

Decision No. 45889

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)	Application No. 31712
increase certain rates and charges)	(First Amended)
applicable to telephone service.)	

(Appearances and list of witnesses
are set forth in Appendix "1")

O P I N I O N

Associated Telephone Company, Ltd., a California corporation, applicant in this proceeding, by the above-entitled application, filed August 30, 1950, asked authority to increase its telephone rates and charges by an annual amount of \$3,241,200. On February 1, 1951, applicant filed its first amended application requesting that this amount be increased to \$5,757,600 by reason of changed conditions. The original application was based upon conditions as they existed prior to June 25, 1950, the date of the incidence of the Korean war, which did not reflect increased federal tax rates, increased toll revenues, government restrictions on use of copper, and increases in the rate of turnover among applicant's employees. At the public hearing on April 5, 1951, applicant introduced in evidence Exhibit No. 46, which lowered the requested increase to \$5,545,000 after giving effect to an increase in toll revenue estimate of \$63,200 and an increase of \$192,700 in miscellaneous revenue, due to a revision in the directory advertising revenue estimate.

Ten days of public hearings were held upon the first amended application before Commissioner Huls and Examiner Edwards

during February, March, April, and May, 1951. All hearings were held in Los Angeles, except for one day, March 2, 1951, when the hearing was held in Santa Barbara. Representatives from 22 cities participated in the hearings, as well as representatives from the California Farm Bureau Federation, Ventura County Farm Bureau, the Counties of Santa Barbara and Ventura, certain clubs, chambers of commerce, and the staff of this Commission. The proceeding was taken under submission after oral argument on May 9, 1951.

This rate increase proceeding is not the first for this company since the beginning of the postwar inflation in wages and prices. On October 18, 1949, by Decision No. 43423 in Application No. 30339, the Commission granted this utility an interim increase in the amount of \$1,100,000 per annum. On May 2, 1950, by Decision No. 44135 under the same application number, an additional increase of \$2,200,000 in gross revenue was granted. It was estimated that the utility would earn 5.9% on a rate base of \$70,035,000 for a full year at the 1950 level of business. Applicant claims that in 1950 it earned only 4.45% and did not realize the return the Commission had estimated for the full year because the new rates were effective for only seven months of 1950 and because of an intervening wage increase of \$195,600 annually. The comparable rate of return computed by the Commission's staff for the actual year 1950 was 4.97%. Applicant now claims that its rate of return is again declining and that for the full year of 1951 it will fall to approximately 3.16%.

The Associated Telephone Company, Ltd., is engaged in the business of furnishing public utility telephone service to approximately 423,000 telephone stations in 34 exchanges located in the Counties of Los Angeles, Orange, San Bernardino, Santa Barbara, Ventura, Tulare, Kern, and Fresno. All but three of the company's exchanges have been converted to dial operation. The area in which applicant renders telephone service has witnessed a phenomenal

postwar growth in population. The number of stations served by this utility has grown from 215,939 as of December 31, 1946, to 422,834 as of December 31, 1950. Accompanying this sharp increase in the number of stations has been an even sharper increase in the amount of plant in service from \$33,093,340 to \$90,307,805. The demand for new service continues unabated as indicated by the fact that as of January 20, 1951, applicant's held orders were 21,971 in number. New home construction in its service area has continued to grow despite defense restrictions on certain types of new buildings.

Company's Position

Because of the fact that it has been necessary for applicant rapidly to increase its plant at high unit costs for labor and material compared to prewar prices, applicant claims it will not be possible to earn a sufficient rate of return at present rate levels to enable it to sell securities at adequate prices for financing plant expansion. Furthermore, it claims operating expenses have increased out of proportion to revenue as a result of both increased unit labor and unit material costs, as well as from an increase in the federal income tax rate from 38% to 47%.

Applicant's Exhibit I, Page 2, attached to the amended application, shows that average plant investment per station has risen from \$156.33 in 1946, to \$198.35 in 1950. For 1951, applicant contemplates expenditures for gross construction in the amount of \$25,914,100, which will bring the average investment in 1951 to an approximate figure of \$228 per station. Average total operating expenses, including depreciation and taxes, per station have risen from \$44.26 in 1946 to \$45.83 in 1950, and to an estimated total of \$48.82 in 1951. The average total operating revenues per station have increased from \$51.39 in 1946 to \$53.25 in 1950, and for 1951 are estimated at \$55.11 at present rate levels.

Applicant requests that its telephone service rates be raised to a point that will result in a rate of return of 6.5% on its rate base at the 1951 level of business. Its proposed increase of \$5,545,000, largely proposed to be assigned to the local service classification, represents a rate increase of 31.3% on the average, being equivalent to an approximate increase of \$13 per year per average station. The amount of increase in rates, as proposed by applicant, is not uniform for classes and grades of service by exchanges. Applicant suggests that the exchanges be classified into five groups for local service and two groups for extended service based on stations accessible to subscribers in an exchange, as shown on the following table:

APPLICANT'S PROPOSED BASIC RATES

<u>Group</u>	<u>Accessible Stations</u>	<u>Business Service</u>			<u>Residence Service</u>		
		<u>Indiv. Line</u>	<u>2-Party Line</u>	<u>4-Party Line</u>	<u>Indiv. Line</u>	<u>2-Party Line</u>	<u>4-Party Line</u>
<u>Local Service</u>							
1	0 - 500	\$6.75	\$4.25	\$4.00	\$6.00	\$4.00	\$3.75
2	501 - 4,000	7.00	4.50	4.25	6.00	4.25	3.75
3	4,001 - 10,000	7.25	4.75	4.50	6.00	4.50	3.75
4	10,001 - 25,000	7.50	5.00	4.75	6.00	4.75	3.75
5	25,001 - 50,000	7.75	5.50	-	6.00	5.00	3.75
<u>Extended Service</u>							
A	0 - 150,000	8.50	6.25	6.00	6.50	5.35	4.00
B	Over 150,000	10.50	7.50	7.25	6.50	5.35	4.00

Applicant's proposed rates are fully set forth in Exhibit E of the application and, in addition to the above schedules, contain proposals on ten-party line, suburban, and message unit services.

Subscriber Representation

Subscriber representatives were present at each of the hearings and several presented testimony relative to various phases of the case presented by the applicant. Testimony or statements were presented by the following prominent public officials:

State Senator Cunningham of San Bernardino County, Supervisor Marion A. Smith of Santa Barbara County, Mayor Fletcher Bowron of the City of Los Angeles, and Mayor Norris Montgomery of the City of Santa Barbara. Some of the more important points stressed by certain of these officials were: the expense of operating low return producing exchanges, such as the Oxnard exchange, should not be a burden on the old established exchanges in the Los Angeles extended area; the company should not be permitted to install high cost buildings during the present period of high labor and material prices; steps should be taken by the company to stop the general nationwide inflation in prices and wages; applicant's proposed rates would result in removal of telephones; telephone service and rates should be comparable with those applicable to other similar areas in the state.

The applicant's position relative to these matters was: the return in exchanges fluctuates annually and it cannot be said fairly that any one exchange is carrying the others, and particularly in Oxnard where its proposed rates will justify the capital involved; buildings are not built for show or to have excess spare room but rather, adequately to house the necessary telephone equipment; the dial switching equipment is tremendously more expensive than the buildings and undue risks would be taken where fire hazard is high and humidity, which might adversely affect service, cannot be controlled.

The utility is the victim of inflation as is the public and business generally. Applicant's prices must be kept current if it is to furnish the type of service the public is demanding. The only contribution that the company stated it could make to halt the inflation spiral would be to stop construction of all telephone plant and not provide new service to people demanding it.

We are of the opinion that such a program of curtailing construction of new telephone plant, as an anti-inflation measure would not meet with public approval in a state that is expanding and growing as rapidly as is the State of California.

In addition to the testimony of the public officials, testimony was presented by representatives of other organizations and cities. The Commission also received a number of letters protesting the proposed increase in rates. These letters were summarized and classified as to their contents under several general headings by a Commission staff engineer and presented as part of a service investigating report, Exhibit No. 57. So many subjects were covered by such letters and by subscriber representatives that it is not practicable to list herein the detailed consideration given to each subject other than in a general way. The representative of the California Farm Bureau Federation testified that service in the rural area has been improving rapidly and that the farmer is willing to pay the rates which the Commission finds are proper. However, he did point out that the rate for business suburban service is too low compared to residence service based on the relative usage. Suburban business places are generally located along a highway where the public uses the telephones day and night. Such suburban lines normally are planned to serve ten stations and the residents who are on the line with a business station can seldom use the telephone because the line is in use.

✓ After a review of the letters received by the Commission, the utility was requested to investigate and follow up any complaints regarding service, where the subscribers had given sufficient specific facts to indicate the source of the trouble. The company observed generally that most of the letters indicated dissatisfaction because of overloaded central office equipment. This condition

in large part now has been corrected. Another common source of complaint is the provision of party line service to persons who have requested individual line service. Solution of this problem depends upon the utility's ability to raise capital and install additional new plant. Certain subscribers had individual difficulties which the utility was requested to correct. Other letters advanced carefully prepared suggestions which the Commission will attempt to carry out in so far as is practicable.

The testimony of several subscriber representatives contained suggestions relative to the improvement of service conditions. Such testimony will be weighed with all the evidence presented in this case, and in so far as consistent with the economics governing the rendition of telephone service, such suggestions will be adopted.

Evidence on Earnings

Both the applicant and the Commission's staff presented estimates of the earnings of the Associated Telephone Company for the year 1951. Both estimates, which are summarized in the succeeding table, show what would result if the present rates were to be effective for the full year, and what would result if the proposed rates were effective for the part of the year as indicated.

ESTIMATED EARNINGS IN 1951

Item	Company Exhibit No. 46		Staff Exhibit No. 50	
	Present Rates Full Year	Pres. Rates First 4 Mos. Pro. Rates Last 8 Mos.	Present Rates Full Year	Pres. Rates First 6 Mos. Pro. Rates Last 6 Mos.
Operating Revenues	\$24,265,400	\$27,979,800	\$24,642,000	\$27,454,000
Operating Expenses	13,074,700	13,074,700	13,069,500	13,026,500
Depreciation	3,892,200	3,892,200	3,850,000	3,850,000
Taxes	4,431,300	6,281,100	4,473,900	5,895,400
Total Expenses	21,398,200	23,248,000	21,393,400	22,771,900
Net Revenue	2,867,200	4,731,800	3,248,600	4,682,100
Rate Base (Depreciated)	86,615,564	86,615,564	82,148,000	82,148,000
Rate of Return	3.31%	5.46%	3.95%	5.70%

In addition to the above figures, each exhibit contained a hypothetical earnings figure for the year of 1951, assuming applicant's proposed rates in effect for the full year. On such basis, the company's exhibit showed a return of 6.50% while the staff's exhibit showed 7.36%. Neither will be realized due to the fact that the rate increases herein allowed will not be in effect for the full year.

The principal difference between the two estimates is in the amount of the rate base. The staff's estimate of revenue for the full year at present rates is approximately 2% greater than the company's, the expenses less by .02% and the rate base approximately 5% smaller. On the basis of part of the year at present rates and part at proposed rates, the staff's estimates of revenue and expenses are approximately 2% less than the company's, being accounted for by the fact that the company's estimates reflected two additional months at proposed rate levels than did the staff's.

The company took no particular exception to the staff's estimates of revenues and expenses but did develop on cross-examination the fact that the salary increase of \$200,000 conditionally granted to salaried employees of the company effective May 1, 1951 would lower the rate of return by about 0.1% below that shown in the staff's exhibits. The company conditioned this salary increase on authorization to be obtained from the National Wage Stabilization Board. Another factor pointed out by the company that might also adversely affect the earnings would be a possible future increase in wages. The union, which is the bargaining agent for the company's wage-earning employees, served the company with 60 days' written notice on May 1, 1951, of its desire to amend the contract currently in force. Such possible amendment is not reflected herein.

Conclusion { For the purposes of this decision, the staff's estimates of revenues and expenses will be adopted, after adjustment for the expense effect of the \$200,000 salary increase.

Applicant claims that its salary levels prior to increase effective May 1, 1951 were below the salary levels paid by other public utilities in Southern California. On the other hand, it claims that wages are at a proper level since the wage earners are, and for several years past have been, compensated on the same general level as similar employees elsewhere in the telephone business in Southern California. A company representative testified that in these times of rapid growth in business and plant and of increasing manpower problems, its success in maintaining efficient and economical operations is in a larger degree than ever dependent upon the enthusiastic loyalty of salaried people.

Depreciation

The depreciation expense allowance by the staff was within 1% of the company's estimate. The reason for the close agreement was that the company used the rates based on the lives recommended by the staff in the prior rate proceedings under Application No. 30339. The straight-line method of computing depreciation was used and in the future applicant will accrue depreciation based on the remaining life method. In the final Decision No. 44135 in Application No. 30339, dated May 2, 1950, the Commission suggested that the applicant take immediate steps to compile mortality statistics for the purpose of deriving proper depreciation lives and salvage factors on its telephone plant. As a result thereof, applicant's president reported on March 8, 1951, that the company has established a Valuation Division which is now engaged in compiling mortality statistics for the express purpose of computing charges for depreciation expense and determining the adequacy of its depreciation reserve. In future years the company plans to spread the balance of the undepreciated cost of the plant less estimated net salvage over the remaining life of the plant. Furthermore, no

adjustment in the amount of the present reserve will be sought. Applicant's studies are not sufficiently advanced to determine depreciation allowances at this time on a remaining life basis.

Taxes

Of the total taxes in the amount of \$3,610,847 recorded in 1950, the City and County taxes amounted to 52.5%, State taxes, 9.2% and Federal taxes, 38.3%. In addition to these taxes, the company collected and paid to the federal government \$5,556,233 collected from its subscribers, representing federal excise taxes levied on exchange and toll service. Thus the total taxes payable to all taxing authorities amounted to \$1.89 per average station per month during 1950.

The 1951 estimates of taxes are substantially above the \$3,610,847 figure and would be higher still under the assumption that the proposed increased rates were to be effective only for part of the year. The reason for the marked increase is due to the effect of the current federal income tax rate on larger net revenue. In 1950, on large utility corporations, an average federal income tax rate of 42% was effective which for 1951 was raised to 47%.

Rate Base

Both the company and Commission staff witnesses introduced exhibits covering rate bases for various periods. The differences in the rate bases for the estimated year 1951 are due, in general, to the following items:

- re-written*
- (a) Estimates of plant additions for the year are in the main spread by the company uniformly throughout the year whereas the staff used two months actual and estimated completion dates for the balance of the year in the weighting given capital additions.
 - (b) The staff figures reflect interest on land during the construction period, while the company's procedure was to include in the base capital the entire investment in property held for future use. The staff also computed the effect of the inclusion of interest on land held for future use for a reasonable time during the preconstruction period, which resulted in a reduction

of \$69,000 in the weighted average rate base. The inclusion of interest on land is consistent with the established practice of charging overhead costs to plant charges during the construction period. Prior to the structural capital expenditures, acquisition of the associated land is required and necessitates capital investment which includes interest on the funds required prior to date of operation. This interest item should be capitalized as an asset on the books of the company and included in determining costs for rate-making purposes.

- (c) The allowances for non-interest-bearing construction work in progress differed materially due to differences in methods of approach. The applicant, in preparing its figures for the year 1950 "Recorded", based the interest-bearing portion on an estimate of the monthly charges of interest during construction and deducted this from the total construction work in progress to give the non-interest-bearing portion. This was used as a base for their estimates for 1951. The staff based its estimate for the year 1951 upon a study of the actual non-interest-bearing construction work in progress experienced in 1950. In addition, the company's interest during construction was calculated at a 6% rate as against a 5% rate adopted by the staff.
- (d) The record shows the justification for the inclusion of approximately \$420,000 reflecting routine project expenditures for the year 1951, which did not appear specifically in the staff's estimate.

COMPARISON OF RATE BASES
1951 ESTIMATED*

	Company Exhibit H	Staff Exhibit No. 57	Company over Staff
<u>Plant</u>			
Telephone Plant	\$ 99,331,000	\$ 98,167,000	\$1,164,000
Non-interest-bearing CWIP	3,731,000	585,000	3,146,000
Property Held for Future Use	51,000	70,000	(19,000)
Total Weighted Average Plant	103,113,000	98,822,000	4,291,000
<u>Adjustments</u>			
Contributions of Tel. Plant	(893,000)	(897,000)	4,000
Intangibles		(49,000)	49,000
Recomputation of Int. at 5% on CWIP and Land	-	(19,000)	19,000
Total Weighted Avg. Adjustments	(893,000)	(965,000)	72,000
<u>Working Capital</u>			
Material and Supplies	3,304,000	3,278,000	26,000
Working Cash	750,000	750,000	0
Total Working Capital	4,054,000	4,028,000	26,000
Total Weighted Average Rate Base	106,274,000	101,885,000	4,389,000
Deduction for Depreciation	19,658,000	19,737,000	(79,000)
Weighted Avg. Deprec. Rate Base	86,616,000	82,148,000	4,468,000
Allowance for Routine Projects - Add		420,000	
Effect of Interest on Lands - Deduct		69,000	
Adjusted Rate Base		82,499,000	

(Red Figure)

* Figures rounded to nearest \$1,000.

✓ The staff's method of handling the above items, with the addition and deduction noted, will be accepted for the purpose of this decision and an allowance will be made for routine projects. For the purpose of this proceeding for the estimated year 1951 an average weighted depreciated rate base of \$82,500,000 is adopted. ✓

Return

Applicant's request for increased rates is predicated, among other things, on a requested return of approximately 6.5% on an average rate base for the year 1951 of \$86,615,564. Counsel for the City of Los Angeles urged a rate of return of 5.25% using a smaller rate base, while a witness testifying on behalf of a group of cities which are served by applicant, stated that in his opinion the rate should not exceed 5.5%.

The record contains testimony and exhibits setting forth applicant's financial experience, its method of financing its properties and its earnings and dividends, as well as information including trends of interest rates, yields on outstanding securities of other utility and industrial companies, earnings on invested capital, and the trends of such earnings of certain selected utility companies, comparative risk data so far as the telephone industry and the electric industry are concerned, and estimated financial requirements to service applicant's outstanding and proposed issues of stock and bonds. A witness called on behalf of applicant testified that in his opinion net income of \$5,992,241 would be required to provide the coverage of interest and dividends necessary to insure additional sales of preferred stock, to produce earnings of \$2.90 a share on the common stock and, generally, to maintain applicant's credit. A witness for the City of Los Angeles estimated that the company would require net earnings of \$4,985,567 in order

to service the outstanding securities and those proposed to be issued, including in his calculation, however, an assumed dividend rate of 6.5% on the common stock. A third witness presented financial statements and data pertaining to the cost of money and, using an assumed capital structure including debt at 55%, concluded that a return of 5.5% would enable applicant to pay an 8% dividend and to carry additional sums to surplus.

It has been applicant's practice, in financing the cost of its properties, to issue and sell bonds and preferred stock to the public and to issue and sell its shares of common stock, at par, to General Telephone Corporation. At present, its capital structure consists of 54% bonds, 22% preferred stock, and 24% equity capital. Applicant is of the opinion that it should reduce its debt ratio and it plans to issue, during 1951, \$7,000,000 of common stock, \$7,000,000 of preferred stock, and \$8,000,000 of bonds to assist it in meeting its capital requirements. In May, 1951, it filed with the Commission applications to issue common and preferred stock in the amounts indicated, leaving the proposed issue of bonds for the latter part of the year. These issues were authorized on June 19, 1951 by Decision No. 45846 in Applications Nos. 32412 and 32439. Applicant's program, if fully consummated, would result in ratios to total capital of approximately 50% for bonds, 24% for preferred stock, and 26% for common stock.

It is evident that applicant will continue to be faced with substantial new capital expenditures into 1952.^{1/} These plant additions made under today's inflated costs of labor and material, require increased revenues to provide a fair return. Furthermore,

^{1/} Applicant estimates it will be required to spend approximately \$26,000,000 in 1951 to meet capital requirements.

the tax and wage increases, imposed or permitted with the approval of the Federal government, must be reflected in rate increases if the utility is to receive a fair rate of return.

In considering the record in this proceeding, it clearly appears that applicant will have need for additional revenues if, under current wage and tax levels, it is to enjoy a fair return on its investment and is to proceed with the financing of required extensions and additions to its properties. We are of the opinion that recognition should be given to the declining rate of return attendant upon the increase in the investment in plant, and, after a full review of the matter we conclude that applicant's operating revenues should be increased by the amount of \$4,750,000 on an annual basis, which, under present wage and tax rates, in our opinion, will produce a return of 6.1% during the next 12-month period, based on the projection of the average year 1951 estimated results of operation. Tested against applicant's outstanding securities and those proposed to be issued during 1951, it appears that such a return should produce net operating revenues sufficient to attract the necessary capital and to enable applicant to proceed with its construction program.

In our opinion, based upon the record in this matter, the rates herein authorized are justified and the return to applicant on its investment is fair and reasonable.

Authorized Rates

In spreading the increases in rates, we have attempted to maintain a balance as between districts and exchanges taking into account their sizes and any peculiar conditions of the territory that might affect the cost of providing service. Rate levels and differentials as between grades of service on other systems serving somewhat comparable areas also have been considered. The contentions

of the subscribers and their representatives are also reflected in the rate levels in so far as consistent with the economic problems involved.

One guide that has been used to some extent is the return by exchanges shown by Exhibit No. 17. This exhibit was introduced by the applicant at the request of the staff and sets forth the results of operation for the year ended December 31, 1950. The applicant claimed that the information contained in Exhibit No. 17 is incompetent and immaterial to the issues in this proceeding. However, it is evident that an indication of the relative earning positions of the exchanges by geographical areas can be obtained from the exhibit, and the rates have been fixed in accordance with the principle that the charges for telephone service in one area will not place an undue burden on the balance of the company's customers.

Within the Los Angeles extended area, the rates of return indicated by Exhibit No. 17 in the Long Beach and West Los Angeles exchanges were slightly above average and justify rates generally below the company's proposal. In the Santa Monica exchange and the remainder of the extended area exchanges, the returns were below average but not sufficient in our opinion to warrant rate differentials after reflecting increases in the other items that make up cost of service. Under the circumstances, the reasonable solution at this time is to provide a uniform schedule of rates for extended service.

A comparison of the present rates for the two basic grades of extended service, namely: four-party residence service and

one-party business service, with the rates proposed by applicant and those authorized in the order herein, follows:

Extended Service - Monthly Flat Rate - Hand Set Station

<u>Exchange</u>	<u>Four-Party Res. Service</u>			<u>One-Party Bus. Service</u>		
	<u>Present</u>	<u>Proposed</u>	<u>Auth.</u>	<u>Present</u>	<u>Proposed</u>	<u>Auth.</u>
Long Beach	\$2.60	\$4.00	\$3.75	\$9.25	\$10.50	\$10.50
Santa Monica	2.75	4.00	3.75	9.25	10.50	10.50
W. Los Angeles	2.75	4.00	3.75	9.25	10.50	10.50
Downey-Torrey	2.60	4.00	3.75	9.25	10.50	10.50
Redondo	2.75	4.00	3.75	7.50	8.50	10.50
Covina	2.75	4.00	3.75	7.50	8.50	10.50
Whittier	2.75	4.00	3.75	7.50	8.50	10.50
Malibu	2.60	4.00	3.75	7.50	8.50	10.50

The authorized business rates are being placed at the level proposed by applicant or higher, in order to maintain a proper balance as between classes and grades of service.

In this order, we are authorizing the discontinuance of local service on a programmed basis in all exchanges within the Los Angeles extended area, except in the Long Beach exchange. Such discontinuance will result in additional available plant capacity through more efficient utilization of applicant's plant and equipment. Furthermore, improvement in service and a substantial simplification in tariff schedules will result.

The provision of extended service to all subscribers in the Los Angeles extended area exchanges, except Long Beach, while resulting in some redistribution of charges, will offset in varying amounts, depending on usage, the increased exchange rates for local customers through the elimination and reduction in toll charges. The effect on subscribers' charges resulting from the provision of extended service to present local customers is estimated as a net reduction of \$434,000 on an annual basis as compared to the total charges if local service were to be continued on the present basis.

Counsel for the City of Long Beach took exception to the proposal of the company to make extended service effective for all

subscribers in Long Beach. His position was that in Long Beach only some 35% of the stations are now on an extended service basis, that Long Beach is a large self-contained city with only 3.9% of its calls being toll calls, that despite the large number of stations available the calling rate per station is not as high as in the smaller communities where only a few thousand stations are available, and that the geographical and economic conditions do not cause any great demand on the part of the citizens of Long Beach for extended service.

We agree with counsel's position on this subject to the extent that the proposed discontinuance of existing local service in the Long Beach exchange will not be authorized at this time.

In connection with the change from local to extended service, there will be a certain period of time during which it will be necessary to maintain local service rates in the Santa Monica, West Los Angeles, Covina, Downey, Malibu, Redondo, and Whittier exchanges. In the Santa Monica and West Los Angeles exchanges, applicant stated that the change will be made within 30 days after the effective date of this order. In view of the short interval of time until full extended service will be made effective, the present level of local service rates will be continued during that interval. For the remainder of the exchanges, which the company plans to convert within 10 months, the local rates will be increased to the levels authorized for the Long Beach exchange.

The company has as an objective of its long-term plan in the Los Angeles extended area exchanges the provision of all business service on a message rate basis. The provision of facilities for business individual line and private branch exchange message rate service should be programmed for installation at the earliest feasible date in order to accomplish a more equitable distribution

of charges in accordance with usage. The possible discontinuance of flat rate business service will be given consideration when facilities are available to provide message rate service.

A witness for the Cordingly-Sherman Apartment-Hotel protested the proposal to substitute hotel message rate private branch exchange service at 5 cents per message for flat rate service. He claimed that in making leases with tenants he had assured them that they would receive flat rate service. He testified that the situation was serious enough that the apartment-hotel may be put out of business by it. The company's answer to this complaint was that the minimum charge for the trunk lines serving the hotel is some \$200 per month less under the message rate basis than under a flat rate basis, and that the company never gave any assurance that the rates would not have to be changed in the future.

In our opinion, the proposal by the company to change hotel and apartment house private branch exchange service in West Los Angeles exchange from a flat to a message rate basis is sound. Under present day fluctuating economic conditions, neither a utility nor this Commission can guarantee that rate levels and classifications can remain fixed for any extended period of time. In our opinion, the message rate basis of charging for telephone service is a more equitable way of properly assessing the cost of providing service to the small and large user.

The applicant has requested authorization to withdraw the offering of local foreign exchange service and substitute extended rates for the local rates now filed, where the serving exchange is in the Los Angeles extended area. We believe that foreign exchange service, where the serving exchange is in the Los Angeles extended area, should be furnished on an individual line extended service basis. Accordingly, the local foreign exchange schedules will be

authorized to be closed to new customers and the company will be required to file individual line extended business, residence or private branch exchange trunk service rates over routes where local service is now furnished. In connection with extended business and private branch exchange trunk service, we are of the opinion that such service should be furnished on a message rate basis and the order will so provide. Applicant has also requested increases in certain foreign exchange mileage rates and the increase requested will be authorized.

Inasmuch as the Commission is authorizing increases in rates for the applicant, it follows that affected foreign exchange rates filed by connecting companies should be consistent. Therefore, such connecting companies should request authority of this Commission to make the necessary tariff filings to reflect the increases authorized in the serving exchange by the order herein. ✓

While it is not essential to equalize the return in each and every exchange, we have equalized as between the extended area exchanges as a group and the outside exchanges as a group. *L. L. Thorne* ✓ One practical limit that has been applied in this leveling process is that no existing rates will be increased more than 75%, except where the type of service offered is being changed. Furthermore, consideration has been given to the relative earning position of exchanges and groups of exchanges outside of the Los Angeles extended area, in establishing the rate levels in those exchanges.

A comparison of the present rates for the two basic forms of local service, namely, four-party residence service and one-party business service, with the rates proposed by applicant and those authorized by the order herein, follows:

Local Service - Monthly Flat Rate - Hand Set Station

<u>Exchange</u>	<u>Four-party Residential</u>			<u>One-party Business</u>		
	<u>Present</u>	<u>Proposed</u>	<u>Auth.</u>	<u>Present</u>	<u>Proposed</u>	<u>Auth.</u>
Long Beach	\$2.25	\$ None	\$3.50	\$7.50	\$ None	\$8.50
San Bernardino	2.25	3.75	3.25	6.75	7.75	7.00
Pomona	2.00	3.75	3.25	6.25	7.50	7.00
Ontario	2.00	3.75	3.00	6.00	7.50	6.50
Laguna Beach	2.00	3.75	3.00	5.75	7.25	6.50
Huntington Beach	2.00	3.75	2.75	5.25	7.00	6.00
Westminster	2.00	3.75	2.75	5.25	7.00	6.00
Etiwanda	2.00	3.75	2.50	5.00	6.75	5.50
Arrowhead	2.25	3.75	3.75	5.25	7.00	8.50
Crestline	2.25	3.75	3.75	5.25	7.00	8.50
Lancaster	2.25	3.75	3.75	5.25	7.00	8.50
Santa Barbara	2.50	3.75	3.75	7.00	7.75	7.50
Oxnard	2.50	3.75	3.75	6.00	7.25	7.50
Santa Maria	2.50	3.75	3.75	6.00	7.25	7.50
Carpinteria	2.50	3.75	3.25	5.50	7.00	6.75
Lompoc	2.50	3.75	3.25	5.50	7.00	6.75
Santa Paula	2.50	3.75	3.25	5.50	7.00	6.75
Santa Ynez	2.50	3.75	3.25	5.50	7.00	6.75
Guadalupe	2.50	3.75	3.00	5.25	6.75	6.25
Los Alamos	2.50	3.75	3.00	5.25	6.75	6.25
Thousand Oaks	2.50	3.75	3.00	5.25	6.75	6.25
Fowler	2.50	3.75	3.25	5.50	7.00	6.75
Lindsay	2.50	3.75	3.25	5.50	7.00	6.75
Reedley	2.50	3.75	3.25	5.50	7.00	6.75

A witness for the applicant testified that it is the company's plan eventually to offer, within the base rate areas, only individual and two-party line business service and that four-party line business service on the average is not a satisfactory grade of service for a business enterprise. In exchanges within the Los Angeles extended area, applicant has requested that four-party business extended service be provided only to those subscribers having four-party local service at the time of the conversion of an exchange to full extended service, and thereafter only until facilities are available to provide a higher grade of business service. We think this request is reasonable and that the granting thereof

will tend to provide a more satisfactory service to customers. Similar treatment also will be authorized in the exchanges located outside of the Los Angeles extended area where four-party business service now is furnished.

The increases proposed in the minimum charge per month for semipublic toll station service, in telegraph service rates, and in certain other miscellaneous rates will be authorized.

The applicant has proposed an increase in pay station service from 5 to 10 cents per local message. A witness for applicant testified that a minimum period of 12 months would be required to provide the necessary equipment to make such a change fully effective. In view of the fundamental nature of such a change, the increase will not be authorized in this order. However, new equipment purchased by applicant should be arranged so as to permit the placing into effect of a rate other than 5 cents for local messages, should the Commission hereafter find a change in rate to be justified.

The applicant proposes to establish a new exchange, to be designated the Zuma exchange, which would include all of the present Zuma district area of the Malibu exchange and a portion of the Oxnard exchange, as shown on Exhibit A, Page 9, attached to the application. It is estimated that facilities could be made available to establish such exchange some time during 1952. We are of the opinion that the removal of the Zuma district area as a part of the Los Angeles extended area would not be a desirable step to be taken at this time. The Zuma district has its own toll rate center so that customers in the Zuma district area pay toll charges based on their location relative to all other exchanges. While this area is sparsely developed at present, it is included in the local service area for the Santa Monica and Canoga Park exchanges, and

the present service arrangements should be continued. Accordingly, the request to establish the proposed Zuma exchange is denied.

The Commission is of the opinion that further consideration should be given to the introduction of extended service in the Carpinteria exchange with the view to providing such service on a two-way basis between Santa Barbara and Carpinteria. The order will provide for the company to submit a study covering traffic analysis, revenue, expense, and plant effects of introducing such service, and to submit a similar study covering extended service between the Thousand Oaks, Oxnard, and Santa Paula exchanges.

ORDER

Associated Telephone Company, Ltd. 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, rates and conditions revised as set forth in Exhibit A attached hereto, and, on not less than two (2) days' notice to the Commission and to the public, to make said rates effective for service furnished on and after July 21, 1951.
2. Applicant, within the exchanges herein specified, is authorized to cancel rates for local service, other than local foreign exchange service, on or after July 21, 1951, but not later than September 1, 1951 in the Santa Monica and West Los Angeles exchanges and not later than June 1, 1952 in the Covina, Downey, Malibu, Redondo, and Whittier exchanges.

APPENDIX "1"
Sheet 1 of 3LIST OF APPEARANCES

Marshall K. Taylor, Donald C. Power, and O'Melveny & Myers, by Harry L. Dunn, for applicant; K. Charles Bean, T. M. Chubb, and Roger Arnebergh, for City of Los Angeles, interested party; J. J. Deuel and Edson Abel, for California Farm Bureau Federation, interested party; Dewey L. Strickler, Irving M. Smith, Joseph B. Lamb, and Henry E. Jordan, for City of Long Beach, protestant; Edward Boehm and Frank Mankiewicz, for Americans for Democratic Action, C.I.O., and Westwood Democratic Club, interested parties; H. R. Griffin, for City of San Bernardino, protestant; David S. Licker, for County of Santa Barbara and for Cities of Pomona, Whittier, Redondo Beach, Azusa, West Covina, Glendora, Oxnard, Laguna Beach, Santa Paula, Upland, Ontario, Santa Maria, Guadalupe, and Lompoc, protestants; Angelo Iacoboni and Harry F. Sheehan, for Lakewood Chamber of Commerce, protestants; Mayor Norris Montgomery and Henry T. Bailey for City of Santa Barbara, protestant; Royal M. Sorenson and J. Leroy Irwin, for City of Santa Monica, interested party; Henry M. Busch, for Cities of Upland and Ontario, interested parties; Supervisor Marion A. Smith and Robert B. Stillman for County of Santa Barbara, protestant; William Reppy, for Cities of Oxnard and Port Hueneme, protestants; Donald Benton, for the County of Ventura, protestant; Richard Henning, for Lompoc Farm Center, protestant; James C. Westervelt, for Ventura County Farm Bureau, protestant; Wilfred A. Rothschild, for Thousand Oaks Chamber of Commerce, protestant; Arden T. Jensen, in propria persona, protestant; Raymond M. Paaske, in propria persona, protestant; Anthony Gunterman, in propria persona, protestant;

APPENDIX "1"
Sheet 2 of 3

LIST OF APPEARANCES
(Continued)

Richard A. Perkins, for Malibu Chamber of Commerce, West Malibu Community Council, Malibu-Encino Home Owners Assn., Trancas Beach Property Owners Assn., Malibu-Riviera Property Owners Assn., Topanga Ranch Home Owners Assn., protestants; Herschel B. Green, for Cordingly-Sherman, Inc., protestant; Freyman Coleman, C. T. Mess, and Harold J. McCarthy, for the Commission's staff.

LIST OF WITNESSES

Evidence was presented on behalf of applicant by Edwin M. Blakeslee (history, operations, annual results of operations), Marshall K. Taylor (number of employees), Ernest W. Watson (operating characteristics, station data), G. Howard Briggs (estimated revenue data), Dean M. Barnes (property for future use, ratio of materials and supplies, 1951 construction program, dial operation data, toll line data), Owen G. Jarboe (local, toll, and operator data), Guy T. Ellis (exchange operations, plant, depreciation reserve, pay roll segregation), Evert E. Karlsson (depreciation, maintenance expenses), Frederick C. Rahdert (construction work in progress), Ralph K. Chase (corporate history, tax data), Jonathan B. Lovelace (economic and financial data, required earnings).

Evidence was submitted on behalf of the protestants and interested parties by Fletcher Bowron, Frank A. Mankiewicz, T. M. Chubb, K. Charles Bean, Clarence A. Winder, Henry E. Jordan, J. C. Westervelt, W. A. Rothschild, J. R. Henning, A. Jensen, A. Gunterman, R. M. Paaske, C. G. Smith, and G. A. Cordingly.

APPENDIX "I"
Sheet 3 of 3

LIST OF WITNESSES
(Continued)

Evidence was submitted on behalf of the Commission's staff by Donald C. Neill (summary of earnings, general expenses, taxes), Theodore Stein (balance sheet, depreciation reserve), Marshall J. Kimball (operating revenues, expenses), Greville L. Way (rate base), and George W. Smith (service).

EXHIBIT A
Page 1 of 7

RATES

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

Service in the Los Angeles Extended Area

Extended Service Rates - Each Primary Station

Exchange or District Area	Residence Flat Rate Service Monthly Rate			Msg. Rate*	Business Service Monthly Rate Flat Rate		
	1-Party	2-Party	4-Party		1-Party	2-Party	4-Party
Covina	\$5.50	\$4.50	\$3.75	\$ -	\$10.50	\$8.25	\$ -
Downey-Topaz D.A.	5.50	4.50	3.75	5.50(80)	-	8.25	8.00
Downey-Torrey D.A.	5.50	4.50	3.75	-	10.50	8.25	8.00
Long Beach	5.50	4.50	3.75	-	10.50	8.25	-
Malibu	5.50	4.50	3.75	-	10.50	8.25	-
Redondo-B.R.A.	5.50	4.50	3.75	-	10.50	8.25	8.00
Redondo-S.R.A.	7.00	5.55	4.50	-	12.00	9.30	8.75
Santa Monica-B.R.A.	5.50	4.50	3.75	5.50(80)	10.50	8.25	8.00
Santa Monica-S.R.A.	7.50	5.90	4.75	7.50(80)	12.50	9.65	9.00
West Los Angeles	5.50	4.50	3.75	5.50(80)	10.50	8.25	8.00
Whittier	5.50	4.50	3.75	-	10.50	8.25	8.00

Local Service Rates - Each Primary Station

Exchange	Residence Flat Rate Service Monthly Rate				Business Flat Rate Service Monthly Rate		
	1-Party	2-Party	4-Party		1-Party	2-Party	4-Party
Covina	\$5.25	\$4.25	\$3.50		\$ 8.50	\$7.00	\$ -
Downey	5.25	-	3.50		8.50	7.00	6.75
Long Beach	5.25	-	3.50		8.50	7.00	-
Malibu	5.25	-	3.50		8.50	7.00	-
Redondo-B.R.A.	5.25	4.25	3.50		8.50	7.00	6.75
Redondo-S.R.A.	6.75	5.30	4.25		10.00	8.05	7.50
Whittier	5.25	-	3.50		8.50	7.00	6.75

D.A. -District Area.

B.R.A.-Base Rate Area.

S.R.A.-Special Rate Area.

* -Each message over allowance - 3½ cents.

Add special condition to read:

Business four-party flat rate extended service will be furnished only to those subscribers receiving business four-party flat rate local service as of the date on which local service is discontinued in a particular exchange and thereafter only until facilities are available to furnish business individual line or two-party line extended service.

EXHIBIT A
Page 2 of 7

Service in the Los Angeles Extended Area (Continued)Suburban Line and Business Extended 10-Party Flat Rates

<u>Exchange</u>	<u>Monthly Rate - Each Primary Station</u>				<u>Business Extended 10-Party*</u>
	<u>Suburban Line</u>				
	<u>Local</u>		<u>Extended</u>		
	<u>Residence</u>	<u>Business</u>	<u>Residence</u>	<u>Business</u>	
Covina	\$3.75	\$6.00	\$4.25	\$7.25	\$7.25
Downey	-	6.00 ^a	-	-	7.25
Long Beach	3.75	6.00	7.25	7.25	7.25
Malibu	3.75	6.00	7.25	7.25	7.25
Redondo ^b	3.75	6.00	7.25	7.25	7.25
Santa Monica ^c	3.25	5.00	7.25	7.25	7.25
Whittier	3.75	6.00	7.25	7.25	7.25

- * - Applicable to service furnished under Schedule No. A-1(a).
a - Applicable only to services furnished on a deviation basis.
b - Suburban area and special rate area.
c - Furnished only within the Topanga Canyon area.

Extended Semipublic Coin Box Service

<u>Exchange</u>	<u>Individual Line</u>	
	<u>Minimum Charge Per Day</u>	<u>Monthly Rate</u>
Santa Monica-Special Rate Area	\$0.27	\$1.25

Service in Santa Barbara and Ventura County Exchanges

<u>Group</u>	<u>Each Primary Station</u>			<u>Business Flat Rate Service</u>		
	<u>Residence Flat Rate Service</u>			<u>Monthly Rate</u>		
	<u>Monthly Rate</u>			<u>Monthly Rate</u>		
	<u>1-Party</u>	<u>2-Party*</u>	<u>4-Party</u>	<u>1-Party</u>	<u>2-Party</u>	<u>4-Party</u>
A	\$4.50	\$3.50	\$3.00	\$6.25	\$5.00	\$4.75 ^a
B	5.00	4.00	3.25	6.75	5.50	-
C	5.50	4.50 ^c	3.75	7.50	6.00	5.75 ^b

Special Rate Areas

Oxnard (Camarillo)	7.50	-	4.75	9.50	7.40	6.75
Santa Maria (Orcutt)	7.50	-	4.75	9.50	7.40	-

<u>Group</u>	<u>Suburban Line</u>		<u>Farmer Line</u>	
	<u>Monthly Rate</u>		<u>Minimum Charge Per Line Per Month</u>	
	<u>Residence</u>	<u>Business</u>		
A	\$3.50	\$4.50	\$6.25 ^c	
B	3.75	4.75	6.75	
C	4.25	5.25	7.50	

- * - Not offered in Los Alamos, Santa Ynez and Thousand Oaks.
a - Applicable only in Thousand Oaks.
b - Applicable only in Oxnard - Hueneme base rate area.
c - Also authorized for farmer line service in
Cavita and Las Cruces.

EXHIBIT A
Page 3 of 7

Service in Santa Barbara and Ventura County Exchanges (Continued)

Rate Grouping

<u>Exchange</u>	<u>Group</u>	<u>Exchange</u>	<u>Group</u>
Carpinteria	B	Santa Barbara	C
Guadalupe	A	Santa Maria	C
Lompoc	B	Santa Paula	B
Los Alamos	A	Santa Ynez	B
Oxnard	C	Thousand Oaks	A

Service in Fresno and Tulare County Exchanges

Each Primary Station

	<u>Residence Flat</u> <u>Rate Service</u> <u>Monthly Rate</u>			<u>Business Flat</u> <u>Rate Service</u> <u>Monthly Rate</u>	
	<u>1-Party</u>	<u>2-Party</u>	<u>4-Party</u>	<u>1-Party</u>	<u>2-Party</u>
Fowler, Lindsay, Reedley	\$5.00	\$4.00	\$3.25	\$6.75	\$5.50
Lindsay (Strathmore S.R.A.)	7.00	-	4.25	8.75	6.90

	<u>Suburban Line</u> <u>Monthly Rate</u>		<u>Farmer Line</u> <u>Minimum Charge</u> <u>Per Line Per Month</u>
	<u>Residence</u>	<u>Business</u>	
Fowler, Lindsay, Reedley	\$3.75	\$4.75	\$6.75 ^a
Lindsay (Strathmore S.R.A.)	3.75	4.75	6.75

S.R.A. - Special Rate Area.
a - Not offered in Fowler.

Service in Los Angeles, Orange and San Bernardino County Exchanges

Each Primary Station

<u>Group</u>	<u>Residence Flat</u> <u>Rate Service</u> <u>Monthly Rate</u>			<u>Business Flat</u> <u>Rate Service</u> <u>Monthly Rate</u>		
	<u>1-Party</u>	<u>2-Party</u>	<u>4-Party</u>	<u>1-Party</u>	<u>2-Party</u>	<u>4-Party</u>
A	\$4.00*	\$ -	\$2.50*	\$5.50*	\$4.50*	\$4.25*
B	4.25	-	2.75	6.00	4.75	4.50
C	5.50	4.50 ^a	3.75	8.50	6.50	6.25
D	4.50	3.50 ^a	3.00	6.50	5.25	-
E	4.75	-	3.25	7.00	5.50	5.25 ^c

EXHIBIT A
Page 4 of 7

Service in Los Angeles, Orange and San Bernardino County Exchanges (Continued)

<u>Group</u>	<u>Suburban Line</u> <u>Monthly Rate</u>		<u>Farmer Line</u> <u>Minimum Charge</u>
	<u>Residence</u>	<u>Business</u>	<u>Per Line-Per Month</u>
A	\$3.00 ^d	\$4.25 ^d	\$2.00 ^e
B	3.25	4.50	-
C	4.00	5.00	8.50 ^f
D	3.50	4.50	6.50 ^b
E	3.50	4.75	13.50 ^c

* - Etiwanda only.

a - Lancaster only.

b - Ontario only.

c - Pomona only.

d - Lake Hughes - suburban residence, \$3.75;
suburban business, \$5.00.

e - Lake Hughes only.

f - Crestline only.

Rate Grouping

<u>Exchange</u>	<u>Group</u>	<u>Exchange</u>	<u>Group</u>
Arrowhead	C	Lancaster	C
Crestline	C	Ontario	D
Etiwanda	A	Pomona	E
Huntington Beach	B	San Bernardino	E
Laguna Beach	D	Westminster	B
Lake Hughes	A		

Service in Exchanges Outside of the Los Angeles Extended Area

Add special condition, Schedule No. A-1, Individual and Party Line Service, to read:

The rates and conditions set forth in this schedule for business four-party line service in the company's exchanges outside of the Los Angeles extended area apply only to services established or applied for prior to July 21, 1951, furnished to the same subscriber in the same exchange except that such service may be furnished by filling a vacancy on an existing business four-party line. Additions to the service, and supersedures of service are permitted under this condition. For the purpose of this condition, a business four-party line is defined as a line serving only business customers.

EXHIBIT A
Page 5 of 7Schedules Nos. A-6, A-7, A-8, Private Branch Exchange
Trunk Line ServiceSchedule No. A-9, Intercommunicating Trunk Line Service
Exchanges Where OfferedFlat Rate Service - Base Rate Areas

Each trunk line: 150% of the individual line primary hand set station rate rounded to the lower 25-cent multiple except in special rate areas.

Flat Rate Service - Special Rate Areas

Each trunk line: Rate in base rate area plus the difference between the rate for business individual line flat rate service in the base rate area and the rate for such service in the special rate area.

Message Rate Service - Downey, Topaz District Area

	<u>Rate per Month</u>
First two trunks	\$5.50
Each additional trunk	2.25

Schedule No. A-7, Hotel Private Branch Exchange Service
Santa Monica, West Los Angeles

<u>Extended Service Trunk Rate - Message Rate Service</u>	<u>Rate per Month</u>
First two trunks	\$5.50
Each additional trunk	2.75

Message Rate

Each exchange message	0.05
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Cancel rates for hotel private branch exchange flat rate extended service trunks in the West Los Angeles exchange.

Schedule No. A-15, Supplemental Equipment
All exchanges except Caviota and Las CrucesService Monitoring Equipment Charge

Rearranging or changing connection of service monitoring equipment to subscribers' lines:

One line	\$3.00
Two to 10 lines changed at the same time	5.00

Cancel rates set forth in Rate Section B. Cancel Special Condition 9(c).

EXHIBIT A
Page 6 of 7

Schedule No. A-16, Multi-Residence Service
Redondo, Santa Monica

Rates for Multi-Residence Service are authorized to be cancelled.

Schedule No. A-18, Vacation Rate Service

Revise Special Condition 5 to read:

No incoming or outgoing service will be furnished during the vacation period but the telephone numbers and facilities will remain available for restoration of full service at the end of the vacation period.

Add special condition to read:

Vacation rate service will not be furnished in connection with foreign exchange service.

Schedule No. A-19, Foreign Exchange Service
All Listed-Routes

Primary rates for foreign exchange local and extended service are authorized to be made effective at a level consistent with the basic individual line, party line and PBX trunk rates effective in the foreign exchange as of July 21, 1951 plus 50 cents per month for business service and the first PBX trunk and 25 cents per month for residence service.

Add special condition to read:

The above rates for foreign exchange service comprehend a primary listing in the directories having primary distribution in the local and foreign exchanges.

Listed Routes Between Contiguous Exchanges

Where the foreign exchange is outside the Los Angeles extended area.

Add special condition to read:

The rates and conditions set forth in this schedule for residence two-party, four-party, and suburban local foreign exchange service beyond the first one-half mile zone apply only to services established or applied for prior to July 21, 1951, furnished to the same subscriber, either on the same premises or as moved to a different address of the same subscriber within the same local exchange. Additions to the service and supersedures of service are permitted under this condition.

EXHIBIT A
Page 7 of 7Schedule No. A-19, Foreign Exchange Service (Continued)

Where the foreign exchange is within the Los Angeles extended area:

File rates for extended foreign exchange individual line and PEX trunk service to provide for the offering of such service over routes where service is being furnished or applied for under the local foreign exchange tariffs as of July 21, 1951. For business and PEX trunk rates, the basic rates from which the extended foreign exchange rates shall be derived are as follows:

<u>Exchange or District Area</u>	<u>Business Individual Line Message Rate</u>
Covina	\$5.50(80)
Downey, Torrey District Area	5.50(80)
Long Beach	5.50(80)
Whittier	5.50(80)

- () The number following a rate designates the message allowance under the rate quoted. The rate for each message over the allowance is 5 cents.

Add special condition to read:

The rates and conditions set forth in this schedule for local foreign exchange service apply only to services established or applied for prior to July 21, 1951, furnished to the same subscriber, either on the same premises or as moved to a different address of the same subscriber within the same local exchange. Additions to the service and supersedures of service are permitted under this condition.

Foreign Exchange Mileage Rates

Proposed mileage rates as set forth on Exhibit E attached to the first amended application, Page 14, are authorized.

Add residence two-party foreign exchange mileage rate of \$1.75 for each one-fourth mile or fraction thereof for service over listed routes between contiguous exchanges.

Schedule No. A-24, Receiving Cabinet Service

All Exchanges except Gaviota, Lake Hughes and Las Cruces

Proposed rates set forth in Exhibit E, attached to the first amended application, Page 16, are authorized.

Schedule No. B-2, Toll Station Service

Proposed rates set forth in Exhibit E, attached to the first amended application, Page 18, are authorized.

Schedule No. C-1, Telegraph Service

Proposed rates set forth in Exhibit E, attached to the first amended application, Page 19, are authorized.

Schedule No. H-1, Message Unit Service

Proposed rate of 5 cents per message unit in connection with Hotel PEX service in the West Los Angeles exchange is authorized.

3. Not later than April 1, 1952, applicant shall submit a study covering traffic analysis and revenue, expense and plant effects of introducing extended service, together with applicant's recommendations thereon, between the Carpinteria and Santa Barbara exchanges and between the Thousand Oaks, Oxnard, and Santa Paula exchanges. These studies, after being filed with the Commission, shall be open to public inspection.

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

Dated at San Francisco, California, this 29th day of June, 1951.

R. Z. Indurana
Harold P. Kula
Robert E. McCall

Commissioners.