

ORIGINAL

Decision No. 45257

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of CALIFORNIA WATER & TELEPHONE COMPANY to increase telephone rates.))))	Application No. 28693 (As supplemented and amended.)
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Bacigalupi, Elkus and Salinger, by Claude N. Rosenberg, for applicant; J. J. Deuel and Edson Abel for the California Farm Bureau Federation; F. V. Rhodes for the California Independent Telephone Association; Neville R. Lewis for the City of San Fernando; Paul F. Garber and Wilbur D. Garber for the City of Monrovia; Thomas A. Reynolds and T. Guy Cornyn for the City of Sierra Madre; Roger Arnebergh, K. Charles Bean, Robert Russell, and T. M. Chubb, for the City of Los Angeles.

O P I N I O N

California Water & Telephone Company in this proceeding seeks authority to increase rates charged by it for telephone service. Applicant provides exchange and toll telephone service in San Fernando, Monrovia, Sierra Madre, Redlands, Palm Springs and a number of other urban and rural communities in Los Angeles, San Bernardino and Riverside counties. It also provides public utility water service to a number of communities in Monterey, Los Angeles and San Diego counties.

Applicant filed the original application herein on September 4, 1947, a supplemental application on October 20, 1947, an amendment to the application on May 16, 1950, and an amendment to the amendment on November 8, 1950. The aggregate annual increases sought by the several filings totaled \$809,000 increase in gross revenue on an annual basis.

Interim rate relief was accorded applicant in the amount of \$105,000 of gross annual revenues in the increases in rates authorized by Decision No. 40991 (47 Cal. P.U.C. 563) issued November 25, 1947.

Increases in a number of miscellaneous rates and charges, which were estimated to increase gross revenues \$31,000 on an annual basis, were authorized by the Second Interim Order, Decision No. 44651, issued August 15, 1950.

Further evidence herein was presented by applicant and by the Commission's staff in Los Angeles on November 15, 16 and 17, 1950. In the following table is shown applicant's actual revenues and expenses, excluding depreciation and federal income taxes for 1949, for the 12 months ended October 31, 1950 and estimates for 1950 and 1951, as presented by witnesses for applicant and for the Commission's staff.

CALIFORNIA WATER & TELEPHONE COMPANY

Telephone Division

Comparison of Actual and Estimated Operating Results

	: 1949	: 12 Mos. Ended	: 1950 Estimate*	: 1951 Estimate ^o		
	: Recorded:	: 10-31-50:	: Appli-: Com.:	: Appli-: Com.:		
	: (Ex. 68):	: Recorded#:	: cant : Staff :	: cant : Staff :		
		: (Ex. 75):	: (Ex. 68A):	: (Ex. 80):	: (Ex. 68A):	

(\$,000 omitted)

Operating Revenues

Local Service	\$1,364	\$1,616	\$1,630	\$1,667	\$1,990	\$1,975
Toll Service	1,046	1,124	1,151	1,169	1,289	1,385
Misc. & Uncoll.	125	123	135	131	152	150
Total Oper. Rev.	2,535	2,863	2,916	2,967	3,431	3,510

Operating Expenses

Maintenance	419	480	475	510	593	580
Traffic	588	577	562	527	598	627
Commercial	283	318	325	323	398	376
Gen. & Other	301	345	370	357	432	401
Subtotal	1,591	1,720	1,732	1,717	2,021	1,984

Taxes other than

Federal Income	169	221	237	252	341	335
Total	1,760	1,941	1,969	1,969	2,362	2,319

Net Rev. before

Deprec. & Fed. Income Tax	775	922	947	998	1,069	1,191
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[#] From monthly operating reports.

* Based generally on 9 months actual and 3 months estimated. Company estimate reflects Nov. 1, 1950 wage increase for 2 months; the staff's estimate for a full year. The staff's estimate reflects a full year of dial operation at Monrovia.

^o Company estimate reflects the Nov. 1, 1951 agreed wage increase on a full year basis; staff's estimate includes the effect for Nov. and Dec. only.

From this tabulation it is apparent that while revenues are estimated to increase about 38%, from \$2,535,000 in 1949 to \$3,510,000 in 1951, operating expenses will have risen from \$1,591,000 in 1949 to an estimated \$1,984,000 in 1951, or about 25%, and taxes other than income taxes will have doubled, from \$169,000 to \$335,000. The difference between gross revenues and these expenses, which in 1949 was \$775,000, will have increased about 54%, to an estimated \$1,191,000.

Offsetting this apparently favorable trend in revenues and expenses are the substantial increases in plant investment which have been necessary to meet the demands for expansion of service. The following tabulation of end-of-year capital, representing plant in service, shows an increase from 1948 to the estimated 1951 amount of about 130%.

Fixed Capital - Plant in Service

December 31, 1948 (Actual)	\$5,950,372	
December 31, 1949 (Actual)	7,460,849	
October 31, 1950 (Actual)	8,995,072	
	<u>Company</u>	<u>Commission</u>
December 31, 1950 (Est.)	\$10,635,593	\$10,198,000
December 31, 1951 (Est.)	13,732,363	13,672,700

Upon completion of the depreciation studies following the June, 1950, hearings, both applicant and the Commission's staff estimated depreciation and amortization expense and taxes based upon income applicable to both 1950 and 1951. The figures of net revenue before depreciation and federal income taxes shown in the previous table, when carried down to rate of return percentages, are set forth in the following tabulation. The 1949 and the 12 months ended October 31, 1950 recorded figures, taken from the record or constructed from information available, are tabulated as a matter of comparison with the results of the estimate.

CALIFORNIA WATER & TELEPHONE COMPANY
Telephone Division
Comparison of Actual and Estimated Operating Results

		: 12 Mos. :	: 1950 Estimate* :	: 1951 Estimate ^ø :		
	: 1949 :	: Ended :	: Appli- :	: Com. :	: Appli- :	: Com. :
	: Recorded:	: 10-31-50:	: cant :	: Staff :	: cant :	: Staff :
	: (Ex. 68):	: Recorded#:	: (Ex.75):	: (Ex.68A):	: (Ex.80):	: (Ex.68A):

(,000 omitted)

Net Revenue before Deprec. & Federal Income Taxes	\$ 775	\$ 922	\$ 947	\$ 998	\$1,069	\$1,191
Depreciation	219	276	302	312	410	415
Amort. of C.O. Equip.			18	18	18	18
Fed. Income Taxes	130	196	176	183	164	219
Net Revenue	426	450	451	485	477	539
Depreciated Rate Base	6,116	7,616**	7,687	8,050	10,987	10,892
Rate of Return	6.97%	5.91%	5.87%	6.02%	4.34%	4.94%

From monthly operating reports.

* Based generally on 9 months actual and 3 months estimated. Company estimate reflects Nov. 1, 1950 wage increase for 2 months; the staff's estimate for a full year. The staff's estimate reflects a full year of dial operation at Monrovia.

ø The company estimate reflects the Nov. 1, 1951 agreed wage increase on a full year basis; the staff's estimate includes the effect for Nov. and Dec. only.

** Estimated by addition of \$1,500,000 net additions to 1949 weighted average base.

From these estimates applicant's earning position is estimated to decline from the level of 7% shown in 1949, and 6% shown for the 12 months ended October 31, 1950, to something less than 5% in 1951, largely because of the unusually heavy increase in capital investment which this company has found necessary to meet its customers' demands for service. Both applicant and the Commission's staff estimated the earning position, assuming the rates sought by applicant in its amendment to the amended application to be in effect for the entire year 1951. The results of those estimates indicate that the staff believes applicant would earn a return of 7.59% and applicant admits a return of 7.06% under those conditions.

The record shows that the primary difference between the revenue estimates results from differences of opinion as to the future trend of unit toll revenues. Applicant's witness was of the opinion that the downward trend experienced since 1947 would continue into 1951. The staff, on the other hand, felt that the reaction of unit toll revenues to recent changes in the economic outlook would halt the downward trend and that the level of 1950 unit revenues would hold into 1951. In making its estimate of expenses, applicant included for the full year increased wage rates which it has agreed to but which will not become effective until November 1, 1951. Excluding this difference in expenses, the total of other expenses in each of the estimates is substantially the same. Both applicant and the staff used the 1951 federal income tax rate of 45% which had been established by Congress. Since the submission of the proceeding, the tax rate (normal and surtax) applicable to 1951 has been increased to 47%. Substitution of the 47% tax rate would change the rates of return in the 1951 estimates of applicant and the Commission's staff to the following:

	<u>Applicant's 1951 Estimate</u>	<u>CPUC Staff's 1951 Estimate</u>
At Present Rates	4.27%	4.86%
At Rates Sought by Applicant	6.90%	7.41%

As of February 28, 1950, applicant's capital structure can be summarized as follows:

	<u>Amount</u>	<u>% of Total</u>
First mortgage bonds	\$12,250,000	56%
Debentures	1,000,000	5
Preferred stock	3,982,675	18
Equity capital, including common stock, net premium on stock, and surplus	<u>4,518,230</u>	<u>21</u>
Totals	\$21,750,905	100%

In March, 1950, applicant sold 35,000 shares of \$1.25 dividend series preferred stock at a net to applicant of \$23.18 per share and 50,000 shares of common stock of an aggregate par value of \$1,250,000 at \$27.33 per share. In October it sold \$1,000,000 of first mortgage bonds, 3% series due 1979, at 99.50% of their principal amount plus accrued interest. The record shows that applicant, because of demands for extension of service to new customers, is confronted with expenditures during the latter part of 1950 and during 1951 and 1952 which will approximate \$6,000,000. Applicant suggested that the proportion of debt in its capital structure should be reduced, if possible, by issuing \$1,000,000 of common stock in the latter part of 1950 and equal proportions of debt and equity capital in 1951 and 1952.^{1/} Its witness contended that common stock earnings of at least \$3 per share were necessary to make such a program feasible.

From this record, it is the Commission's conclusion, in view of the status of applicant's depreciation reserves and composition of its outstanding security issues, that applicant should be granted rates in this proceeding which will yield a return of about six per cent on the historical cost rate base of its telephone operations.

In presenting the staff's study of applicant's depreciation reserve requirement, the staff recommended that applicant undertake a review of the accounting procedures which it followed in developing its present depreciable capital balances. It is the staff's belief that such a review was necessary to verify the present depreciable capital balances. The results of the studies introduced in this proceeding will be accepted for the purpose of establishing rates herein,

^{1/} Applicant did not issue common stock in the latter part of 1950, but issued bonds instead.

but the Commission believes that applicant should undertake the proposed review and should report the results of its analysis by the end of 1951. For the purposes of this proceeding the Commission is including amortization of certain central office equipment and, after the review above referred to, the Commission will be in a position to make a final determination as to the depreciation reserve and the annual accruals to said reserve.

The foregoing tables show that the depreciated rate base estimated by the staff differs only slightly from that estimated by applicant on an historical cost basis. A review of the individual components indicates some substantial differences in the estimates, none of which is of major significance.^{2/} For the purpose of this proceeding a depreciated rate base of \$11,050,000 for the year 1951 will be used, which takes into consideration the estimated cost of the additional facilities required to furnish the services authorized herein.

It is apparent that the presently authorized rates are insufficient to meet applicant's needs for revenue and that the rates proposed by applicant in the amendment to the amended application are higher than necessary. Applicant is entitled to appropriate relief and the order herein will so provide. The rates specified in the order herein will increase applicant's gross operating revenues about \$247,000 on an annual basis and, in our opinion, should yield a return at a level of about six per cent under 1951 conditions.

The increase of \$247,000 represents an increase of approximately \$411,500 in local service revenues minus a reduction in toll revenue of about \$153,000 due to the elimination of toll charges under

^{2/} Applicant also proposed the use of a fair value rate base predicated upon estimates of reproduction cost new less depreciation.

the company's proposed extended service plan and a reduction in revenues of approximately \$11,500 due to base rate area revisions.

Applicant's proposed tariffs contemplate furnishing extended service to all customers and withdrawing local service in Monrovia, San Fernando and Sierra Madre exchanges. The close community of interest between these exchanges and adjacent areas creates a large volume of cross boundary traffic which, if handled entirely on an extended service basis, will permit efficiencies and cost reductions. Making such extended service universal will reduce the amount of exchange plant and the capital necessary to isolate local service if the latter service were to be retained. Applicant will be authorized to establish such extended service for one- and two-party business, and one-, two- and four-party residence service, as well as business and residence suburban and coin box service. The rates prescribed in the order herein result in various increases, some of which are substantial to certain customers. Customers presently receiving local service will hereafter receive and be billed for extended service. As an example of the change in billing, in Monrovia and San Fernando single-party local business rates of \$4.50 per month will be changed to \$9.25 for single-party extended business service. In Sierra Madre the change will be from a present \$4.25 local business service rate to \$9.25 for business extended service.

However, the elimination and reduction in toll charges for the majority of customers will offset in varying amounts the increased exchange rates, depending upon usage. A staff witness testified to the effect that the company should give consideration to the introduction of extended message rate business service in the Los Angeles extended area exchanges. Message rate business service provides a service to the smaller users at a minimum rate and at a charge which

varies in relation to usage. The Commission is of the opinion that the company should proceed at once to develop a program for the introduction of such service. In exchanges outside of the Los Angeles extended area two-party residence and four-party business schedules are being closed to new customers except for temporary business services, pending installation of facilities. Such a procedure will expedite further improvement in quality of service for which there exists an insistent demand.

In response to questioning by counsel for the City of San Fernando, applicant's general manager testified that well over 50% of those customers not now having extended service would find the extended service more convenient and financially advantageous. Applicant's witnesses further testified that to supply four-party extended service on an economical basis the offering of local service must be withdrawn and that by so doing extended service could be made available in a relatively short time rather than over a period of two or three years which would be required if extended service were limited to one- and two-party applications.

Rates for various classes of service in Monrovia, San Fernando and Sierra Madre are being established at the same level. Under the extended service plan herein specified, the station availability will be expanded for present local service customers in each of the exchanges, and other factors which heretofore prompted the establishment of differentials have become of lesser importance. Such a change will require greater increases in some exchanges than in others for the same class of service.

Applicant has proposed an increase in rates for pay station service from 5¢ to 10¢. The increase will not be authorized in this order. Because of the fundamental nature of such a change and the

relatively small percentage of such service in California rendered by this applicant, the Commission is reserving judgment on the proposal at this time. However, new equipment purchased by applicant should be arranged so as to permit the placing into effect of a rate other than 5¢ for local messages, should the Commission hereafter find a change in the rate to be justified.

Engineers of the Commission's Telephone Division made a survey of applicant's base rate areas, with particular reference to urban expansion beyond present boundary lines. As a result of these surveys, the staff recommended expansion of San Fernando Main to the northeast and northwest, and expansion of Palm Springs Main to the north and south. Consolidation of these areas into the base rate area will reduce charges customers in these areas would otherwise pay in an estimated annual amount of \$11,500. The boundary changes will be adopted in the following order. The prescribed boundary changes will require additional outside plant of about \$12,500 in the San Fernando Exchange to provide normal grades of service.

The staff also reported on an investigation of the quality of service rendered by applicant. This study indicates that informal complaints filed with the Commission in 1950 have declined from a peak in 1949 but are three times greater than 1947 and 30% more than in 1948. About 85% of the complaints arise from inability of customers or prospective customers to get service or to obtain a higher grade of service. Held applications declined from a maximum of about 13,000 in October, 1948, to about 8,500 in August of 1950, but were still approximately 20% of the stations served. An analysis of the held orders indicated that about 30% were less than one year old. The 1951 construction program is anticipated to satisfy about 95% of the held orders filed in 1947 or later, and 90% of those filed prior to that

time. An analysis of central office equipment capacity indicates that the larger exchanges are engineered for the probability of one busy signal per 100 calls and the smaller for one in 50. A study of the Yucaipa, Mentone, Desert Hot Springs and Banning central offices indicates overloaded conditions which should be relieved by scheduled new construction except at Banning where a state highway relocation job necessitates moving the central office. Additional manual switchboards were found to be required at Redlands, Hemet and Elsinore, and construction is scheduled and under way which will not only take care of the present deficiency but will supply additional capacity for growth. The staff made several suggestions for improvement in a number of commercial and operating practices which the study revealed to be potential sources of customer complaints. Applicant agreed to institute the improvements.

In determining whether or not these rate increases should be granted, the Commission has been guided by recent past trends of earnings, including the latest actual operating results covering a representative period of the utility's operations, together with reliable estimates of operating results for a representative period in the immediate future.

O R D E R

California Water & Telephone 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 and that present rates, in so far as they differ from those herein prescribed, are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED that,

1. Applicant is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with the Commission's General Order No. 96, the schedules of rates shown in Exhibit A attached hereto and on not less than five (5) days' notice to the Commission and the public to make said rates effective for bills covering service furnished on and after February 11, 1951, excepting that, (a) increases in installation, move and change, service connection and line extension charges shall be effective on applications received by applicant on and after February 11, 1951, and (b) rates applicable to message toll telephone service shall be made effective on February 11, 1951.
2. Applicant shall file with this Commission after the effective date of this order and as soon as practicable but not later than April 1, 1951, in conformity with the Commission's General Order No. 96, maps showing the revised base rate areas as set forth in Exhibits Nos. 91 and 92 in this proceeding.
3. Applicant is authorized to continue to furnish ten-party line service in the added portions of the San Fernando base rate area at the four-party residence and suburban business rates to existing subscribers and to new applicants until facilities are available to provide normal grades of service.
4. Applicant is directed to review the accounting procedures used in developing its present depreciable capital plant balances and the historical development of its present book depreciation reserve in verification of the basic data supporting the proposed reserve requirement submitted in this proceeding. Based upon the results of such review, applicant is directed to review the proposed annual depreciation rates submitted herein and submit for Commission review annual rates consistent with the results of the aforementioned analysis of depreciable capital and depreciation reserve history. Applicant shall report to

the Commission the progress made as a result of the studies undertaken pursuant to this order on July 1, 1951, and a final report of the results of its studies on or before December 15, 1951.

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

Dated at San Francisco, California, this 16th day of January, 1951.

R. E. Zimmerman
James J. Cresser
Harold P. Hule
Samuel H. Potter

Commissioners

RATES

The presently effective rates, charges and conditions are changed only as specifically set forth in this exhibit.

Service in Los Angeles Extended AreaExtended Service Rates - Each Primary Station

<u>Exchange</u>	<u>Residence Flat Rate Service</u> <u>Monthly Rate</u>				<u>Business Flat Rate Service</u> <u>Monthly Rate</u>			<u>Semipublic Coin Box Individual Line</u>	
	<u>1-Pty</u>	<u>2-Pty</u>	<u>4-Pty</u>	<u>Subn.</u>	<u>1-Pty</u>	<u>2-Pty</u>	<u>Subn.</u>	<u>Min. Chg. Per Day</u>	<u>Monthly Rate*</u>
Monrovia	\$4.25	\$3.50	\$3.00	\$3.50	\$9.25	\$7.00	\$5.25	\$0.22	\$1.25
San Fernando	4.25	3.50	3.00	3.50	9.25	7.00	5.25	.22	1.25
Sierra Madre	4.25	3.50	3.00	-	9.25	7.00	-	.22	1.25

* In addition to the daily guarantee.

Rates for local service in the Monrovia, San Fernando, and Sierra Madre exchanges are authorized to be cancelled.

Service in Exchanges Outside Los Angeles Extended AreaLocal Service Rates - Each Primary Station

<u>Exchange</u>	<u>Residence Flat Rate Service</u> <u>Monthly Rate</u>			<u>Business Flat Rate Service</u> <u>Monthly Rate</u>			<u>Semipublic Coin Box Individual Line</u>	
	<u>1-Pty</u>	<u>2-Pty</u>	<u>4-Pty</u>	<u>1-Pty</u>	<u>2-Pty</u>	<u>4-Pty</u>	<u>Min. Chg. Per Day</u>	<u>Monthly Rate⁶</u>
Banning-Beaumont	\$3.75	\$ -	\$2.75	\$5.75	\$4.75	\$4.50	\$0.19	\$0.75
Desert Hot Springs	4.00	-	3.00	6.25	5.00	-	.18	.75
Elsinore	3.75	-	2.75	5.75	4.75	4.50	.19	.75
Hemet-San Jacinto	3.75	-	2.75	5.75	4.75	4.50	.19	.75
Idyllwild	4.00	-	3.00	6.25	5.00	-	.18	.75
Joshua Tree	4.00	-	3.00	6.25	5.00	-	.18	.75
Moreno	3.50	-	2.50	5.25	4.25	-	.18	.75
Murrietta	3.50	-	2.50	5.25	4.25	4.00	.18	.75
Palm Springs	4.25	3.50	3.00	7.50	6.00	5.75	.22	.75
Perris	3.75	-	2.75	5.75	4.75	4.50	.19	.75
Redlands	4.00	3.25#	2.75	7.00	5.75	5.50#	.22	.75
Temecula	3.50	-	2.50	5.25	4.25	4.00	.18	.75
Twentynine Palms	4.00	-	3.00	6.25	5.00	4.75	.18	.75

<u>Exchange</u>	<u>Suburban Line Monthly Rate</u>		<u>Exchange</u>	<u>Suburban Line Monthly Rate</u>	
	<u>Residence</u>	<u>Business</u>		<u>Residence</u>	<u>Business</u>
Banning-Beaumont	\$3.25	\$4.25	Murrietta	\$3.00	\$4.00
Desert Hot Springs	3.25	4.50	Palm Springs	3.50	4.75
Elsinore	3.25	4.25	Perris	3.25	4.25
Hemet-San Jacinto	3.25	4.25	Redlands	3.25	4.50
Idyllwild	3.25	4.50	Temecula	3.00	4.00
Joshua Tree	3.25	4.50	Twentynine Palms	3.25	4.50
Moreno	3.00	4.00			

⁶ In addition to the daily guarantee.

Not offered in the Loma Linda base rate area.

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

Proposed special conditions as set forth in Exhibit 69, Pages 2 and 3, are authorized.

The date to be inserted in proposed special condition 6 shall be February 11, 1951.

Schedule No. A-2, Local Service Areas

Proposed Schedule No. A-2 as set forth in Exhibit 69, Page 4, is authorized.

Schedule No. A-3, Semipublic Coin Box Service

Rate for desk or hand set coin box station is authorized to be cancelled.

Proposed rate of 10¢ per message is not authorized.

Proposed special conditions as set forth in Exhibit 69, Pages 6 and 7, are authorized.

Schedule No. A-5, Suburban Service

Proposed special conditions as set forth in Exhibit 69, Page 9, are authorized.

Schedule No. A-6, Co-operative Rural Service

Add special condition to read:

The rates and conditions set forth in this schedule apply only to lines established or applied for prior to February 11, 1951.

Schedule No. A-7, Private Branch Exchange ServiceAll Exchanges except Temecula

Trunk Rate:

Flat Rate Service:

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

Station Rate:

	Comm'l PBX	Rate Per Month	
		Hotel PBX Not in Guest Room	In Guest Room
Each Station	\$1.25	\$1.25	\$1.00

Proposed special conditions as set forth in Exhibit 69, Pages 12 and 13, are authorized except that the last sentence of proposed special condition 8 shall be deleted.

Rates for local service in the Monrovia, San Fernando, and Sierra Madre exchanges are authorized to be cancelled.

Schedule No. A-8, Dial Private Branch Exchange Service

Proposed rates, installation charges and special conditions as set forth in Exhibit 69, Pages 14 to 19, inclusive, are authorized except as follows:

Installation charges are applicable in connection with applications received on and after February 11, 1951.

Trunk rate for residence service:

Each trunk line - 150% of the residence individual line primary station rate rounded to the lower 25¢ multiple.

Station Rate:

(d) Each wall set station - See Schedule No. A-21.

Present rates for mechanical switching equipment are authorized to be cancelled.

Schedule No. A-9, Key System Service

Proposed rates and special conditions as set forth in Exhibit 69, Pages 20 to 23, inclusive, are authorized.

Schedule No. A-10, Multiple Line Key Equipment

Proposed rates, installation charges and special conditions as set forth in Exhibit 69, Pages 24 and 25, are authorized except that the proposed installation charges are applicable in connection with applications received on and after February 11, 1951.

Schedule No. A-11, Key Telephone Service

Proposed rates, service connection and installation charges and special conditions as set forth in Exhibit 69, Pages 26 to 28, inclusive, are authorized except that the proposed installation charges for Lamp Indicators are applicable in connection with applications received on and after February 11, 1951.

Schedule No. A-12, Private Line Services and Channels

Proposed rates, charges and special conditions as set forth in Exhibit 69, Pages 29 to 31, inclusive, are authorized.

Schedule No. A-13, Public Pay Station Service

Proposed special conditions as set forth in Exhibit 69, Page 32, are authorized.

Proposed rate of 10¢ per message is not authorized.

Schedule No. A-15, Supplemental Equipment Service

Proposed rates and charges as set forth in Exhibit 69, Page 33, are authorized.

Schedule No. A-16, Special Telephone Services

Proposed rates, charges and special conditions applicable to Toll Terminal service as set forth in Exhibit 69, Pages 34 and 35, are authorized.

Schedule No. A-17, Foreign Exchange Service

Proposed rates, charges, and special conditions for local foreign exchange service as set forth in Exhibit 69, Pages 36 to 41, inclusive, are authorized.

The date to be inserted in proposed special condition 2 shall be February 11, 1951.

Schedule No. A-21, Wall Telephone Sets

Proposed rate and special conditions as set forth in Exhibit 69, Page 42, are authorized.

The date to be inserted in proposed special conditions 1 and 2 shall be February 11, 1951.

Schedule No. A-22, Move and Change Charges

Proposed charges and special conditions as set forth in Exhibit 69, Pages 43 and 44, are authorized except that the charges for change of subscriber's set not required by change in class, type, or grade of service are authorized as follows:

	<u>Charge</u>
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
Other changes	3.00

Schedule No. A-26, Service Connection Charges

Proposed charges and special conditions as set forth in Exhibit 69, Pages 45 and 46, are authorized.

Schedule No. A-27, Line Extension Charges

Proposed charges and special conditions as set forth in Exhibit 69, Pages 47 to 50, inclusive, are authorized in connection with applications involving line extension charges received on and after February 11, 1951, except that the following special conditions shall be substituted for proposed special condition 3:

Collective Application and Grouping of Applicants:

When construction is required to serve a new applicant, a survey is made of all prospects who might be served from the new construction or an extension thereof and who might benefit by being included in the project. Allowances are made only for those prospects making bona fide applications for service.

All applicants are grouped in a single project when there is no more than one mile of construction between successive applicants. Separate projects are established whenever the construction between any two successive applicants exceeds one mile. Two or more projects are combined, however, whenever this results in lower charges (or no increase in charges) for all of the applicants involved.

Apportionment of Charges:

Applicants are divided into two groups. The first group includes all applicants whose collective allowance equals or exceeds the construction required to serve them. No charge is made to such applicants. The second group includes all remaining applicants on the project. The over-all charge for the project is divided equally among all applicants in the second group.

Exception: No applicant is required to pay a higher charge than he would if the project were established for him alone. Any difference between this charge and the average charge for the group is absorbed by the company.

Rule and Regulation No. 31 is authorized to be cancelled.

Schedule No. B-1, Message Toll Telephone Service

Rates set forth in Exhibit 69, Page 51, are authorized.

Rates for message toll telephone service between Monrovia and Sierra Madre are authorized to be cancelled.

Schedule No. K-1, Special Assemblies of Equipment

Proposed rates, charges and special conditions as set forth in Exhibit 69, Pages 52 to 55, inclusive, are authorized.

Rule and Regulation No. 1, Description of Service

Proposed Rule and Regulation No. 1 as set forth in Exhibit 69, Pages 57 to 61, inclusive, is authorized.

Rule and Regulation No. 18, Limit of Conversation and Use of Party Line Service

Proposed Rule and Regulation No. 18 as set forth in Exhibit 69, Page 62, is authorized.

Rule and Regulation No. 22, Business and Residence Service

Proposed Rule and Regulation No. 22 as set forth in Exhibit 69, Page 64, is authorized.

Schedule No. H-1, Message Unit Service

The following schedule is authorized:

APPLICABILITY

Applicable in connection with business individual and two-party line, residence individual, two-party and four-party line, commercial and hotel private branch exchange, business and residence key system, semipublic and public telephone, and Los Angeles foreign exchange services.

TERRITORY

Within the following listed exchange areas, as said areas are defined on maps filed as part of the tariff schedules:

Monrovia Mount Wilson San Fernando Sierra Madre

RATES

- | | |
|---|---|
| (1) Flat Rates and Message Rates: | <u>Rate Per Month</u> |
| Primary and extension stations | As set forth in
Extended Service
Schedules. |
| (2) Message Unit Rate: | <u>Rate Per Unit</u> |
| (a) Semipublic, public telephone,
hotel private branch exchange, and
foreign exchange service | \$0.05 |
| (b) Other Services | .035 |
| (3) Number of Message Units: | |
| The number of message units applicable to a message is in accordance with the message unit service tariff provisions of the connecting companies. | |

SPECIAL CONDITIONS

1. This schedule is supplemental to all Extended Service Schedules.
2. Rate (1) above comprehends service as set forth in the Extended Service Schedules.
3. Rates (2) and (3) above are applicable to sent-paid station-to-station messages to all stations receiving service from exchanges and district areas in which message unit service is applicable in the Los Angeles Extended Area, except messages to stations receiving service from the exchanges and district areas included in the respective local service areas as set forth in the Extended Service Schedules.
4. Message unit charges in connection with a particular message are applicable to and are billed only to the service from which the message originates.
5. Total monthly charges shall be determined by adding the charges under Rate (1) above to the total number of message units multiplied by Rate (2) above, except that in connection with message rate services receiving message unit service, other than foreign exchange services, no distinction is made between exchange messages and message units in the application of the rates.