

Decision No. 46270

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of THE PACIFIC TELEPHONE AND )  
TELEGRAPH COMPANY, a corporation, )  
for authority to increase certain ) Application No. 32640  
intrastate rates and charges )  
applicable to telephone service )  
furnished within the State of )  
California. )

Appearances and list of witnesses  
are set forth in Attachment A.

O P I N I O N

The Pacific Telephone and Telegraph Company, operating a public utility communication system in the states of Washington, Oregon, Idaho, and California, filed the above-entitled application on August 6, 1951 for authority to increase annual revenues from its California intrastate operations by \$14,452,000. Applicant's proposed rate increases are contained in Exhibit "B" of its application as amended by Exhibit No. 8. Public hearings were held on this application before Commissioner Mitchell and Examiner Edwards on September 6 and 7, 1951 at San Francisco, California.

Applicant owns and operates a general telephone system covering most of the State of California, composed of local and long distance telephone lines and exchanges and the buildings, rights of way, franchises, and equipment therefor. As of June 30, 1951, the total number of company stations served in California was 3,315,666, of which 2,909,502 were dial, 405,358 were manual, and 806 mobile. At the same time, the number of employees for California operations was 54,638, of which 34,964 were women and 19,674 were men.

Summary of Post World War II Rate Proceedings

Three major state-wide rate increase applications have heretofore been filed with this Commission by applicant since the close of World War II. These applications and the actions of the Commission thereon are as follows:

I. Application No. 28211 Filed February 14, 1947.

By Interim Order, Decision No. 40437, June 24, 1947, a request of applicant to grant rate relief to cover wage increases in the amount of \$10,500,000 was granted. By Second Interim Order, Decision No. 40655, August 26, 1947, an increase in toll rates totalling \$5,500,000 was granted. By Third Interim Order, Decision No. 41021, December 17, 1947, an increase of \$6,455,000 was authorized. In the Final Order, Decision No. 41416, April 6, 1948, a further increase of \$5,100,000 was authorized.

The Final Order established a rate of return of 5.6% on the net plant rate base. Applicant's over-all request was for rate increases totalling \$39,390,000, and in the four orders the Commission authorized a total of \$28,364,000 when related to the test period of the final order. This was a reduction of \$11,026,000 from the company's request.

II. Application No. 29854 Filed November 29, 1948.

By Interim Order, Decision No. 42530, February 23, 1949, an increase of \$13,000,000 in rates was authorized. By Final Order, Decision No. 43145, July 26, 1949, an additional increase of \$13,400,000 in rates was granted.

The total request in this proceeding by applicant was for increases totalling \$38,500,000 of which \$26,400,000 was granted, based on a return of 5.6% on the Commission's findings of allowable rate base and expenses.

III. Application No. 31300 Filed April 14, 1950.

By this application as amended, the applicant sought a further increase of \$36,000,000 per annum, to yield a return of 7.5% as contrasted to lesser returns sought by applicant in the earlier proceedings. Upon completion of applicant's showing, a motion to dismiss was made by a number of the protestants based upon the contention that the evidence did not support any increase. The Commission granted this motion. Upon petition for rehearing filed by applicant, the proceeding was reopened for the limited purpose of permitting applicant to file certain additional earnings data, the absence of proof of which resulted in the said dismissal.

Concurrently with the filing of applicant's present request for an increase to meet recently granted "fifth round" wage increases, and in order that prompt consideration might be given this specific problem, applicant petitioned to withdraw and dismiss Application No. 31300 without prejudice. This request was granted on August 7, 1951. Thus the requested \$36,000,000 increase in effect has been reduced to \$14,452,000.

Company's Position in the Present Proceeding

General wage increases recently have been granted to this applicant's employees as part of the national movement into a "fifth round" of general wage increases, in line with the government's Wage Stabilization Board General Regulation No. 6 permitting wage increases of not more than 10% above January, 1950 levels without advance notice to the Board. As contracts with unions expired, the company claims it was obliged to negotiate new contracts at higher wage levels in view of the wage movement in other industries. The California proportion of total company wage increases is \$17,804,000. Of the \$17,804,000 gross wage increase, \$2,409,000 is chargeable to construction and \$1,282,000 is

allocable to interstate operating expenses leaving \$14,113,000 applicable to California intrastate expenses. Additional expenses, which will be incurred as a result of the proposed changes in rates and rate plan, are estimated at \$304,000 and the proposed rate increases would entail some \$28,000 additional uncollectible revenues. These amounts, together with the additional revenue required for return on added plant incident to the proposed changes in rate plan, result in an additional gross revenue requirement of \$14,452,000 for California intrastate operations.

The company claims that any large wage increase has an immediate and heavy impact on earnings. The effect of the recent increase, it states, is to lower its earnings from about 5.7% on its net plant and working capital to 4.7% based on the operations during the first five months of 1951, annualized. It claims that a rate of return of 4.7% is grossly inadequate, unreasonable, and confiscatory, and if not immediately remedied will damage its credit standing, with serious effect upon its ability to attract capital to finance the expansion of its plant to care for increased service demands.

The company also claims that the public is demanding more and more telephone service, and that it is obligated to provide that service. Gross construction for the company as a whole in 1951 will be at the rate of about \$173,000,000 and in 1952 about \$200,000,000, which will require new money for construction of about \$85,000,000 in 1951 and \$105,000,000 in 1952. Gross construction in California is estimated to be \$130,570,000 in 1951 and \$150,000,000 in 1952. It estimates that new construction will continue on that level for years to come. Station gain during the past three years was as follows:

<u>Year</u>	<u>Number of Stations Gained</u>
1948	254,040
1949	210,844
1950	173,208

This trend is continuing in 1951, and for the first six months the gain was 82,018 stations.

In a period of four and a half years ended June 30, 1951, while stations served increased from 2,327,324 to 3,315,666, the gross plant investment in California increased from \$579,611,999 to \$1,039,164,949, and the gross plant investment per average station increased from \$249 to \$313. Thus while the number of stations has increased 42%, to meet the demands of its customers applicant's plant investment has increased 80%, due primarily to increased usage and higher cost of labor and materials.

The relief sought by applicant at this time is limited to the amount of the wage increase, and does not go into the matter of the claimed inadequacy of a 5.6% rate of return and other matters heretofore presented to the Commission.

#### Company's Rate Proposal

To maintain the same rate of return after allowing for the "fifth round" wage increases as obtained prior to such wage increases, applicant proposes to increase gross revenues by \$14,452,000 and to make certain changes in operating procedures which will entail some additional expense and plant investment. In order to produce an annual increase in revenue of \$14,452,000, applicant is proposing an across-the-board increase by class, type, and grade of service. For business service, individual line flat rates would be increased by 75 cents per month, party line flat rates by 50 cents, and individual line message rates by 25 cents. For residence service, individual line flat rates would be increased by 30 cents, 2-party flat rates by 25 cents, and other party line rates by 20 cents. For trunk line service, it proposes increases that continue existing relationships to individual line service rates. An increase to a 10-cent local coin-box rate is proposed for semipublic and public telephone service in all exchanges. Pending the physical change of coin-box telephones to permit the introduction of the 10-cent local rate, a temporary surcharge of 3% is proposed to be added

to exchange service bills. Applicant also proposes increasing the present 4-cent message unit rate in the San Francisco-East Bay exchange to 4.4 cents, and reducing the present 5-cent toll unit rate to 4.4 cents throughout the San Francisco-East Bay extended area.

#### Evidence of Earnings

Both the applicant and the Commission's staff presented analyses of applicant's California intrastate earnings for the first five months of 1951, expanded to an annual basis. These analyses showed the results at present and proposed rate levels after reflecting the full effect of present wage levels and may be summarized as follows:

#### Earnings Estimates for 1951

	<u>Company Exhibit No. 5</u>		<u>Staff Exhibit No. 14</u>	
	<u>Present</u>	<u>Proposed</u>	<u>Present</u>	<u>Proposed</u>
	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>
Revenues	\$313,690,000	\$328,114,000	\$313,729,000	\$328,153,000
Expenses and Taxes	279,915,000	287,155,000	279,134,000	286,300,000
Net Revenue	33,775,000	40,959,000	34,595,000	41,853,000
Rate Base (Depr.)	718,443,000	719,008,000	693,702,000	694,267,000
Rate of Return	4.7%	5.7%	4.99%	6.03%

In the above tabulation the company's rate base consisted of the average net plant and working capital while the staff used the beginning-of-year capital figures, plus weighted average net additions, less certain adjustments for property held for future telephone use, excess Western Electric charges, and weighted average depreciation reserve. Materials and supplies are included in both rate bases.

The company computed working cash capital on the basis of one-twelfth of the annual operating expenses excluding taxes and depreciation, whereas the staff's determination was based on a detailed analysis similar to that employed by the staff in other recent rate proceedings with this company and adopted by the Commission in Decisions Nos. 41416 and 43145. The staff found that, under present

conditions, the investors are not required to provide capital for working cash purposes, due primarily to the availability of tax accrual moneys supplied by the subscribers and, therefore, it included no additional amount in the rate base for working cash capital.

The staff adjusted the recorded revenues and expenses, in accordance with the Commission's findings in Decisions Nos. 41416 and 43145, to reflect the following:

1. Full-year effect of directory rate increases.
2. General services and licenses adjusted to allocated cost basis.
3. Excess Western Electric costs excluded.
4. Full-year effect of 1951 revision in depreciation rates.
5. California corporation franchise tax adjusted to a current basis.
6. Taxes adjusted to be consistent with changes in revenues and expenses.

For pension expense the staff included the full accrual charged to operating expenses, but did not include the accrual charged to miscellaneous income deductions as did applicant.

After making these adjustments for rate-making purposes the staff shows a net revenue approximately \$900,000 greater than the company and a rate of return 0.33% greater under the proposed rates.

One of the interested parties in this proceeding questioned the method used by the staff and the company to expand the first five months' revenues and expenses in 1951 to reflect a full year by multiplying by the ratio of 12/5. His main point was that in 1950 the 12 months' gross revenue equaled 208.11% of first six months' revenue, whereas the 12 months' expense equaled only 204.67% of six months' expense. The staff's answer to this contention was that many methods had been investigated but none

had been found that gave more reasonable results than that used. Also, it appears that in 1950 there was an upsurge in toll traffic in the last half of the year, possibly brought about by the Korean situation, that undoubtedly affected the 1950 ratios. Under these circumstances, and in view of the mounting costs, we are of the opinion that it would be improper to apply the 1950 ratios to the 1951 figures. We will adopt the staff's operating results figures as the basis for our decision.

Position of Interested Parties and Protestants

Many who appeared in prior proceedings as protestants entered their appearance in this proceeding as interested parties. Representatives of numerous cities stated they would not object to increases in rates which the Commission found necessary to restore earnings to the rate of return of 5.6% found reasonable in previous decisions of the Commission.

Protests were entered to increases, however, by a number of cities and other parties. These protests were largely related to specific areas and in some cases involve service problems. Those protests relating to specific rate or service problems will be discussed later herein.

Counsel for the City of Los Angeles took the position that an efficiently operated utility is entitled to a fair rate of return on its investment dedicated to serving the public, and that in so far as reasonably practicable it is in the public interest for a utility to earn a reasonable rate of return so that the utility may properly serve the public. He suggested that the previously determined 5.6% rate of return is fair and adequate for this company under present conditions. The representative for the City and County of San Francisco observed that the company requires relief and had no objection to the rates being increased, provided



the rate of return allowed is not over 5.6%. The representative of the City of Oakland recognized that there is urgent need for rate relief to be granted. In response to suggestions that the metropolitan areas should bear a heavier burden, he stated that Oakland is willing to pay its full cost of utility services but should not be burdened with costs from other areas. A representative for 14 cities in Southern California had no objection to a rate of return of 5.6%. The California Farm Bureau Federation's representative expressed satisfaction with a 5.6% rate of return. However, he expressed dissatisfaction with applicant's proposals regarding the requests for extended service in Orange County and urged the Commission to take steps toward the realization of this service. The representative of the City of Fullerton joined in this request and suggested that any increase in rates in Orange County be conditioned upon some immediate relief of the extended service problem.

#### Subscriber Representations

Prior to the public hearing, the Commission received a number of letters from subscribers opposing the company's proposed increase in rates. Some of the letters contained the writers' reasons for not granting any increase. In order that the Commission might have before it the company's answer to the subscribers' reasons for not granting any increase, the subject matters of the letters were summarized in Exhibit No. 16 and placed into the record. The company was given an opportunity to reply, and on September 13, 1951 submitted its answer which has been marked Exhibit No. 17. By this means, the Commission has both sides of any controversial matters contained in these communications before it so that a decision may be reached. Various reasons for not increasing rates were advanced in the letters. Space herein

does not permit a detailed discussion or analysis of each point raised. However, we have given careful consideration to the views of the authors in reaching our conclusions herein.

Conclusions as to Earnings

Reviewing the record, the company shows earnings on a test basis for the first five months of 1951, adjusted to present wage and depreciation bases and the proposed rate levels, of 5.7% on its net plant and working capital, while the Commission staff shows an earning of 6.03% on a rate base of \$694,267,000. However, the federal income tax rate of 47% was used in both calculations. In appraising the trend of earnings the Commission staff witness found, after adjustment of recorded results to uniform tax, wage and rate levels, a slight upward trend, but after considering the strong probability of a substantial federal income tax rate increase and other factors, he concluded that the rates proposed by applicant, if made effective, would in the immediate future yield approximately the 5.6% return which the Commission found reasonable in its Decisions Nos. 41416 and 43145.

Both houses of Congress have approved bills adopting a 52% tax rate and, the Commission is informed, there is now agreement between the House and Senate conferees as to the effective date, making the change retroactive to April 1, 1951. This change, on an annual basis, would increase expenses by approximately \$2,729,000 and reduce the 6.03% rate of return to 5.64%. As the tax matter has progressed since the date of hearing to the definite probability of a 52% tax rate, we believe it important to show the results by categories on this basis at the rate levels proposed by applicant:

<u>Categories</u>	Rate of Return Related to Rate Base for First 5 Months of 1951 (Annual Basis)
Exchange:	
San Francisco-East Bay Extended Area	6.03%
Los Angeles Extended Area	6.56
San Diego Extended Area	5.83
Other Exchanges-Northern California	3.35
Other Exchanges-Southern California	0.36
Total Exchange	5.63
Intrastate Toll	5.67
Total Intrastate Operations	5.64

We hereby find that the rates proposed by applicant will yield approximately 6% rate of return, based upon the test period comprising the first five months of 1951 with a 47% federal income tax, and that these rates, after making allowance for a 52% federal income tax, are sufficient to allow applicant a rate of return for the future of at least 5.6%, which rate of return we hereby find to be fair and reasonable.

### Rates

The rates which we will authorize do not include an increase in toll rates because these rates are already in excess of the interstate level, and will earn substantially 5.6% after the wage increases and tax increases. Under these circumstances, it is reasonable not to adjust such rates at this time, although this Commission has held that the toll rates should ordinarily yield a slightly higher return than the exchange earnings. A hearing is scheduled for January 7, 1952, before the Federal Communications Commission as to the level of interstate message toll rates, and it is hoped some relief from the existing disparity in state and interstate toll rates may be obtained by cooperative action.

The basic exchange rates authorized include, as previously stated, increases in all basic residence and business rates ranging from 15 cents to 75 cents per month, as follows:

<u>Residence</u>		<u>Business</u>	
Individual Line Flat Rate	\$0.30	Individual Line Flat Rate	\$0.75
Two-Party Line Flat Rate	.25	Two-Party Line Flat Rate	.50
Four-Party Line Flat Rate	.20	Individual Line Message Rate	.25
Two-Party Line Message Rate	.20	Suburban Line Flat Rate	.50
Suburban Line Flat Rate	.20	Farmer Line Flat Rate	.25
Farmer Line Flat Rate	.15		

A statement showing the new rates in summary form is attached as Attachment B.

Other miscellaneous changes in rates include increases in private branch exchange trunk rates to maintain the present relationships between these rates and business individual line rates, increases in business flat rate extension and PBX station and private line station rates, and increases in rates for certain types of private branch exchange switchboards and multiple line key equipments. Foreign exchange rates are adjusted to the extent required by changes in the basic individual line, party line and PBX trunk rates, and to provide for an alphabetical listing in both the local and foreign exchange directories. The installation charges for long cords in connection with changes of address within the same exchange are eliminated.

Provision is made for the prompt expansion of base rate areas in 72 exchanges where growth of urban areas beyond present base rate areas has brought about the need for such expansion.

Message unit service is to be extended to all San Francisco-East Bay exchange subscribers and extended service subscribers in San Francisco-East Bay extended area at an equalized unit charge of 4.4 cents, which is 4 mills above the present message unit rate and 6 mills less than the present toll unit rate.

The hotel, coin and business foreign exchange message unit rate will continue at 5 cents per unit. Local service is to be withdrawn on a programmed basis.

Sacramento business individual line message rate service is to be offered on or about January 1, 1952, at a rate level of \$5.25 for 80 messages with additional messages at 4 cents each; the business two-party flat rate service tariff is to be closed to new customers and existing customers are to be regraded to business individual line flat or message rate service as facilities become available.

The increases authorized include the 10-cent coin-box rate. As specified in Decision No. 43145 of July 26, 1949, the applicant has been placed on notice to prepare for this move as it has been necessary in the past to increase basic subscriber monthly rates while leaving the 5-cent coin-box rate unchanged. The entire amount of \$14,452,000 in rates could have been placed in basic exchange rates at this time, but in authorizing the lesser basic rates together with a temporary percentage increase, we believe the time has arrived when the applicant should be authorized and directed to speed up the conversion of the coin-box equipment to accommodate the 10-cent local service charge and discontinue the temporary surcharge authorized herein as soon as practicable, and no later than the 8 months' limit as proposed. Applicant will be directed to file monthly progress reports as to the physical work of conversion.

The overall increase of \$14,452,000 annually is equivalent to an increase percentagewise of 5.7% of the present exchange revenues of applicant in California.

Specific Rate and Service Problems

In authorizing rate increases we desire to give as much recognition as possible to the conditions pointed out by subscribers and their representatives. The City of Santa Cruz, as well as subscribers from the Aptos and Santa Cruz area and San Lorenzo Valley sent representatives and letters requesting extended service and dial service. The evidence of the company shows that one building site has been purchased for a dial office in downtown Santa Cruz and negotiations are in progress for purchase of an additional site in Santa Cruz. It stated the construction of a large dial replacement project requires about three years. To improve service until the change-over can be made, an additional capacity of over 1,200 main stations is being installed in the Santa Cruz office. One representative stated that there should be no increase in Santa Cruz until there is an improvement in service. This representative also objected to an across-the-board type of increase, the same for all areas in the state. Based on the company's program, the larger number of stations in Santa Cruz will result in additional service to the area.

In view of the representations made by the appearances for the Santa Cruz area, the Commission will by order herein require applicant to proceed with studies of all exchanges within a reasonable extended study area of Santa Cruz to determine:

1. Community of interest between exchanges in the study area.
2. Plant construction and operating cost considerations in offering extended service in the Santa Cruz area.
3. Earnings expressed on a rate of return basis and reasonable rates for such extended service, earnings to be based on actual operations for the first half of 1952 adjusted to reflect extended service conditions.

Counsel for the City of Fullerton likewise objected to the uniform state-wide increase claiming that the rate of return in the Fullerton area was already so high as not to warrant any further increase. The service conditions as to introduction of extended service in the Orange County extended area have been presented to the Commission in a hearing on Case No. 5289 subsequent to the hearings on this proceeding. However, as to the fixing of reasonable rates for such service, we believe it proper to order applicant herein to proceed with earnings investigations expressed on a rate of return basis, earnings to be based on actual operations for the first half of 1952 adjusted to reflect extended service conditions.

In connection with the San Diego extended area service, representatives of the San Ysidro Chamber of Commerce appeared at the hearing and requested the inclusion of the San Ysidro exchange within the San Diego extended area. Following a conference between the representatives from San Ysidro, applicant's representatives and members of the Commission staff, the applicant amended its application to include the offering of extended service to all customers in San Ysidro exchange at such time as it is able to provide the service and at rates to be fixed at an appropriate future date by the Commission.

The hotel association requested an analysis as to the proper rate schedule for hotel service. It objected to the increase proposed by the company and suggested that no increase be made pending the completion of such a study. We will order the company to make the analysis but are of the opinion that the hotel rates should be increased as proposed pending the outcome of the study. If substantial inequities are indicated, we can at that time revise the hotel rates to the proper level.

The Commission in authorizing this rate increase will expect applicant to proceed with service improvements and facility additions as rapidly as possible under all circumstances.

O R D E R

The Pacific Telephone and Telegraph Company, having applied to this Commission for an order increasing telephone rates and charges, public hearing having been held, the matter having been submitted and being ready 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 for the future, are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED that:

1. Applicant is authorized and directed to file in quadruplicate with this Commission after the effective date of this order, in conformity with General Order No. 96, revised tariffs containing rates, rules, conditions and serving arrangements as set forth in Exhibits Nos. 7 and 8 herein and testimony pertinent thereto, and after not less than one (1) day's notice to this Commission and to the public, to make said rates effective for service rendered on and after November 1, 1951, or on such subsequent dates as proposed by applicant in its Exhibits Nos. 7 and 8 or related testimony, provided the 3% surcharge pending installation of the 10 cent coin-box local message rate shall not be in effect more than eight months.
2. Applicant is authorized and directed to introduce extended service in the Orange County and North San Diego County areas, as proposed in Exhibits Nos. 7 and 8, and to introduce extended service in the San Ysidro exchange, as proposed in the application, as amended.
3. Applicant shall file monthly progress reports as to progress in conversion of coin-box services from 5 cents to 10 cents initial rate.



4. Applicant shall prepare traffic, operations, earnings and rates studies in an extended study area based on the Santa Cruz exchange, as set forth in this opinion, and file same, together with recommendations, with this Commission on or before October 31, 1952.
5. Applicant shall prepare earnings and rate studies for the Orange County extended area as set forth in this opinion, and file same together with recommendations, on or before October 31, 1952.
6. Applicant shall prepare a cost of service study with regard to service to hotels to be completed and submitted on or before June 30, 1952.

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

Dated at San Francisco, California, this 8th day of

October, 1951.

R. T. [Signature]  
President.

Justin F. [Signature]  
Harold P. [Signature]

[Signature]

[Signature]  
Commissioners.

## ✓ ATTACHMENT A

LIST OF APPEARANCES

For Applicant: Arthur T. George

Interested Parties: City of Los Angeles, by Roger Arnebergh and T. M. Chubb; City of Oakland, by John W. Collier and Loren W. East; Cities of Beverly Hills, Burbank, El Monte, El Segundo, Gardena, Glendale, Inglewood, Montebello, Monterey Park, Pasadena, South Gate, South Pasadena, and San Diego, and San Diego County, by Emuel J. Forman; City of Berkeley, by Fred C. Hutchinson and Robert T. Anderson; San Mateo County, by E. Robert Stallings; Solano County and Cities of Suisun City, by K. I. Jones; Santa Rosa Chamber of Commerce, by A. M. Lewis; California Farm Bureau Federation, by J. J. Deuel and Harold Neeland; Los Gatos Telephone Company, by Harold Davis; City of Stockton, by Bill L. Dozier; Bruce McKnight; California Hotel Association, by Carl I. Wheat; General Services Administration of U. S. Government, by Maxwell Elliott and Clarence W. Hull; Cities of Soledad and Gonzales, by Donald H. Smith; City of Sunnyvale, by Charles H. McDonald; City of Merced, by Bill Richards.

Protestants: City and County of San Francisco, by Dion R. Holm and Paul L. Beck; City of Richmond, by Thomas M. Carlson, Frederick Bowl, Jr., Wayne E. Thompson, and C. A. Pitchford; City of Fullerton, by Walter B. Chaffee; City of Fresno, by Arthur L. Hilderbrand and C. M. Ozias; City of Selma, by Miles Hansen and C. M. Ozias; Merced County, by Don Mayes, Joe Sharmer and L. T. Brown; Woodland Hills Chamber of Commerce, by William L. Carpenter; San Lorenzo Valley Chamber of Commerce, by Mrs. B. B. Wilder.

Commission Staff: Edward F. McNaughton, Freyman Coleman, and Harold J. McCarthy.

LIST OF WITNESSES

Evidence was presented on behalf of applicant by : M. R. Sullivan (urgent need for rate relief), H. L. Kertz (construction program, service), A. E. Ellison (wage increases), C. S. Mason (results of total California operations), J. M. Riddle (results of California intrastate operations), W. C. Schweizer (rates and rate changes).

Evidence was presented on behalf of protestants and interested parties by: Don C. Mayes (rates), Mrs. B. B. Wilder (rates and service), George D. Smith (hotel rates), George N. Penniman (rates and service), William L. Carpenter (rates and base rate areas), A. L. Hilderbrand (rates), James T. Bishop and Tom L. Preston (extended service for San Ysidro), Helen Negrin (rates), Bruce McKnight (annualization of test period results).

Evidence was presented on behalf of the Commission staff by: John F. Donovan (balance sheet, income and surplus statements), C. Unnevehr (revenues, maintenance, traffic and commercial expenses, depreciation expense), Greville Way (telephone plant, depreciation reserve, rate base), Charles W. Mors (history, present operations, general expenses, other operating expenses, taxes, working cash capital, summary of earnings, allocated service costs, and summary and evaluation of intrastate earnings), C. G. Ferguson (Western Electric Company operations) and W. W. Dunlop (intrastate earnings).

## THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY - STATE OF CALIFORNIA

Group	Residence Flat Rate			Business Flat Rate		Business
	Ind. Line	2-Pty. Line	4-Pty. Line	Ind. Line	2-Pty. Line	Msg.Rate Ind.Line
SINGLE-OFFICE EXCHANGES						
Outside Extended Areas						
L - Limited Hour	\$3.55	\$3.00	\$2.45	\$ 5.50	\$4.50	\$ -
S - Seasonal	4.05	3.50	2.95	6.50	5.25	-
A - 0- 500 Co.Sta.	3.80	3.25	2.70	6.00	4.75	-
B - 501-4,000 Co.Sta.	4.05	3.50	2.95	6.50	5.25	-
C - 4,001-8,000 Co.Sta.	4.30	3.50	2.95	7.25	5.75	-
D - Over 8,000 Co.Sta.	4.30	3.50	2.95	8.25	6.50	-
MULTI-OFFICE EXCHANGES						
Outside Extended Areas						
Bakersfield	4.80	3.75	3.20	9.75	7.50	-
Fresno	4.80	3.75	3.20	9.75	7.50	-
Modesto	4.55	3.50	2.95	9.25	7.00	-
Newport Beach	4.30	3.50	2.95	8.75	6.75	-
Riverside	4.80	3.75	3.20	10.25	7.75	-
Sacramento	4.80	3.75	3.20	10.50	-	5.25(80) <sup>b</sup>
Salinas	4.30	3.50	2.95	8.75	6.75	-
Santa Ana	4.55	3.75	3.20	9.25	7.00	-
Stockton	4.80	3.75	3.20	9.75	7.50	-
Vallejo	4.55	3.50	2.95	9.25	7.00	-
EXTENDED AREAS						
San Lorenzo Valley	4.05	3.50	2.95	6.50	5.25	-
Monterey	4.55	3.75	3.20	9.25	7.25	-
San Diego						
San Diego Exchange	4.55	3.50	2.95	13.00	-	4.75(75)
Other Exchanges	4.30	3.25	2.70	12.50	-	4.25(65)
Los Angeles						
Los Angeles Exchange	4.55	3.50 <sup>a</sup>	-	-	-	5.25(85)
Other Exchanges - LA 1	4.55	3.50 <sup>a</sup>	2.95	-	-	5.00(80)
- LA 2	4.30	3.25	2.70	-	-	4.75(75)
- LA 3	4.05	3.25	2.70	-	-	4.50(70)
San Francisco-East Bay						
San Francisco Zone	5.05	3.90 <sup>a</sup>	-	-	-	5.50(85)
East Bay Zone	5.05	3.90 <sup>a</sup>	-	-	-	5.50(85)
Other Exchanges - SF 1	5.05	3.90 <sup>a</sup>	3.45	-	-	5.50(85)
- SF 2	5.05	3.90	3.45	-	-	5.25(80)
- SF 3	5.05	3.90	3.45	12.00	9.00	-
- SF 4	4.80	3.75	3.20	10.75	8.25	-
- SF 5	4.80	3.75	3.20	9.75	7.50	-
- SF 6	4.55	3.75	3.20	8.75	6.75	-
- SF 7	4.55	3.75	3.20	7.75	6.25	-

## NOTES:

Tabulation does not include local service rates in extended areas.

( ) The number following a rate designates the message allowance under the message rate shown. The rate for each local message or message unit over the allowance is: SF-EB 4.4¢; LA 3.5¢; Other 4¢.

a Residence two-party line message rate service offered in lieu of four-party line flat rate service at \$2.70(60) in Los Angeles and Beverly Hills and at \$3.00(60) in San Francisco Zone, East Bay Zone and Orinda.

b Business individual line message rate service to be offered in Sacramento on or about January 1, 1952.

PRINCIPAL AUTHORIZED RATES  
THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY - STATE OF CALIFORNIA

Group	Semipublic Coin Box		Suburban		Farmer	
	Daily Guarantee	Rate Per Month <sup>a</sup>	Line		Line	
			Res.	Bus.	Res.	Bus.
SINGLE-OFFICE EXCHANGES						
Outside Extended Areas						
L - Limited Hour	19¢	\$0.50	\$2.95	\$4.25	\$0.65	\$1.00
S - Seasonal	21	.75	3.45	4.75	.85	1.50
A - 0- 500 Co.Sta.	20	.75	3.20	4.50	.75	1.25
B - 501-4,000 Co.Sta.	21	.75	3.45	4.75	.85	1.50
C - 4,001-8,000 Co.Sta.	22	.75	3.45	5.00	1.00	1.75
D - Over 8,000 Co.Sta.	23	1.00	3.45	5.00	1.15	2.00
MULTI-OFFICE EXCHANGES						
Outside Extended Areas						
Bakersfield	24	1.00	3.70	5.50	1.25	2.50
Fresno	24	1.00	3.70	5.50	1.25	2.50
Modesto	24	1.00	3.45	5.25	1.25	2.25
Newport Beach	24	1.00	3.45	5.25	-	-
Riverside	24	1.00	3.70	5.50	-	-
Sacramento	24	1.00	3.70	5.50	1.40	2.75
Salinas	24	1.00	3.45	5.25	1.25	2.25
Santa Ana	24	1.00	3.70	5.25	-	-
Stockton	24	1.00	3.70	5.50	1.25	2.50
Vallejo	24	1.00	3.45	5.25	1.25	2.25
EXTENDED AREAS						
San Lorenzo Valley	21	.75	3.45	4.75	.85	1.50
Monterey	24	1.00	3.70	5.25	1.25	2.25
San Diego						
San Diego Exchange	24	1.25	3.45	5.75	-	-
Other Exchanges	24	1.25	3.20	5.50	1.40	2.75
Los Angeles						
Los Angeles Exchange	24	1.50	-	-	-	-
Other Exchanges - LA 1	24	1.25	-	-	-	-
- LA 2	24	1.25	-	-	-	-
- LA 3	24	1.25	-	-	-	-
San Francisco-East Bay						
San Francisco Zone	24	1.50	-	-	-	-
East Bay Zone	24	1.50	3.85	5.50	1.65	3.00
Other Exchanges - SF 1	24	1.50	-	-	-	-
- SF 2	24	1.25	-	-	-	-
- SF 3	24	1.25	-	-	-	-
- SF 4	24	1.00	-	-	-	-
- SF 5	23	1.00	-	-	-	-
- SF 6	22	.75	3.70	5.25	1.15	2.00
- SF 7	21	.75	-	-	-	-

## NOTES:

Suburban and farmer line service not furnished in all exchanges.

a In addition to daily guarantee.

PRINCIPAL AUTHORIZED RATES  
THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY - STATE OF CALIFORNIA  
LIST OF SINGLE OFFICE EXCHANGES OUTSIDE EXTENDED AREAS

<u>Exchange</u>	<u>Rate</u> <u>Grp.</u>	<u>Exchange</u>	<u>Rate</u> <u>Grp.</u>	<u>Exchange</u>	<u>Rate</u> <u>Grp.</u>
Alleghany.....	L	Clovis.....	B	Grass Valley.....	B
Alta.....	A	Coalinga.....	B	Greenfield.....	A
Anaheim.....	C*	Colton.....	B*	Grenada.....	A
Anderson.....	A	Corning.....	B	Gridley.....	B
Angels Camp.....	B	Corona.....	B	Groveland.....	L
Annapolis.....	L	Cottonwood.....	A	Guerneville.....	B
Antioch.....	B	Coulterville.....	L	Gustine.....	A
Applegate.....	A	Crockett.....	B*	Half Moon Bay.....	A*
Aptos.....	B	Crows Landing.....	A	Hamilton.....	A
Arcata.....	B	Dana Point.....	A*	Hanford.....	C
Arroyo Grande.....	B	Danville.....	B	Healdsburg.....	B
Artois.....	A	Davis.....	B	Herald.....	A
Arvin.....	B*	Delano.....	B	Highland.....	B*
Atascadero.....	B	Del Mar.....	B*	Hilt.....	A
Atwater.....	A	Del Rey.....	A	Hollister.....	B
Auburn.....	B	Diablo.....	A	Holtville.....	B*
Avalon.....	B	Dinuba.....	B	Homewood.....	S*
Avenal.....	B	Dixon.....	B	Hopland.....	A
Bangor.....	L	Downieville.....	A	Hornbrook.....	A
Bay.....	A	Dunnigan.....	A	Hughson.....	A
Beckwith.....	L	Dunsmuir.....	B	Huron.....	A*
Benicia.....	B	Dutch Flat.....	L*	Hydesville.....	A
Bethel Island.....	A*	Earlimart.....	A	Ignacio.....	A*
Biggs.....	A	Edgewood.....	A	Imperial.....	B*
Blairsden.....	S	El Centro.....	C*	Inverness.....	A
Blue Lake.....	A	Elk Creek.....	A	Ione.....	A
Bodega.....	A	Emigrant Gap.....	L	Jackson.....	B
Bolinas.....	A	Emmet.....	L	Jacumba.....	A*
Boonville.....	A	Encinitas.....	B*	Jamestown.....	A
Bradley.....	A	Escalon.....	A	Julian.....	A
Brawley.....	B	Escondido.....	B	Kelseyville.....	A
Brea.....	B*	Esparto.....	A	Keystone.....	L
Brentwood.....	A	Eureka.....	D	King City.....	B
Bridgeville.....	L	Fair Oaks.....	B	Kingsburg.....	B
Brockway.....	S	Fallbrook.....	B	Knightsen.....	A
Browns Valley.....	L	Fall Creek.....	A	Knights Ferry.....	L
Buena Park.....	B*	Fields Landing.....	A*	La Honda.....	A*
Burrel.....	A	Fillmore.....	B	Lakeport.....	B
Butte City.....	A*	Firebaugh.....	A	Laton.....	A
Byron.....	A	Folsom.....	B	Lebec.....	A
Calexico.....	B*	Fontana.....	B*	Le Grand.....	A
Calipatria.....	A*	Forestville.....	A	Lemoore.....	B
Calistoga.....	B	Fort Bragg.....	B	Lewiston.....	L
Cambria.....	A	Fortuna.....	B	Lincoln.....	B
Camptonville.....	L	French Gulch.....	L	Live Oak.....	A
Caruthers.....	A	Fullerton.....	C*	Livermore.....	B
Castroville.....	A	Galt.....	A	Lockeford.....	A
Cayucos.....	A*	Garden Grove.....	B*	Lodi.....	C
Challenge.....	A	Gazelle.....	A	Lolita.....	A
Chico.....	C	Georgetown.....	A	Loomis.....	A
Chowchilla.....	B	Gerber.....	A*	Los Banos.....	B
Chualar.....	A*	Geyersville.....	A	Los Molinos.....	A
Clear Lake Oaks.....	A	Gonzales.....	A	Lower Lake.....	A
Cloverdale.....	A				

NOTE: \*Farmer line service not offered

PRINCIPAL AUTHORIZED RATES  
THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY - STATE OF CALIFORNIA  
LIST OF SINGLE OFFICE EXCHANGES OUTSIDE EXTENDED AREAS

Attachment B  
Sheet 4 of 5

<u>Exchange</u>	<u>Rate Grp.</u>	<u>Exchange</u>	<u>Rate Grp.</u>	<u>Exchange</u>	<u>Rate Grp.</u>
Loyalton.....	A	Piru.....	A	Soda Springs.....	A
Madera.....	B	Pismo Beach.....	B*	Soledad.....	A
Martinez.....	C	Pittsburg.....	C	Sonoma.....	B*
Marysville.....	C	Pixley.....	A	Sonora.....	B
Mendocino.....	A	Placencia.....	B	Springville.....	A
Mendota.....	A*	Placerville.....	B	Standard.....	L
Merced.....	C	Planada.....	A	Stinson Beach.....	A
Meridian.....	A*	Pleasant Grove.....	A	St. Helena.....	B
Mesa Grande.....	L	Pleasanton.....	B	Stonyford.....	L
Michigan Bar.....	L	Plymouth.....	A	Stratford.....	A
Middletown.....	A	Point Arena.....	A	Suisun.....	B
Milton.....	A	Point Reyes.....	A	Sunol.....	A*
Miranda.....	A	Port Chicago.....	A	Sutter Creek.....	A
Moccasin.....	L*	Porterville.....	B	Tahoe City.....	S*
Mojave.....	A	Portola.....	B	Tallac.....	S
Mokelumne Hill.....	A	Potter Valley.....	A	Tehachapi.....	A
Montague.....	A	Poway.....	A*	Templeton.....	A
Monte Rio.....	A*	Quincy.....	B	Terra Bella.....	A
Moorpark.....	A*	Rackery.....	A	Thornton.....	A
Morro Bay.....	A*	Ramona.....	B	Three Rivers.....	A
Moss Beach.....	A*	Rancho Santa Fe.....	A*	Tipton.....	A*
Mount Shasta.....	B	Red Bluff.....	B	Tomales.....	A
Napa.....	C	Redding.....	C	Tracy.....	B
Nevada City.....	B	Rialto.....	B	Tres Pinos.....	A
Newcastle.....	A	Richvale.....	A	Trinidad.....	L
Newhall.....	B	Rio Dell.....	A	Truckee.....	A
Newman.....	B	Rio Linda.....	A	Tulare.....	B
Nicasio.....	L	River Bank.....	A	Turlock.....	B
Nice.....	A*	Riverdale.....	A	Ukiah.....	B
Nicolaus.....	A	Rocklin.....	A	Upper Lake.....	A
Nipomo.....	A*	Rodeo.....	B*	Vacaville.....	B
North San Juan.....	L	Rosamond.....	A	Valley Ford.....	A
Oakdale.....	B	San Andreas.....	A	Valley Springs.....	L
Oakley.....	A	San Ardo.....	A	Ventura.....	D*
Occidental.....	A	San Clemente.....	B*	Vina.....	A
Oceanside.....	C*	San Juan.....	A	Visalia.....	C
Ojai.....	B*	San Juan Capistrano.....	A	Vista.....	B*
Orange.....	C*	San Lucas.....	A	Wallace.....	A
Orange Cove.....	A	San Luis Obispo.....	C	Warner Springs.....	A
Orland.....	B	San Martin.....	A	Wasco.....	B
Oroville.....	B	San Ysidro.....	A*	Waterford.....	A
Pala.....	A*	Santa Cruz.....	D*	Watsonville.....	C
Palmdale.....	B	Santa Margarita.....	A	Weed.....	B
Panoche.....	L	Santa Rosa.....	D	Weott.....	A
Paradise.....	B	Saticoy.....	A*	Wheatland.....	A
Parlier.....	A	Sebastopol.....	B*	Willits.....	B
Paskenta.....	A	Selma.....	B	Willows.....	B
Paso Robles.....	B	Shafter.....	B	Windsor.....	A
Penryn.....	A	Shingle Springs.....	A	Winters.....	A
Pescadero.....	A	Sierraville.....	L	Woodlake.....	A
Petaluma.....	C	Simi.....	A*	Woodland.....	C
Pinole.....	B*	Smartsville.....	A	Yountville.....	A
				Yreka.....	B

NOTE: \*Farmer line service not offered

PRINCIPAL AUTHORIZED RATES  
THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY - STATE OF CALIFORNIA

## SAN DIEGO EXTENDED AREA

List of Exchanges (Excluding San Diego Exchange)

Chula Vista  
Coronado  
El Cajon  
La Jolla

La Mesa  
National City  
Pacific Beach

## LOS ANGELES EXTENDED AREA

List of Exchanges

(Excluding Los Angeles  
Exchange)

<u>Exchange or</u> <u>District Area</u>	<u>Rate</u> <u>Grp.</u> <u>L.A.</u>	<u>Exchange or</u> <u>District Area</u>	<u>Rate</u> <u>Grp.</u> <u>L.A.</u>	<u>Exchange or</u> <u>District Area</u>	<u>Rate</u> <u>Grp.</u> <u>L.A.</u>
Alhambra	1	Arcadia	2	Burbank-Chase D.A.	3
Beverly Hills	1	Burbank-Charleston D.A.	2	Canoga Park	3
Compton-Newmark D.A.	1	Compton-Menlo D.A.	2	Crescenta	3
Culver City	1	Inglewood	2	El Monte	3
Glendale	1	Montebello	2	El Segundo	3
		North Hollywood	2	Hawthorne	3
		Pasadena-Sycamore D.A.	2	Lomita	3
		Pasadena-Sylvan D.A.	2	Reseda	3
		San Pedro	2	Torrance	3
		Van Nuys	2		

D.A. - District Area

## SAN FRANCISCO-EAST BAY EXTENDED AREA

List of Exchanges

(Excluding San Francisco-  
East Bay Exchange)

<u>Exchange or</u> <u>District Area</u>	<u>Rate</u> <u>Grp.</u> <u>S.F.</u>	<u>Exchange or</u> <u>District Area</u>	<u>Rate</u> <u>Grp.</u> <u>S.F.</u>	<u>Exchange or</u> <u>District Area</u>	<u>Rate</u> <u>Grp.</u> <u>S.F.</u>
Moraga	1	Los Altos	4	Belvedere	6
Orinda	1	Millbrae	4	Concord	6
Hayward	2	Mountain View	4	Lafayette	6
Richmond	2	Palo Alto	4	Sausalito	6
Sharp Park	2	Redwood City	4	Walnut Creek	6
South San Francisco	2	San Carlos-Belmont	4		
Campbell	3	San Mateo	4	Centerville	7
San Jose	3	Woodside	4	Irvington	7
Saratoga	3			Mission San Jose	7
Sunnyvale	3	Alvarado	5	Newark	7
		Corte Madera	5	Niles	7
		Decoto	5	Warm Springs	7
		Mill Valley	5		
		San Rafael	5		