxes, augmented by part of an additional month's expenses to reflect the high ratio of message toll revenue to exchange revenue.

Working capital represents the money which the investors must advance to pay expenses pending collection of revenues for service. Local exchange service is billed in advance, so the delay in obtaining this money is relatively small. Toll service is billed in arrears, and there is some delay between the time service is furnished and revenues are received. This Commission has, for many years, recognized the effect upon working cash capital requirements of accruing taxes considerably ahead of payments, and an adjustment has been made accordingly. We believe that \$43,000 represents a proper figure for the working cash capital being supplied by investors.

The staff's computed rate of return is some 0.15% greater than that shown by applicant. Applicant's representatives offered no objection to the staff's computation, and it will be used in judging as to the need for an increase in rates.

Summary of Earnings - Proposed Rates - 1950

The applicant and the staff both estimated the effect on revenues and expenses if the rates suggested by the applicant were to be in effect for the entire year 1950. The principal elements of those estimates are summarized as follows:

Summary of Earnings
Applicant's Proposed Rates
1950

Item	Staff	Applicant
Operating Revenues	\$1,169,400	\$1,166,455
Operating Expenses	577,600	582,400
Depreciation	128,000	126,600
Taxes	213,900	209,450
Total Expenses	919,500	918,450
Net Revenues	249,900	248,005
Rate Base	4,115,000	4,205,380
Rate of Return	6.07%	5.90%

There is no significant difference between the two estimates of net revenue. Under the proposed rates, applicant concluded that it would obtain a return of 5.9%, whereas the staff's estimate indicates that the proposed rates will yield a return slightly over 6%. It appears that a return of approximately 6% is not unreasonable and the revenues provided for in the following order are estimated to produce such return. The company's proposed method of spreading the increase should be modified as hereinafter described. The staff suggested certain trial rates which would result in more of the proposed increase being placed on the toll user than on the local exchange subscriber. By this method there is a redistribution of toll revenues as between companies and the net effect on Interstate Company subscribers is an increase of only \$37,220 as compared with \$57,530 under applicant's plan.

Authorized Rate Changes

The increases in rates, which the applicant proposes, are set forth in detail in Exhibit 12 filed in this proceeding. Increases are proposed in basic rates for business and residence individual line and party line service, as well as in rates for other exchange services, directory advertising, private line, and toll telephone services.

The increases in rates authorized are set forth in Exhibit A attached hereto. No increase is authorized in basic rates for residence individual line and party line service, including residence suburban service.

The basic rates authorized for the principal classes and grades of service, compared with the present rates, and the rates requested by the applicant, are set forth as follows:

Item	Rate per Month - Each Primary Station					
	Residence Service			Business Service		
	Present	Requested	Auth.	Present	Requested	Auth.
<u>GROUP A</u>						
One-party	\$3.75	\$4.45	\$3.75	\$5.00	\$5.95	\$5.75
Two-party	3.25	3.85	3.25	4.25	5.05	4.75
Four-party	2.50	2.95	2.50	3.75	4.45	4.00
Suburban (Zone 1)	2.50	2.95	2.50	3.75	4.45	4.00
Semipublic:						
Daily Guarantee	-	-	-	0.20	0.24	0.21
<u>GROUP B</u>						
One-party	4.75	5.65	4.75	6.00	7.15	7.00
Two-party	4.25	5.05	4.25	5.25	6.25	6.00
Four-party	3.50	4.15	3.50	4.75	5.65	5.25
Suburban (Zone 1)	3.50	4.15	3.50	4.75	5.65	5.00
Semipublic:						
Daily Guarantee	-	-	-	0.20	0.24	0.24

Exchanges included in Group A are Alpine, Big Pine, Boron, Bridgeport, Colville, Independence, Leevining, Lone Pine, Pine Creek, Randsourg, and Running Springs.

Exchanges included in Group B are Barstow, Big Bear Lake, Bishop, Inyokern, and Victorville.

The basic rates, authorized in the following order, are estimated to produce approximately \$13,910 of additional annual revenue. The rates authorized for miscellaneous exchange services including increased rates for extension stations, PBX equipment and service, mileage directory listings, foreign exchange, supplemental equipment, key system service, installations, and other nonrecurring charges are estimated to produce approximately \$10,440 of additional revenue per year.

The following order provides for increases of approximately 19% in rates for classified directory advertising which are estimated to produce approximately \$3,230 of additional annual revenue. The following order authorizes these changes to become effective beginning with the directories issued on or about August 1, 1951.

Increases are authorized in monthly rates for interexchange private line telephone channels from \$5 to \$6 per mile and for interexchange private line teletypewriter channels from \$3 to \$4 per mile. The following order also provides for increases in installation charges and monthly rates for private line telephone items of supplemental equipment. These changes are estimated to result in an increase of \$9,580 in annual revenue.

A new higher schedule applicable to intracompany message toll telephone service is authorized in the following order which it is estimated will increase annual revenues approximately \$13,830. In general, the intracompany toll schedule authorized herein provides for increases in the shorter hauls and decreases in the longer hauls. The increases in the shorter haul initial period rates range up to 10 cents for station day service, up to 20 cents for station night service, and up to 25 cents for person day-and-night service. The decreases in the longer haul initial period rates range up to in excess of \$1.

The applicant requested authority to make effective direct toll rates at all of its toll rate points in Kern and San Bernardino

Counties now on an other line rate basis for intrastate messages interchanged with The Pacific Telephone and Telegraph Company and to apply a 15-cent surcharge on all intrastate interchanged toll messages. The Commission staff suggested the application of direct toll rates on all intrastate interchanged traffic, plus a surcharge. Four alternate surcharge arrangements were suggested by the Commission staff, which were designed to produce more toll revenue as compared with the company's plan. The following order provides for the application of direct rates on California intrastate toll messages interchanged with The Pacific Telephone and Telegraph Company, plus a timed surcharge of 10 cents for the first three minutes and 5 cents for each minute or fraction thereof of overtime. While both increases and decreases in charges will result from these toll changes, it is estimated that the net effect on the company's revenues, after giving consideration to settlements with connecting companies, will be an annual increase of \$73,310. The net effect of this change in intercompany toll rates on customers of the applicant is estimated to be an annual reduction of \$13,770.

The effect on gross revenues of the applicant resulting from the changes in rates authorized herein and settlements as discussed above is estimated to be an increase of \$124,300 on an annual basis while the net effect on the applicant's customers because of intercompany settlements is estimated to be an annual increase of only \$37,220.

O R D E R

Interstate Telegraph Company, having applied to this Commission for an order authorizing increases in rates, public hearings having been held, and the matter having been submitted for decision,

IT IS HEREBY FOUND AS A FACT that the increases in rates and charges 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 and conditions shown in Exhibit A, attached hereto, and on not less than five (5) days' notice to the Commission and the public to make such rates effective by billing periods on and after September 21, 1950, for bills covering service furnished on and after September 21, 1950, excepting that (a) rates and conditions applicable to message toll telephone service shall be made effective October 21, 1950, (b) increases in installation charges shall be effective on applications received by applicant on and after September 21, 1950 and (c) increases in directory advertising rates shall be effective beginning with future issues of telephone directories scheduled on or about August 1, 1951.

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

Dated at San Francisco, California, this 22nd day of August, 1950.

R. E. [Signature]
Justus J. [Signature]
[Signature]
Harold T. [Signature]
[Signature]
 Commissioners.

RATES

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

Schedule No. A-1, Base Rate Area ServiceLocal Service Rates - Each Primary StationBusiness Flat Rate Service
Monthly Rate

<u>Group</u>	<u>1-Party</u>	<u>2-Party</u>	<u>4-Party</u>
A	\$ 5.75	\$ 4.75	\$ 4.00
B	7.00	6.00	5.25

Rate Grouping

<u>Exchange</u>	<u>Group</u>	<u>Exchange</u>	<u>Group</u>
Alpine ^a	A	Independence	A
Barstow	B	Inyokern	B
Big Bear Lake	B	Leevining	A
Big Pine	A	Lone Pine	A
Bishop	B	Pine Creek	A
Boron	A	Randsburg	A
Bridgeport	A	Running Springs	A
Coleville	A	Victorville	B

- a. The above rates for Alpine exchange are authorized to become effective upon the establishment of a dial central office to serve the exchange but under no circumstances prior to the date specified in this order.

Each Extension Station:	<u>Monthly Rate</u>	
	<u>Residence</u>	<u>Business</u>
All Exchanges	\$ 1.10	\$ 1.60

Schedule No. A-3, Semipublic Telephone Service

Each Individual Line Coin Box Station:	<u>Group</u> ^a	<u>Each Exchange</u>	<u>Minimum Charge</u>
		<u>Message</u>	<u>Per Day</u>
	A	\$ 0.05	\$ 0.21
	B	.05	.24

Each Extension Station:	<u>Monthly Rate</u>
All Exchanges	\$ 1.60

- a. Exchanges in each group are as shown above.

Schedule No. A-4, Mileage Rates

All Exchanges

The proposed rates set forth on Page 2, Exhibit 12, filed in this proceeding, are authorized.

Schedule No. A-5, Suburban Service

Group ^a	Each Primary Station Business Flat Rate Service		
	Monthly Rate		
	<u>0-4½ Miles</u>	<u>4½ - 14½ Miles</u>	<u>14½ - 24½ Miles</u>
A	\$ 4.00	\$ 4.50	\$ 5.00
B	5.00	5.50	6.00

Each Extension Station:	Monthly Rate	
	<u>Residence</u>	<u>Business</u>
All Exchanges	\$ 1.10	\$ 1.60

a. Exchanges in each group are as shown on Page 1 of this exhibit.

Schedule No. A-6, Commercial and Residence Manual and Dial Private Branch Exchange Service

All Exchanges	<u>Installation Charge</u>	<u>Monthly Rate</u>
Manual Equipment Rates:		
Each switchboard position with battery and ringing power supply circuits and switchboard telephone where required:		
Cordless type switchboard:		
Three trunk lines and 10 station lines	\$ 50.00	\$ 6.00
Four trunk lines and 16 station lines	75.00	7.75
Cord type switchboard:		
Nonmultiple 40 lines or less	120.00	15.00
Nonmultiple 41 to 80 lines	180.00	20.00
Nonmultiple over 80 lines	250.00	25.00
Multiple, per position	600.00	35.00

Cancel monthly rate of \$0.20 for multiple station jacks and multiple trunk jacks, or lamp sockets, in excess of one jack each per line, per strip of ten jacks or portion thereof installed.

Schedule No. A-6, Commercial and Residence Manual
and Dial Private Branch Exchange Service (Continued)

	<u>Monthly</u> <u>Rate</u>
All Exchanges:	
Mechanical Equipment Rates:	
Common equipment	\$ 40.00
Each connector	3.00
Each selector	3.00
Each connector-selector	3.00
Each attendant's, each intercepting, and each vacant level dial trunk (Between mechanical equipment and switchboard)	1.00
<p>Cancel monthly rate of \$0.15 for battery and power supply and monthly rate of \$35 for minimum charge for mechanical equipment.</p>	
	<u>Monthly Rate</u> <u>Each Trunk</u> <u>Business</u>
Trunk Rates:	
Group ^a	
A	\$ 8.50
B	10.50
<p>a. Exchanges in each group are as shown on Page 1 of this exhibit.</p>	
	<u>Monthly</u> <u>Rate</u>
Station Rates:	
Each residence PBX station	\$ 1.10
Each hotel PBX station in guest room	1.10
Each hotel PBX station not in guest room	1.60
Each commercial PBX station	1.60
	<u>Installation</u> <u>Monthly</u> <u>Charge</u> <u>Rate</u>
Isolated Power Plant Rates:	
Battery power supply	\$ 24.00 \$ 9.20
Ringing power supply	8.00 1.90

Schedule No. A-14, Directory Listings

All Exchanges

The proposed rates set forth on Page 8 of Exhibit 12, filed in this proceeding, are authorized.

Schedule No. A-15, Supplemental Equipment Service

	<u>Installation Charge</u>	<u>Monthly Rate</u>
All Exchanges		
Bells:		
Each ordinary ringing bell	\$ 2.50	\$ 0.50
Each ordinary ringing bell with switch	2.50	.90
Each loud ringing bell	2.50	.90
Each loud ringing bell with switch	2.50	1.30
Booths, each	10.00	1.80
Buzzer Circuits:		
Buzzer circuit including one push button, one buzzer, power supply equipment, and 50 feet or less of circuit wiring	2.50	.40
Each additional buzzer with or without push button	2.50	.40
Cords (two, three or four conductor)		
Each regular cord; 6-13 feet	3.00	-
Each regular cord; 13-25 feet	4.00	-
Each retractile type cord not exceeding 7 feet when extended, substituted for regular cord	2.00	-
Head Receivers:		
Each head receiver and six foot receiver cord in addition to or in place of standard head receiver		
Single head receiver	-	.40
Double head receiver	-	.75
Industrial Signal:		
Each relay and special ringing unit	3.00	1.50
Intercommunicating Line Equipment:		
Local talking circuit including battery and 50 feet of wire	2.50	.40
Each additional 50 feet of wire or less	2.50	-
Jacks:		
Each two, three or four contact jack	6.00	-
Keys:		
Key (Installed in addition to station)	2.50	.40
Holding key with associated release equipment:		
Holding key for two trunks	3.50	1.50
Holding key for three trunks	4.75	2.10
Operators' Sets		
Hand set in addition to or in place of regular operator's transmitter and receiver for operator's use on cord type PBX switchboards	-	1.60
Extra chest type transmitter in addition to regular transmitter on cord type PBX switchboards	-	.90
Voice amplifier for deaf persons	7.00	2.95

Schedule No. A-16, Foreign Exchange Service

All Exchanges

Primary Service Rates:

Primary service rates for foreign exchange services are adjusted to the extent required by changes authorized herein in the basic individual line, party line, PBX trunk, and extension station rates.

Foreign Exchange Mileage Rates:

The proposed foreign exchange mileage rates set forth on Page 13 of Exhibit 12, filed in this proceeding, are authorized.

Schedule No. A-29, Move and Change Charges

All Exchanges

Private Branch Exchange Systems: Moving from one location to another:	Same Room	One Room to Another
PBX Systems, cord, cordless, per station	\$ 3.00	\$ 3.00
PBX Switchboards, per position:		
Cordless	10.00	20.00
Cord, 40-line	10.00	20.00
Cord, 80-line	15.00	30.00
Cord, 160-line	20.00	40.00
Cord, 320-line	35.00	70.00
Cord, Over 320-line	Actual Cost	Actual Cost

Schedule No. A-30, Service Connection Charges

All Exchanges

Each Service:

New and Additional Service - Instrumentalities Not in Place:	Charge	
	Residence	Business
Each individual or party line primary station	\$ 5.75	\$7.50
Each private branch exchange or inter-communicating system trunk	5.75	7.50
Each private branch exchange or inter-communicating system station, except operator's sets	3.00	3.00
Each extension station	3.00	3.00
Instrumentalities in Place and no Change of Location or Type of Facilities Involved: Subscribers' exchange service and facilities: One or more units	3.00	3.00

Schedule No. A-36, Key System Service

All Exchanges

	<u>Monthly Rate</u>
Push button or other key operated switching equipment:	
Capacity three trunks and nine lines	\$12.00
Each key or push button hand set station	3.25

Schedule No. D-1, Classified Telephone Directory Advertising Service

The proposed rates set forth on Page 17 of Exhibit 12, filed in this proceeding, are authorized to be made effective for future issues of classified telephone directories beginning as follows:

- Northern Directory - on or about August 1, 1951.
- Central Directory - on or about September 1, 1951.
- Southern Directory - on or about October 1, 1951.

Schedule No. B-1, Toll Telephone Service

Revise last paragraph on Revised Sheet C.R.C. No. 1250-T to read:

"Throughout the territory served, station calls, where the initial period rate is \$0.30 or more, may be reversed at the regular station rate. Where the initial period station rate is less than \$0.30, charges may be reversed at the following rate: \$0.30 for the first three minutes and \$0.10 for each minute or fraction thereof of overtime."

The proposed rates and conditions set forth on Page 20 of Exhibit 12, filed in this proceeding, are authorized except that Rate (3), Surcharge, shall be revised to read as follows:

"Surcharge, each intrastate, interchanged toll message, between toll rate points of Interstate Telegraph Company and The Pacific Telephone and Telegraph Company, \$0.10 for the first three minutes and \$0.05 for each minute or fraction thereof of overtime."

The proposed rates and conditions set forth on Page 19 of Exhibit 12, filed in this proceeding, are authorized except that Condition 3.B. shall be revised to read as follows:

"3.B. The through (direct) rates quoted by the connecting company are the through (direct) rate levels of the connecting company in addition to a timed surcharge on each message of \$0.10 for the first three minutes and \$0.05 for each minute or fraction thereof of overtime."

The proposed adoption notice set forth on Page 21 of Exhibit 12, filed in this proceeding, is authorized.

Schedule No. B-1, Toll Telephone Service (Continued)

		Station Service				Person Service			
		Paid and Collect ^a				Paid and Collect			
		Day		Night and Sunday		Day		Night and Sunday	
Airline Mileage		First	Each	First	Each	First	Each	First	Each
Rate	Incl. ing	3	Addl.	3	Addl.	3	Addl.	3	Addl.
Min.	Over: ing	Minutes	Minute	Minutes	Minute	Minutes	Minute	Minutes	Minute
A1 to									
C9									
(See note b below)									
N1	0	12	\$0.15	\$0.05	Same as day rate	\$0.35	\$0.10	Same as day rate	
N2	12	18	.25	.05	Same as day rate	.45	.15	Same as day rate	
N3	18	24	.35	.10	Same as day rate	.55	.15	Same as day rate	
N4	24	32	.40	.10	Same as day rate	.60	.20	Same as day rate	
N5	32	40	.45	.15	Same as day rate	.65	.20	Same as day rate	
N6	40	48	.50	.15	Same as day rate	.75	.25	Same as day rate	
N7	48	56	.55	.15	\$0.50	\$0.15	.80	.25	\$0.75 \$0.25
N8	56	64	.60	.20	.50	.15	.90	.30	.80 .25
N9	64	72	.65	.20	.55	.15	.95	.30	.85 .25
O1	72	80	.70	.20	.60	.20	1.05	.35	.95 .30
O2	80	88	.75	.25	.65	.20	1.10	.35	1.00 .30
O3	88	96	.80	.25	.70	.20	1.20	.40	1.10 .35
O4	96	104	.85	.25	.70	.20	1.25	.40	1.10 .35
O5	104	112	.90	.30	.75	.25	1.35	.45	1.20 .40
O6	112	120	.95	.30	.80	.25	1.40	.45	1.25 .40
O7	120	128	1.00	.30	.85	.25	1.50	.50	1.35 .45
O8	128	136	1.05	.35	.90	.30	1.55	.50	1.40 .45
O9	136	144	1.05	.35	.90	.30	1.55	.50	1.40 .45
P1	144	152	1.10	.35	.95	.30	1.65	.55	1.50 .50
P2	152	160	1.10	.35	.95	.30	1.65	.55	1.50 .50
P3	160	168	1.15	.35	1.00	.30	1.70	.55	1.55 .50
P4	168	176	1.15	.35	1.00	.30	1.70	.55	1.55 .50
P5	176	184	1.15	.35	1.00	.30	1.70	.55	1.55 .50
P6	184	192	1.20	.40	1.00	.30	1.80	.60	1.60 .50
P7	192	200	1.20	.40	1.00	.30	1.80	.60	1.60 .50
P8	200	208	1.20	.40	1.00	.30	1.80	.60	1.60 .50
P9	208	216	1.25	.40	1.05	.35	1.85	.60	1.65 .55
Q1	216	224	1.25	.40	1.05	.35	1.85	.60	1.65 .55
Q2	224	232	1.25	.40	1.05	.35	1.85	.60	1.65 .55
Q3	232	240	1.30	.40	1.10	.35	1.95	.65	1.75 .55
Q4	240	248	1.30	.40	1.10	.35	1.95	.65	1.75 .55
Q5	248	256	1.30	.40	1.10	.35	1.95	.65	1.75 .55
Q6	256	264	1.35	.45	1.15	.35	2.00	.65	1.80 .60
Q7	264	272	1.35	.45	1.15	.35	2.00	.65	1.80 .60
Q8	272	280	1.35	.45	1.15	.35	2.00	.65	1.80 .60
Q9	280	288	1.40	.45	1.20	.40	2.10	.70	1.90 .60
R1	288	296	1.40	.45	1.20	.40	2.10	.70	1.90 .60
R2	296	304	1.40	.45	1.20	.40	2.10	.70	1.90 .60
R3	304	312	1.45	.45	1.25	.40	2.15	.70	1.95 .65
R4	312	320	1.45	.45	1.25	.40	2.15	.70	1.95 .65
R5	320	328	1.45	.45	1.25	.40	2.15	.70	1.95 .65
R6	328	336	1.50	.50	1.25	.40	2.25	.75	2.00 .65
R7	336	344	1.50	.50	1.25	.40	2.25	.75	2.00 .65
R8	344	352	1.50	.50	1.25	.40	2.25	.75	2.00 .65

- a The minimum charge for a station collect call is \$0.30 for the first three minutes and \$0.10 for each minute of overtime.
- b The rate levels of The Pacific Telephone and Telegraph Company plus a timed surcharge of \$0.10 for the first three minutes and \$0.05 for each minute of overtime as quoted by The Pacific Telephone and Telegraph Company apply.

Schedule No. G-1, Private Line Telephone ServiceEntire Territory:

Channel charges, each channel (air-line measurement):	<u>Installation</u>	<u>Monthly</u>
	<u>Charge</u>	<u>Rate</u>
<u>Interexchange Channels:</u>		
Each mile or fraction thereof	\$ -	\$ 6.00
<u>Station Equipment Charges:</u>		
Each station with or without battery	3.50	1.60
Hand set with push-to-talk switch	3.50	1.85
Signaling Key	2.50	.40
Small loud speaker, including volume control and two-position key assembly	15.00	3.25
Cabinet type loud speaker	15.00	1.50
Amplifier unit	25.00	7.75
Protective equipment	2.50	1.50

Other rates in this schedule, as presently
filed, are not changed.

Schedule No. G-3, Private Line Teletypewriter ServiceEntire Territory:

Channel charges, each channel (air-line measurement):	<u>Monthly</u>
	<u>Rate</u>
<u>Interexchange channels:</u>	
Each mile or fraction thereof	\$4.00

Other rates in this schedule, as presently
filed, are not changed.