

Decision No. 46982

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the )  
First Supplemental Application of )  
LOS GATOS TELEPHONE COMPANY for )  
authority to increase certain )  
rates and charges applicable to )  
exchange telephone service. )  
Application No. 31765  
(First Supplemental)

Appearances and list of witnesses  
are set forth in Attachment 1.

OPINION ON FIRST SUPPLEMENTAL APPLICATION

Los Gatos Telephone Company, operating public utility telephone systems at three locations in northern California and with general offices in Los Gatos, filed the above-entitled supplemental application November 16, 1951, for authority to increase permanently its telephone rates to yield additional annual revenue of \$163,764 in Los Gatos and \$6,990 in Morgan Hill, based on August, 1951 levels of business expanded to an annual basis, in excess of the present interim level of rates. Applicant's proposed rates set forth in Exhibits D and E of the supplemental application would result in an estimated annual increase for the year 1952 of \$179,077 in Los Gatos in exchange rates, in part offset by \$87,500 reduction in toll charges to nearby points, and an increase of \$8,267 in Morgan Hill. Applicant's original application was filed on September 18, 1950.

Following three days of public hearings in November, 1950, at Los Gatos on the original application, the Commission on January 16, 1951, issued Decision No. 45258 which authorized telephone rate increases in the amount of \$23,000 annually on an interim basis pending completion of the proceeding. Additional hearings were held on November 29 and 30, December 3, 1951, and March 5, 1952, at Los Gatos, and on December 11, 1951 and March 6, 1952 at

Morgan Hill. All hearings were held before Examiner M. W. Edwards with final submission of the proceeding occurring on March 6, 1952.

Applicant's Operations

The Los Gatos Telephone Company furnishes telephone service in Los Gatos and contiguous areas in Santa Clara and Santa Cruz Counties, in Morgan Hill and contiguous areas in Santa Clara County, and in Novato and contiguous areas in Marin County. The Los Gatos exchange was converted to dial operation in September, 1950, and as of December 20, 1951 served 5,254 stations. As of the same date the Morgan Hill exchange served 761 stations. The Novato exchange was acquired August 6, 1951 and the present application does not request any change in the Novato rates. As of December 31, 1951, the number of stations in the Novato exchange was 1,501. As of December 31, 1951, there were 282 stockholders of the company, and as of February 1, 1952, there were 98 employees.

Company's Position

The company states that it is not now making an adequate return on its investment in plant devoted to the public service and must meet the steadily increasing unit costs of materials and labor consumed in the operation of the utility. Furthermore, demands for service in its exchanges are growing rapidly and it must have earnings sufficient to attract capital to make additions and improvements to its plant to handle the many new customers.

In the original set of hearings, several customers requested extended service operation between Los Gatos and the adjoining exchanges of The Pacific Telephone and Telegraph Company. The interim decision did not pass on this request but left the matter with the understanding that the company would study the problem to determine the feasibility of offering extended service. Applicant's study revealed its feasibility, whereupon the utility

requested extended service rates in lieu of local rates for the final rate structure.

The requested annual increase of approximately \$179,100 or 78% in rates applicable in the Los Gatos exchange would be offset in part by an estimated reduction of \$87,500 in annual toll charges to subscribers under the proposed extended service arrangement, resulting in a net increase in charges to customers of \$91,600 annually. The increases proposed for local service rates in the Morgan Hill exchange amount to \$8,267 or 19.9%. Extended service is not contemplated in the Morgan Hill exchange.

#### Subscriber Statements

Many subscribers appeared at the public hearing November 29, 1951, on the supplemental application to protest an increase as great as 78% in their telephone bills, which they believed primarily was due to the proposal to introduce extended service into Los Gatos. It was not until the applicant on December 3, 1951, introduced Exhibit No. 26, showing that only 50 cents to \$1 of the requested increase in residential telephone rates was due to extended service that the subscriber complaints subsided. However, they did not stop complaining about the extent of the increase in local rates that would be required in Los Gatos if no extended service was offered.

The Commission's staff presented its study of the operations of the Los Gatos Telephone Company by Exhibit No. 29 and further explained the advantages and plant savings connected with full extended service operations in Los Gatos compared to optional extended service. The extra costs of handling optional extended service in general were testified to by a staff engineer who recommended that the Los Gatos exchange be included in the San Francisco-East Bay extended area with full extended service.

The over-all savings to subscribers that would result from the replacement of the present serving arrangement by full extended service were estimated by the staff witness to be \$18,000 annually. The staff's estimate of future operating costs was predicated upon such full extended service in the Los Gatos exchange.

One subscriber in Los Gatos requested that the Commission consider setting an over-all rate for the entire San Jose area including the exchanges of San Jose, Los Gatos, Saratoga and Campbell with similar rates in all of these exchanges. He read into the record the present San Jose rates and suggested that if the Los Gatos Company could get along with rates equal to those of San Jose that a lot of misunderstanding could be eliminated.

This suggestion was considered but the main deterrent to its adoption is the fact that such rates do not cover the full cost of rendering the service by the Los Gatos Telephone Company. In order to determine the effect of adoption of the San Jose level of rates as suggested, our staff was instructed to determine the rate of return that would be realized by the Los Gatos exchange. Its study shows that the return would be 4.32% over and above the normal operation costs. This return is not sufficient to warrant the establishment of extended service rates at a level as low as in the San Jose exchange of The Pacific Telephone and Telegraph Company.

Some subscribers requested extended service to Santa Cruz; however, at this time there is insufficient traffic between Los Gatos and Santa Cruz exchanges to warrant the provision of such service.

Many subscribers appeared at the first hearing in Morgan Hill to tell of their problems, which primarily were inadequacy of service rather than rates. Rapid growth in the area caused a large number of held orders before the utility could obtain the needed new plant. Difficulty with farmer lines also was a source of

complaint. By the time of the final hearing, the utility had placed additional central office equipment in operation and was preparing for complete dial operation. Only one party complained at the final Morgan Hill hearing and his problem concerned the increase in rate with the change from farmer line to suburban service; however, he admitted that a better grade of service was being obtained at the suburban rate. One other subscriber testified to the improvement in service between the hearing dates.

#### Cost of Service

For the purpose of determining whether or not the applicant is entitled to a rate increase, the Commission considers, among other things, the relationship of the revenues to the over-all cost of rendering the utility service. Such costs include the expense of maintenance of plant and equipment, operators' wages, traffic expense, general office and management expenses, depreciation expense, city, county, state and federal taxes, and interest or return paid for the use of capital necessary to provide plant facilities for the public service.

In the Los Gatos exchange the applicant stated that after paying all expenses it earned a 3.58% rate of return in 1951 on a normalized basis at the interim level of rates, and for 1952 estimates the rate of return will drop to 3.31%. It claims the proposed level of rates will bring the estimated return to 7.54% in 1952. In Morgan Hill similar comparisons are: 1951 and 1952 at present rates, 2.10% and 2.74%, respectively, and for 1952 at proposed rates, 3.83%.

The results of the Commission staff's study for similar periods and conditions were: in Los Gatos, 3.70%, 3.97%, and 8.05%; in Morgan Hill, 3.49%, 4.69% and 6.41%. The company's and the

staff's showing for 1952 under proposed extended service rates may be compared in more detail as follows:

1952 Earning Estimates Under Proposed Rates

	Los Gatos		Morgan Hill	
	Company Exh. F-2	Staff Exh. 29	Company Exh. F-3	Staff Exh. 29
Operating Revenues	\$ 485,029	\$ 485,000	\$ 85,085	\$ 90,000
Operating Expenses	225,462	213,000	50,513	41,400
Taxes	111,750	121,320	14,254	20,550
Depreciation	56,463	49,000	10,548	11,000
Total Expense	393,675	383,320	75,315	72,950
Net Revenue	91,354	101,680	9,770	17,050
Rate Base (Depreciated)	1,210,931*	1,263,000	254,757*	266,000
Rate of Return	7.54%	8.05%	3.83%	6.41%

\* Co. Exhibit No. 24 (Revised Exhibit G.)

The company did not take exception to the staff's estimates of revenues and expenses other than to request that a period of 10½ years, allowed for accounting purposes, in which to write off the unamortized portion of the cost of the old Los Gatos manual switchboard which has been replaced by dial equipment, also be considered for rate-making purposes. The staff's estimate of depreciation expense was based on the "remaining life" theory and included an amount of \$937 to write off the extraordinary retirements in 27 years.

We are of the opinion that the staff's treatment of the amortization of the manual switchboard is reasonable, and the annual depreciation expense for that purpose, included in the staff's estimate, will be allowed.

The company computed depreciation expense on a straight-line total life basis. The Commission staff estimated depreciation expense using the straight-line remaining life method of computation. Witness for the company offered no objection to this method. The straight-line remaining life method of computing depreciation expense should be adopted and the order herein will so provide.

Rate Base

The rate base is comprised of capital invested in plant plus an allowance for working cash capital and materials and supplies less a deduction for depreciation. The comparative rate bases estimated by the company and by the staff for 1952 with extended service are:

Estimated Rate Bases - 1952

	<u>Los Gatos</u>		<u>Morgan Hill</u>	
	<u>Company</u> <u>Exh. 24*</u>	<u>Staff</u> <u>Exh. 29</u>	<u>Exh. 24*</u>	<u>Exh. 29</u>
Weighted Average Plant in Service	\$1,369,194	\$1,375,000	\$270,108	\$271,000
Materials and Supplies	43,623	47,000	8,970	24,000
Working Cash	22,546	9,000	5,051	3,000
Acquisition Adjustment	-	-	7,973	-
Total	<u>1,435,363</u>	<u>1,431,000</u>	<u>292,102</u>	<u>298,000</u>
Deduction for Deprec.	<u>224,432</u>	<u>168,000</u>	<u>37,345</u>	<u>32,000</u>
Rate Base (Deprec.)	<u>1,210,931</u>	<u>1,263,000</u>	<u>254,757</u>	<u>266,000</u>

\* Revised Exhibit G

There is no appreciable difference between the company's and staff's undepreciated rate bases for the Los Gatos and Morgan Hill exchanges. The differences in depreciation reserve result from use by the company of estimated amounts for depreciation reserves at the end of the year 1951, instead of actual average amounts; of year-end amounts for the year 1952 instead of averages for the year; and of different depreciation expense amounts for the year 1952. In addition, the staff depreciation reserve for the Los Gatos exchange reflects an adjustment for the amount recorded in Ac. 138, Extraordinary Retirements, as of December 31, 1951, representing the unamortized portion of the cost of the replaced manual switchboard.

Financing of Properties and Rate of Return

Applicant's investment in telephone properties has been financed through the issue of notes and shares of preferred and common stock and through the use of retained earnings. The notes

outstanding on December 31, 1951, include \$585,000 payable to Pacific Mutual Life Insurance Company at 4% on March 1, 1969, and \$74,320 payable to banks during 1952 at 5%. The outstanding stock includes shares of 5% preferred stock of the aggregate par value of \$134,760 and shares of common stock of an aggregate par value of \$513,330. The shares of preferred stock were issued at par, while the shares of common stock were issued, in part, at prices in excess of par, resulting in total premiums of \$240,264. Applicant's retained earnings at the close of 1951 amounted to \$72,244. For a number of years applicant has paid dividends on its common stock at the rate of 8% per annum on the par value.

Applicant's witness on rate of return testified that the company, up to the present time, has been able to sell common stock to local residents under favorable terms but that with continued fast growth, outside financial help will be necessary in the future. He also testified that, in his opinion, a rate of return as high as 8% would not be out of line for a company of this size because it needs improved earnings in order to attract equity investors in competition with other investment opportunities which are available to the present-day investor.

For the interim period applicant was allowed a rate of return of 5.36%. It is now apparent that a final rate of return higher than that authorized in the interim period is necessary. Giving consideration to the applicant's present capitalization, the financial requirements on securities presently outstanding, and to its need to issue additional securities in the near future, it is our opinion that a rate of return of approximately 6.5% is justified.

#### Efficiency of Operation

One protestant questioned applicant's witness on rate of return as to whether the inefficiency of operation of this company



was the reason why such a large increase was necessary. The witness pointed out that this increase is, in part, necessary because telephone plant costs more today than prewar, and with such a large postwar growth the plant capital largely reflects current-day costs. He testified that this is a sparsely populated area relative to other communities, that rate structures reflect largely today's cost levels and that this is one of the penalties for living in a community of rapid growth and sparse settlement.

The same question later was directed to a Commission staff witness, and reply was made by the Commission's Telephone and Telegraph Engineer. The engineer's reply essentially was that the staff had investigated the operations, held conferences with company officials and employees, and required the company to do certain work in furnishing material for the staff's study and exhibit. The staff's expense estimates include only reasonable expenses, and certain recommendations were made as to how the company should improve its operations.

Two additional protestants offered statements prior to the close of the hearing: one being satisfied by the answer provided by the staff, and the other indicating that service had improved since the first set of hearings in 1950 and, while opposed to the amount of increase requested, felt some increase was logical.

To aid the company in attaining and maintaining efficiency in operating, certain of the recommendations made by the staff will be required by the order herein. In addition, in the Morgan Hill exchange the company proposes to provide full selective ringing on party lines and to reduce the number of subscribers on suburban lines to not more than eight. This program is sound and should be carried forward as promptly as possible. In order to accomplish full community dial office operation at Morgan Hill, and thus fully

realize attendant operation savings, the company should vigorously prosecute negotiations with The Pacific Telephone and Telegraph Company for the provision by that company of its portion of the required facilities.

Conclusion on Earnings

Having given consideration to all estimates of operating results, it is our conclusion that the staff's estimates of revenue, expenses and rate base are reasonable amounts and are levels which the utility can attain with efficient operation with full extended service conditions in Los Gatos and full dial operation in Morgan Hill.

For the year 1952 we adopt a rate base of \$1,263,000 for the Los Gatos exchange, and of \$266,000 for the Morgan Hill exchange and find that applicant's proposed rates would produce rates of return thereon of 8.05% and 6.41%, respectively. We further find that the rates authorized by the order herein will yield rates of return of 6.5% in the Los Gatos exchange and 6.41% in the Morgan Hill exchange, which rates of return we hereby find to be fair and reasonable.

Authorized Rates

A comparison of the present rates for the basic classifications of service with the rates requested by the applicant and those authorized in the order herein follows:

Classification	Monthly Rate - Hand Set Station		Rate	Increase
	Present	Requested		

Los Gatos Exchange\*

	<u>Local</u>	<u>Extended</u>	<u>Extended</u>	
<u>Residence</u>				
1-Party	\$3.75	\$7.25	\$6.50	\$2.75
2-Party	3.00	6.25	5.25	2.25
4-Party	2.50	5.00	4.25	1.75
Suburban	3.00	5.50	4.75	1.75
Extension	1.00	1.25	1.25	.25
<u>Business</u>				
1-Party	6.00	14.50	14.00	8.00
2-Party	5.00	11.50	10.50	5.50
Suburban	4.25	7.50	7.00	2.75
Extension	1.25	1.50	1.50	.25

Morgan Hill Exchange\*

<u>Residence</u>				
1-Party	\$3.50	\$4.30	\$4.30	\$0.80
2-Party	3.00	3.75	3.75	.75
4-Party	2.50	3.20	3.20	.70
Suburban	3.25	3.70	3.70	.45
Extension	1.00	1.25	1.25	.25
<u>Business</u>				
1-Party	5.25	7.00	7.00	1.75
2-Party	4.25	5.75	5.75	1.50
Suburban	4.00	5.25	5.25	1.25
Extension	1.25	1.50	1.50	.25

\* Rates for 1-, 2-, and 4-party service are applicable in the base rate area.

Note: Present rates are for local service and the requested and authorized rates for the Los Gatos exchange are for extended service and the local service area would include Los Gatos, Campbell, Saratoga, and San Jose exchanges.

Rates for one-, two-, and four-party line services in the Glen Una special rate area are authorized to be established at the same level, plus loading for two-quarters mileage, as corresponding rates herein authorized for the Los Gatos exchange. Increases

authorized for one-, and two-party line service in the Burrell special rate area are the same as those authorized in corresponding rates in the Los Gatos exchange. There is no farmer line service in the Los Gatos exchange and no increase was requested and none will be authorized in Morgan Hill farmer line service rates.

In addition to the increases in the basic rates, the applicant requests increases in monthly rates for miscellaneous services, including rates for semipublic coin-box service, PBX equipment and supplemental equipment. The rates authorized for these services are no higher than requested and are comparable to the rates for such miscellaneous services which have been authorized by this Commission for other telephone utilities operating in California.

Applicant has also requested that the rate for pay station service be increased from 5 cents to 10 cents per exchange message. This appears to be a necessary step since this class of service should bear some of the burden of the increase. Such increase is authorized in the order herein.

The rates authorized by the following order are estimated to increase annual revenues in the Los Gatos exchange by \$37,000 after allowing for an estimated reduction of \$106,000 annually in the compensation received from The Pacific Telephone and Telegraph Company for applicant's participation in the furnishing of toll service. This reduction in compensation will result from the elimination of a substantial portion of the toll traffic between Los Gatos and other exchanges included in the Los Gatos local service area for extended service. In the Morgan Hill exchange the authorized rates are estimated to increase annual revenue by \$10,000. These estimates are based on the level of business during the year 1952 anticipated by the staff. The applicant, in cooperation with a connecting company furnishes foreign exchange service. Inasmuch as the Commission

is authorizing increases in rates for the applicant, and such increases will affect rates on which rates for Los Gatos foreign exchange service in connecting company exchanges are based, it follows that affected foreign exchange rates filed by the connecting company should be consistent. Such connecting company, therefore, should request authority of the Public Utilities Commission of the State of California to make the necessary tariff filings to reflect the increases authorized in the following order in the serving exchange.

Conclusion

After reviewing all of the evidence of record and the statements by protestants in this matter and giving full weight to the service, operating and financial problems of this utility, it is our conclusion that an order should be issued increasing the rates in accordance with the findings herein and ordering a change in operating practices of this utility to accomplish an improvement in the efficiency of operations.

O R D E R

Los Gatos Telephone Company having applied to this Commission for an order authorizing an increase in rates and charges 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 for the future 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, revised rates and conditions 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 in the Morgan Hill exchange on and after May 1, 1952 and in the Los Gatos exchange coincident with the provision of extended service in that exchange or within five (5) days thereafter, except that the ten (10) cent message rate for coin-box service shall be made effective at such time as equipment is available to effect the collection of ten (10) cents for an exchange message.

2. Applicant is authorized to cancel rates for local service, except where rate and service arrangements or facility limitations require the continuance of local foreign exchange service, coincident with provision of extended service in the Los Gatos exchange or within five (5) days thereafter.
3. Applicant shall file with this Commission, coincident with the effective date of extended service rates in the Los Gatos exchange, in conformity with the Commission's General Order No. 96, maps showing the revised base rate area and the Glen Una special rate area as set forth in Exhibit 18 in this proceeding.
4. Applicant shall review annually the accruals to depreciation reserve which shall be based upon spreading the original cost of the plant, less estimated net salvage, and less depreciation reserve, over the estimated remaining life of the property; and the results of these reviews shall be submitted annually to the Commission.
5. Applicant shall prepare and submit to the Commission a copy of its construction budget for the year 1953 on or before December 1, 1952.
6. Applicant shall prepare and submit to the Commission a copy of its instructions to employees covering the preparation and use of work orders not later than sixty (60) days after the effective date of this order.
7. Applicant shall submit to the Commission monthly trouble reports and quarterly summaries of trouble report records for the years 1952 and 1953; and not later than July 1, 1952, a program of preventative maintenance designed to reduce the incidence of trouble, and including a copy of its instructions to employees governing procedures to be followed where recurring trouble reports on the same subscriber's service are received within 30 days. Quarterly reports on its progress in carrying out the program shall be submitted covering separately the third and fourth quarters of 1952 and each quarter of 1953.

8. Applicant shall prepare and submit to the Commission, within ninety (90) days after the provision of extended service in the Los Gatos exchange, a program for making traffic counts at Los Gatos and Morgan Hill and quarterly reports through the year 1953 covering the results of such traffic counts.

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

Dated at San Francisco, California, this 8th day of April, 1952.

[Signature]  
President.

[Signature]  
[Signature]

[Signature]  
[Signature]  
Commissioners.

EXHIBIT A  
Page 1 of 5

RATES

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

Los Gatos ExchangeExtended Service Flat Rates - Each Primary Station

	Residence Service			Business Service	
	Monthly Rate			Monthly Rate	
	<u>1-Party</u>	<u>2-Party</u>	<u>4-Party</u>	<u>1-Party</u>	<u>2-Party</u>
Base Rate Area	\$ 6.50	\$ 5.25	\$ 4.25	\$14.00	\$10.50
Glen Una Special Rate Area	7.50	5.95	4.75	15.00	11.20
Burrell Special Rate Area	12.75	11.75	-	19.25	16.00

Extended Semipublic Coin-Box Service

	Individual Line		
	Minimum Charge	Monthly	Exchange
	<u>Per Day</u>	<u>Rate</u>	<u>Message</u>
Base Rate Area	\$0.27	\$1.25	\$0.10
Glen Una Special Rate Area	.27	2.25	.10
Burrell Special Rate Area	.27	6.50	.10

Extended Suburban Line Flat Rates -- Each Primary Station

	Residence Service	Business Service
	<u>Monthly Rate</u>	<u>Monthly Rate</u>
Suburban Area	\$4.75	\$7.00
Burrell Special Rate Area	4.75	7.00



EXHIBIT A  
Page 2 of 5

RATES (Continued)

Morgan Hill Exchange

Flat Rate Service - Each Primary Station

	<u>Residence Service</u>			<u>Business Service</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>
Base Rate Area	\$4.30	\$3.75	\$3.20	\$7.00	\$5.75

Semipublic Coin-Box Service

	<u>Individual Line</u>		
	<u>Minimum Charge</u> <u>Per Day</u>	<u>Monthly</u> <u>Rate</u>	<u>Exchange</u> <u>Rate</u> <u>Message</u>
Base Rate Area	\$0.23	\$0.75	\$0.10

Flat Rate Suburban Service - Each Primary Station

	<u>Residence Service</u> <u>Monthly Rate</u>	<u>Business Service</u> <u>Monthly Rate</u>
Suburban Area	\$3.70	\$5.25

EXHIBIT A  
Page 3 of 5RATES (Continued)Los Gatos and Morgan Hill ExchangesSchedules Nos. A-1 and A-5  
Individual Line and Party Line Service  
Suburban Service

	<u>Residence Service</u>	<u>Business Service</u>
Each extension station	\$1.25	\$1.50

Schedule No. A-6  
Mileage Rates

Revise condition (1) to reflect establishment of the Glen Una special rate area.

Schedule No. A-7  
Hotel Private Branch Exchange Service (Los Gatos exchange only)

	<u>Rate per Month</u>
Equipment Rate:	
Each switchboard position with battery and ringing power supply circuit and switchboard telephone 80 line cord type non-multiple	\$19.00

Schedules Nos. A-7 and A-8  
Hotel and Commercial Private Branch Exchange Service

	<u>Rate per Month</u>
Trunk Rate:	
Los Gatos Exchange	
Each extended service trunk	\$21.00
Morgan Hill Exchange	
Each trunk	10.50
Station Rate:	
Commercial - each station	1.50
Hotel	
Each station not in guest room	1.50
Each guest room station	1.00

Schedule No. A-9  
Key Branch Exchange Service

	<u>Rate per Month</u>
Each extension line to another cabinet	\$1.50

EXHIBIT A  
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RATES (Continued)

Los Gatos and Morgan Hill Exchanges (Continued)

Schedule No. A-11

Key System Service (Los Gatos Exchange only)

Equipment and Station Rate:	<u>Rate per Month</u>
First hand set station and associated relay equipment arranged for a system with a capacity of:	
2 trunks, 6 stations	\$8.25
Each additional hand set station	2.25
Off-premises hand set station	2.75

Extended Service Trunk Rate:	<u>Rate per Month</u>	
	<u>Residence</u>	<u>Business</u>
Each trunk	\$8.15	\$15.50

Rates for 2-trunk - 10-line and 3-trunk - 9-line systems and all rates for Key System service in the Burrell special rate area are authorized to be cancelled.

Schedule No. A-12

Semipublic Service

	<u>Rate per Month</u>
Each extension station without coin box	\$1.50

Schedule No. A-13

Public Pay Station Service

	<u>Rate</u>
Each exchange message	\$0.10

Revise conditions to provide for the furnishing of extended public pay station service.

Schedule No. A-15

Supplemental Equipment

	<u>Installation Charge</u>
Extension bell, small gongs	\$3.00
Extension bell, 6-inch gongs	3.00

EXHIBIT A  
Page 5 of 5

RATES (Continued)

Los Gatos and Morgan Hill Exchanges (Continued)

Schedule No. A-16

Interexchange Receiving Service

Rate per Month

Each interexchange receiving service

\$5.00

Extended Service - Los Gatos Exchange

Rates for extended service comprehend service without additional charge to all stations receiving service from the Campbell, Los Gatos, San Jose and Saratoga exchanges.

Deviation Services

Applicant is authorized to continue furnishing suburban residence service at the four-party residence rate and suburban business service at the suburban business rate in those portions of the suburban area included in the revised base rate area, and to continue furnishing suburban residence service at the rates for the lowest grade of party line service in those portions of the suburban areas and in the Glen Una special rate area where the rate for the lowest grade of party line service is the same or less than the rate for suburban service, until facilities are available for furnishing normal grades of service.

## APPENDIX "1"

LIST OF APPEARANCES

Appearances for applicant: Lieb & Lieb by C. B. Lieb, Frank V. Rhodes, and Lyndon Farwell.

Protestants: Burrell District, by Mrs. Marion N. Mertsching; Farm Bureau, by William Britton; Redwood Estates, by Mrs. Viola Sweet; Telephone Subscribers of Laurel, by J. M. Hagens; Highland Residents by Mrs. J. M. Hobson; George B. Place; Geo. G. Bruntz; Helen Atkinson; John E. Adams; Chris Mosegard; Jasper Moss; Donald J. Ward; Thomas G. Gambill.

Interested Parties: California Farm Bureau Federation, by J. J. Deuel, Harold Neeland, and Edson Abel; California Independent Telephone Association, by Frank V. Rhodes; Los Gatos Daily Times, by Lloyd E. Smith; East Main Avenue Telephone Association, by Peter L. Noll; the Press, by Mrs. Ray Hitchcock; Morgan Hill Grange, by George Bordenave; Mrs. P. J. Lukos; C. Vernon Snider; John Pedrizzetti; Henry Frank.

Other appearances: John Donovan, and Walter B. Wessels, for the Commission's staff.

LIST OF WITNESSES

Evidence was presented on behalf of applicant by: Lyndon Farwell (service); Harold C. Davis (extended service, base rate area expansion, rates); Orrin E. Heinke (earnings, taxes, material and supplies, rate base, revenue requirements, operating expenses); Robert Lindsay (plant construction program).

Evidence was presented on behalf of the protestants and interested parties by: Marion N. Mertsching, Mrs. Viola Sweet, Mrs. P. J. Lukes, George B. Place, William McMahon, Mrs. H. B. Herbert, L. C. Cornell, C. Vernon Snider, Kenneth Henline, Mrs. J. L. Boyer, Geo. G. Bruntz, N. G. Herbert, Daisy Gambill, John Pedrizzetti, Mrs. Robert Chambers, John J. Jones, Thomas J. Gambill, Mrs. D. Lloyd Smith, Donald J. Ward, John E. Adams, S. M. Parker, George Weitbrecht, Mrs. William Britton, Harry E. Badger, Chris Mosegard and W. C. McDonald (all on service and/or rates).

Evidence was presented on behalf of the Commission staff by: R. W. Beardslee (history, present operations, general expenses, taxes, and summary of earnings); G. H. Edgar (balance sheet, income statement, clearing accounts, and book depreciation reserve); M. J. Kimball (operating revenues, maintenance, traffic and commercial expenses, and extended service); R. C. Moeck (annual depreciation expense, fixed capital, depreciation reserve, and rate base); N. C. Hasbrook (service).