

nb

# ORIGINAL

Decision No. 57086

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of GENERAL TELEPHONE COMPANY OF )  
CALIFORNIA, a corporation, for )  
authority to increase certain )  
rates and charges applicable to )  
telephone service. )

Application No. 39465

Appearances are listed in Attachment 1 hereto.

## O P I N I O N

### NATURE OF PROCEEDING

General Telephone Company of California, a California corporation, filed the above-entitled application on October 9, 1957, and an amendment thereto on December 20, 1957, seeking authority to increase rates and charges for telephone services so as to produce increased revenues of approximately \$12,511,000 annually, \$2,836,000 of such amount being requested for alleged emergency relief on an interim basis pending completion of hearings and final decision in the matter. By oral amendment made by applicant's counsel on March 26, 1958, during the course of the hearings in the matter, applicant reduced its request to \$8,499,000 over all and to \$2,625,000 on the interim basis, predicated upon operations in a test year 1958.

### PUBLIC HEARINGS

After due notice,<sup>1/</sup> 14 days of public hearing in this matter were held before Commissioner C. Lyn Fox and/or Examiner

<sup>1/</sup> Notice of pendency of the rate proceeding as well as notice of hearing was given to over 125 parties, including State officials, Boards of Supervisors, City Councils, District and City Attorneys, numerous civic organizations and to the public press. In addition, notice of hearing was published in 54 newspapers of general circulation in the various service areas of the utility.

F. Everett Emerson during the period January 6, 1958 to May 9, 1958, in Los Angeles. Submission of the matter was taken after receipt of briefs on May 29, 1958, and oral argument before the Commission en banc on June 16, 1958.

In the course of this proceeding 31 witnesses testified and 51 exhibits were received in evidence.

APPLICANT'S POSITION

Applicant is the largest independent operating telephone company in the United States. It renders service in approximately 125 communities, located in seven counties in the State of California, through 66 central offices in 32 exchanges.

In the past five years applicant's growth has necessitated increasing its capitalization by more than 133 per cent. During the year 1958 its construction program will approximate \$74,000,000 for which it must obtain \$60,000,000 of new capital. Applicant alleges that it has had, now is experiencing, and will in the future continue to experience, a constantly downward trend in its earnings and that it will not, without rate relief, be able favorably to attract and secure the capital necessary to meet its required construction.

In addition to its capital requirements for construction, applicant has had to meet repeated increases in the costs of providing telephone service, including the additional expenses resulting from negotiated wage increases for its employees and from increasing costs of materials.

Applicant points to monthly average plant in service per average telephone as being indicative of the increased costs with which it is faced. It cites as examples figures of \$337.84 per telephone as of June, 1957, an increase per telephone gained in 1957 of \$556.54 and an estimate that such comparison will increase to \$617.42 in 1958.

Of the amount of \$12,511,000 originally sought as increased revenues, applicant proposed that \$2,439,000 would be obtained from increased charges for multi-message unit services. By Decision No. 55936, on an interim basis, made permanent by Decision No. 56652, the Commission authorized rates for multi-message unit services for the four telephone utilities rendering service in the Los Angeles Extended Area which has the effect of providing applicant with approximately \$2,230,000 of increased revenues in the year 1958.<sup>2/</sup> After giving effect to such multi-message unit revenues, to adjustments which reduce applicant's charges for depreciation, and to certain tax savings resulting from its participation in the consolidated tax return of its parent, applicant finally seeks an over-all revenue increase of \$8,499,000 annually. Such increase, when added to revenues under present rates result in \$103,093,000 in gross revenues which would yield \$21,601,000 in net revenues which, related to applicant's claimed rate base of \$303,151,000, would produce a rate of return of approximately 7.13 per cent.

#### GENERAL NATURE OF EVIDENCE

Evidence was offered by witnesses for applicant, the Commission staff, the City of Long Beach, the City of Los Angeles and by a number of individual telephone subscribers. Applicant and the Commission staff presented evidence respecting all phases of applicant's operations and the results of such operations as they pertain to the company's financial position. The City of Long Beach presented evidence respecting telephone rate comparisons for various exchanges, calling areas and distances. The City of Los Angeles presented

<sup>2/</sup> Decision No. 55936, in Application No. 39309, Case No. 5974 and Case No. 5983; Decision No. 56652 in Application No. 39309; establish new rates for multi-message unit services, effective January 20, 1958, for The Pacific Telephone and Telegraph Company, General Telephone Company of California, California Water and Telephone Company, and Sunland-Tujunga Telephone Company.

testimony respecting estimated earnings on equity capital and various other analyses of capital. Individual subscribers testified respecting service deficiencies or inadequacies. Extensive cross-examination was undertaken by all active appearances.

EVIDENCE RESPECTING RESULTS OF OPERATIONS

The following tabulation will serve to summarize the evidence adduced respecting the results of applicant's operations for the estimated year 1958. The basic data are taken from a number of the exhibits of applicant and of the Commission staff and reflect such corrections of errors or inaccuracies as appear proper from the oral testimony of the respective witnesses. While the summary places applicant's and the staff's estimates side-by-side in tabular form, the summary is not intended primarily as a comparison between the two because the basic premises on which they were prepared are not the same. This situation is further discussed hereinafter.

SUMMARY OF EARNINGS - ESTIMATED YEAR 1958At Existing Telephone Rates

<u>Item</u>	<u>Applicant</u>	<u>CPUC Staff</u>
Operating Revenues <sup>a</sup> .....	\$ 93,680,000	\$ 94,178,000
Operating Expenses .....		
Before Taxes and Depreciation	36,174,000	34,860,000
Taxes .....	24,278,000	25,267,000
Depreciation .....	15,490,000	14,886,000
Total Operating Expenses	<u>75,942,000</u>	<u>75,013,000</u>
Net Revenue .....	17,738,000	19,165,000
Rate Base (depreciated) .....	303,151,000	294,519,000
Rate of Return .....	5.85%	6.51%

At Applicant's Proposed Rates

<u>Item</u>	<u>Applicant</u>	<u>CPUC Staff</u>
Operating Revenues <sup>a</sup> .....	\$102,097,000	\$102,992,000
Operating Expenses .....		
Before Taxes and Depreciation	36,174,000	34,860,000
Taxes .....	28,832,000	30,036,000
Depreciation .....	15,490,000	14,886,000
Total Operating Expenses	<u>80,496,000</u>	<u>79,782,000</u>
Net Revenue .....	21,601,000	23,210,000
Rate Base (depreciated) .....	303,151,000	294,519,000
Rate of Return .....	7.13%	7.88%

a. After uncollectibles.

The calculations of applicant and of the staff both indicate a downward trend in rate of return for the year 1958, applicant indicating a decline at present rates of 0.65 per cent while the staff indicates a decline at company proposed rates of 0.57 per cent.

#### AFFILIATE RELATIONSHIPS

As above mentioned, the presentations of applicant and the Commission staff are not directly comparable. Essentially, applicant's test year 1958 reflects operational changes, which will occur during the year, as such changes will actually take place. The staff, on the other hand, made its estimate on the basis of reflecting the operating conditions to be in effect as of December 31, 1958, throughout the entire year 1958. Differences resulting from these two approaches are readily reconcilable. The principal issue involved in this rate proceeding, however, is created by adjustments in revenues, expenses and rate base made by the Commission staff because of applicant's relationship to its parent and to various affiliates.

Applicant's transactions with its affiliates fall into two general categories. The first involves purchases of materials and supplies from affiliated suppliers. The second pertains to the provision for telephone directory services.

General Telephone Corporation exercises control over applicant and over a number of other affiliates as well as over a number of other telephone companies. The principal domestic manufacturing and sales subsidiaries of General Telephone Corporation, together with the approximate percentage of the latter's common stock

ownership therein, either directly or through other subsidiaries, are as follow:

Automatic Electric Company	78%
Automatic Electric Sales Corporation	78%
Leich Electric Company	100%
Leich Sales Corporation	100%

Portions of the telephone equipment and supplies acquired by applicant have been purchased from the sales subsidiaries and manufacturing subsidiaries of its parent, General Telephone Corporation. In view of such situation, applicant bears the burden of proving that its ratepayers are not burdened with the payment of unreasonable amounts to the affiliates through the utility. The principle in this respect has long been adhered to by this Commission. The Commission is here concerned that the prices which applicant pays for material, equipment and services shall be no more than reasonable.

It is the position of the staff that the relationship existing between applicant and its affiliated manufacturing and sales companies is so comparable to the relationship between The Pacific Telephone and Telegraph Company and its affiliated Western Electric Company that the same types of adjustments should be made to applicant's operations as were made in the rate cases pertaining to The Pacific Telephone and Telegraph Company.<sup>3/</sup> Accordingly, the staff's evidence in this proceeding is permeated with adjustments to applicant's book figures and estimates, reflecting in the commodities and services of the affiliates, the approximate rate of return which the

<sup>3/</sup> Essentially, this Commission's decisions in various applications of The Pacific Telephone and Telegraph Company (Decisions Nos. 21766 in 1929, 41416 in 1948, 43145 in 1949, 50258 in 1954 and 55652 in 1958) have adjusted, for rate-making purposes, both plant and expense items in such manner as to restate the costs of equipment and services to levels reflecting the same rate of return to the affiliate as that accorded the utility.

Commission found applicant was earning at the time of applicant's last rate proceeding.<sup>4/</sup>

While the evidence in this proceeding indicates that certain analogies may be drawn between the applicant-affiliate and The Pacific-Western Electric relationships, such evidence, in our opinion, does not establish that the two situations are so nearly alike that the treatment to be accorded the two should be identical or even parallel. As a matter of fact, the two situations are unlike in a number of important respects and there are numerous distinctions between the corporate relationships and the methods of transaction of business of the two. Equipment sold and manufactured by the subsidiaries of General Telephone Corporation is widely distributed to many independent telephone companies which have no affiliate relationship with it. Indeed, the record discloses that less than 42 per cent of the combined sales of all of the manufacturing and sales subsidiaries of General Telephone Corporation reach General Telephone operating companies. The following table shows the dollar volume of sales of applicant's affiliated companies to General Telephone of California, other General Telephone domestic companies and to non-affiliated customers:

Summary of Sales of General Telephone Corporation  
manufacturing and sales subsidiaries for the years  
1956-1957<sup>a/</sup>

	<u>1956</u>	<u>1957</u>	<u>1958 Estimated Total</u>
Total Consolidated Sales	\$188,558,101	\$210,548,000	\$232,788,000
Sales to General of Calif.			
Automatic Electric	12,578,000	18,929,000)	43,855,000
Leich Electric	22,082,280	20,345,000)	
Other General Telephone Companies	43,934,054	47,979,000	53,601,000
All Others	109,963,767	123,295,000	135,332,000

<sup>a/</sup> Exhibits 17, 29 and 47.

<sup>4/</sup> Appl.No.33493, in which Dec.No. 48489 was issued April 14, 1953.



In computing percentage of profits both the staff and applicant used total sales to General Telephone's domestic companies and total dollar profits thereon, but differed as to the application of the figures. The staff used "average net investment" (somewhat comparable to rate base) in computing percentage of profits, showing profit of the affiliated companies of 35.5 per cent in 1956 and 27.1 per cent in 1957. Applicant based percentage of net profit on sales and it reported profits of 8.57 per cent for 1956 and 8.15 per cent for 1957 on sales to General Telephone domestic companies. Using the same method, applicant showed profits of 9.39 per cent for 1956 and 9.53 per cent for 1957 on sales of General Telephone's affiliates to nonaffiliated customers. Applicant's sales-affiliate relationship is of relatively recent origin.<sup>5/</sup> The record shows that of total sales to General Telephone of California, \$9,471,000 of the 1956 sales and \$4,555,000 of the 1957 sales were contracted for with Automatic Electric prior to the affiliation. Applicant has no standard supply contract with its manufacturing and sales affiliates. Its affiliates provide neither purchasing department, supply department nor warehousing functions for applicant. Applicant does its own engineering, construction and installation work.

The Commission rejects the staff method of testing the reasonableness of the prices paid by General Telephone of California to its affiliates by computing the resulting return to those affiliates on a hypothetical rate base. The "average net investment" (rate base) of manufacturing companies varies widely in relation to the volume of goods produced and sold, and sales companies ordinarily have a minimal "average net investment". The Commission's primary

---

<sup>5/</sup> Leich Sales Corporation in 1951 and Automatic Electric Sales Corporation in November, 1955.

concern, in protection of the public interest, is that prices paid by applicant for supplies and equipment be fair and reasonable. Profits made by an affiliate are important only as a factor in testing the fairness and reasonableness of prices charged by the affiliate to the utility. In this instance the profit of applicant's affiliates calculated as a percentage on gross sales are, and the Commission finds them to be, within the zone of reasonableness. This supports applicant's position as to the reasonableness of prices paid by it to its affiliates. The evidence is uncontroverted that more than 58 per cent of the sales made by General Telephone of California's affiliates are made on the open competitive market to nonaffiliated customers. The evidence is equally conclusive that General Telephone's affiliates charge General Telephone of California the same or lower prices than said affiliates charge nonaffiliated customers on the open competitive market.

The record supports a finding, which we hereby make, that business done by affiliates with applicant was done on at least as reasonable basis, as applied to applicant, as all business done by these affiliates with all General Telephone domestic companies. In view of these facts, the Commission finds that the prices paid to its affiliates by General Telephone Company of California are fair and reasonable. Accordingly, the Commission will not at this time adopt the adjustments made by the staff.

It is proper and indeed essential that this Commission have before it information upon which it may form a conclusion as to the existence and extent of any unreasonableness in charges which may result from utility-affiliate relationships to the detriment of the ratepayer. The staff inquiry is helpful in reaching a conclusion in this respect. It is expected that a similar inquiry will be made in future rate proceedings concerning applicant, to the end that this Commission may be assured that the public interest will continue to be protected.

General Telephone Directory Company, organized in 1936, is a wholly owned subsidiary of General Telephone Corporation. It is, thereby, an affiliate of applicant. Applicant has a contract with the directory company whereby the directory company compiles and

manufactures all of applicant's telephone directories, solicits and sells the advertising therein and delivers the directories to the various exchanges of applicant. The directory company is essentially a sales and service organization. It provides directory service to many telephone companies, both affiliated and nonaffiliated, as well as to applicant. The evidence indicates that applicant retains a higher percentage of directory revenues under its contract with the directory company than do any other of the affiliated telephone companies.

The Commission staff, in this proceeding, has adjusted upward the revenues for rate-making purposes which applicant has estimated it will receive from the directory company on the theory that the affiliate relationship requires that the services provided be priced at cost plus a rate of return for the affiliated directory company no higher than that found reasonable for applicant. The staff takes the further position that applicant could itself conduct directory advertising and publishing functions rather than to contract for such services.

The evidence discloses and the Commission finds that through the incentive factors contained in the contract and through the experience of the directory company, revenue results in favor of applicant are achieved that could not be realized through other means. Applicant contends that it cannot itself provide results as beneficial to it and to its ratepayers as it obtains through the directory service contract. There is no convincing evidence to the contrary. Further, the application of a rate of return to the assets of a sales and service organization, such as a directory company, in our opinion, provides no realistic measure of the reasonableness of the charges for, or the value of, the service. In view of the evidence, we find said contract to be reasonable, therefore, the adjustments made by the staff for this service will not be adopted herein.

RATE BASE

The difference of \$8,632,000 between the respective rate bases of applicant and the Commission staff is shown in the following tabulation:

<u>Item</u>	Staff Exh. 45 <u>Tr.15A Rev.</u>	Company Exh. 39 <u>Sheet 4 of 4</u>	Staff Exceeds <u>Company</u>
(Thousands of Dollars)			
<u>WEIGHTED AVG. TELEPHONE PLANT</u>			
Plant in Service, Ac. 100.1 ...	\$351,563	\$348,106	\$3,457
Property Held for Future Use, Ac. 100.3 .....	287	722	(435)
Total Undepreciated Plant	<u>351,850</u>	<u>348,828</u>	<u>3,022</u>
Deduction for Depreciation	52,360	51,367	993
Total Depreciated Plant	<u>299,490</u>	<u>297,461</u>	<u>2,029</u>
<u>Modifications to Plant</u>			
Contributions to Plant	(1,945)	(1,944)	(1)
Consolidated Tax Savings	(1,091)	0	(1,091)
Mfg. & Sales Affiliate Adj.	(7,862)	0	(7,862)
Amortization Reserve	(8)	(8)	0
Wage Adjustment	315	0	315
Total Modified Deprec. Plant	<u>288,899</u>	<u>295,509</u>	<u>(6,610)</u>
<u>WORKING CAPITAL</u>			
Materials and Supplies	5,620	5,620	0
Working Cash	-	2,022	(2,022)
Total Working Capital	<u>5,620</u>	<u>7,642</u>	<u>(2,022)</u>
<u>RATE BASE</u>	294,519	303,151	<u>(8,632)</u>

(Red Figure)

Major differences arise from three principal items. The first item is the staff's adjustment for affiliates, above discussed. The second item concerns an allowance for working cash. The third item concerns an "operational rollback" whereby end of year operations are reflected on a full year basis.

Applicant's claimed working cash allowance of \$2,022,000 was derived by taking 5.6 per cent of its claimed operating expenses,

exclusive of taxes and depreciation. The factor of 5.6 per cent was developed during applicant's 1950 rate proceeding. Applicant has used it in the present proceeding without modification to reflect current conditions. The staff, however, using the same methods of calculation by which it derived the factor in 1950, has in this proceeding concluded that applicant's investors have not provided monies for working cash for which they have not otherwise been compensated. Using basic data and a "lead-lag" study provided by applicant for staff use, the staff evidence indicates that the proper additional allowance for working cash, as an element of rate base, is zero.

In our opinion, the evidence in no way discloses that applicant's method derives an amount equivalent to that which investors may have to provide for the operation of the business on the basis of the test year 1958. Applicant's claimed working cash component of rate base is unsupported by convincing evidence as to a requirement for a working cash allowance. We find from the evidence, therefore, that an additional allowance for working cash is not justified and no amount therefor will be included as a component of the rate base to be adopted herein.

In view of the evidence, and in recognition of the principle that rates are fixed prospectively, the Commission adopts, and hereby finds to be reasonable for the purposes of this proceeding, a depreciated rate base of \$302,381,000 for the test-year period 1958, such test period reflecting the full year normalized effect of anticipated operational changes.

#### REVENUES

After provision for uncollectibles, applicant and the staff differ by \$498,000 under existing rates and by \$895,000 under proposed rates in their revenue estimates for the test year 1958, the staff being higher than applicant by such amounts. The greater part

of these differences is attributable to directory revenue adjustments. The balance of the difference is essentially attributable to revenue estimates of multi-message unit and toll business. With respect to these two elements, neither the staff nor applicant, in making their estimates, could foresee the Commission's action taken in Decision No. 56652 (Application No. 39309) which affects both elements. In view of the evidence, and after taking official notice of said Decision No. 56652, the Commission adopts, and hereby finds to be reasonable, estimates of \$94,929,000 under present rates and \$103,743,000 under applicant's proposed rates for the test year 1958, both of such estimates being after uncollectibles.

#### EXPENSES

The difference of \$1,314,000 in operating expenses, before taxes and depreciation, arises from two principal items. The greater portion, \$920,000, is attributable to the staff's adjustments for affiliates. The lesser portion, \$394,000, is attributable to adjustments pertaining to maintenance, traffic, commercial and general expenses which reflect the staff's assumed operating conditions during the test year. These latter adjustments appear to be reasonable and will be adopted herein. It follows, therefore, and the Commission so finds, that the sum of \$35,780,000 is a reasonable estimate of operating expenses excluding taxes and depreciation.

After eliminating the staff adjustment to depreciation expense pertaining to the affiliate relationships, a difference of \$194,000 remains. In this respect, it is our opinion that the staff-calculated depreciation expense should be adopted because it reflects the latest factual review of rates and lives of depreciable plant items. Accordingly, we adopt, and find to be reasonable, the amount of \$15,296,000 as the total depreciation expense for the test year.

The calculation of taxes is largely dependent upon the income tax factor. The taxes to be adopted herein, therefore, will reflect adopted revenues and expenses as well as taxes on adopted plant items reflected in rate base. Accordingly, we find to be reasonable the total amounts of \$25,045,000 for taxes under existing rates and \$29,839,000 for taxes under the rates which applicant has proposed.

To summarize, the Commission finds that the amounts of \$76,121,000 and \$80,915,000 are reasonable estimates of total operating expenses during the test year under existing rates and under proposed rates respectively.

#### RATE OF RETURN

Summarizing results of operations, from the hereinabove adopted elements, indicates the following for the test year 1958:

<u>Item</u>	<u>Existing Rates</u>	<u>Proposed Rates</u>
Operating Revenues <sup>a</sup>	\$ 94,929,000	\$103,743,000
Operating Expenses	76,121,000	80,915,000
Net Revenue	18,808,000	22,828,000
Rate Base (depreciated)	302,381,000	302,381,000
Rate of Return	6.22%	7.55%

a. After uncollectibles.

The evidence is clear, as the above tabulation indicates, that applicant's operations, on the test-year basis and under existing telephone rates, would produce a rate of return somewhat below that which is fair and reasonable for this applicant. The evidence is also clear and the Commission hereby finds the fact to be, that applicant is in need of and entitled to increased revenues.

It is our opinion, in view of the evidence, that an average rate of return of approximately 6.6 per cent, related to the hereinabove adopted rate base of \$302,381,000, is fair and reasonable for this utility and that increased telephone rates and charges should be authorized so as to produce such a return. Further, the evidence

is convincing that an initial rate of return of approximately 7.1 per cent is necessary in order properly to recognize the declining trend of rate of return indicated by the record in this proceeding. Accordingly, the telephone rates and charges to be authorized herein will be predicated on such an initial return.

#### AUTORIZED REVENUE INCREASE

Applying the above adopted initial rate of return of 7.1 per cent to the adopted depreciated rate base of \$302,381,000 indicates the need for approximately \$21,469,000 in net revenues, or \$2,661,000 more than the net revenues produced at test period rate levels. Such net increase, when reflected as gross revenues indicates need for an increase of approximately \$5,860,000 before uncollectibles. We find such increases to be fair and reasonable.

#### SPREAD OF RATES

The Commission has considered all of the evidence respecting spread of rates including such evidence as size of exchanges, permissible calling distances, subscriber densities, usage, calling characteristics, specific and relative rate levels, station availability, costs of service, relative value of the service and relative exchange earnings.

In view of the evidence, the Commission will spread increased revenues as set forth in the following sections.

Private Branch Exchange Rates. Applicant proposed to increase rates and charges for private branch exchange switchboard positions and associated mechanical equipment so as to produce \$1,014,000 of additional revenues. We find an increase of this amount in private branch exchange rates to be justified at this time.

Supplemental Equipment Rates. One of applicant's rate proposals was to increase rates and charges for various items of supplemental equipment so as to increase annual revenues \$977,000. For the



most part, rates and charges in this category are for specialized equipment which has felt the impact of increased costs. We find an increase of this magnitude in supplemental equipment rates to be justified.

Service Connections - Moves and Changes. Applicant proposed to increase service connection and move and change charges by amounts which it is estimated will increase annual revenues by \$1,002,000. In view of the increased costs involved in connection with establishing and moving service, an increase of this magnitude appears to be reasonable and the order herein will authorize the requested increases in such charges.

Mileage Charges. Applicant proposed to increase suburban and off-premises mileage charges by amounts which it is estimated will increase annual revenues by \$331,000. These mileage charges generally have remained at their present level without change for many years. We find the proposed increases in these mileage charges to be justified at this time.

Foreign Exchange Rates. Applicant proposed various changes in rates applicable to foreign exchange service, the over-all effect of such changes being an estimated reduction in annual revenues of \$325,000. The revenue effects of alternate foreign exchange rate revisions are also contained in this record.

Foreign exchange service, in effect, constitutes a commuted toll service. In view of the higher level of toll rates and the shortening of the mileage steps on message unit service recently authorized by this Commission generally throughout California, we find it reasonable at this time to increase applicant's rates for

foreign exchange service so as to produce \$74,000 of additional revenues.<sup>6/</sup>

Joint User Rates. Another of applicant's rate proposals was to increase rates for joint user service, by amounts which it is estimated will increase annual revenues by \$75,000. These increases appear to be reasonable and will be authorized.

Private Line Rates. Applicant proposed to increase rates and charges for a number of private line services and associated equipments so as to produce \$56,000 of additional revenues. We find an increase of this amount in private line rates to be justified at this time.

Directory Listings Rates. Increase in rates for listings in telephone directories were proposed by applicant which it is estimated will produce \$81,000 of additional revenues. We find these increases to be justified at this time.

Multi-Message Unit and Toll Rates. Applicant provides multi-message unit service in the Los Angeles Extended Area over two exclusive routes; viz., Malibu District Area - West Los Angeles and Zuma District Area - West Los Angeles. Applicant also has toll rates filed for toll service over a number of exclusive routes, particularly in Santa Barbara County.

With respect to the two exclusive multi-message unit routes, applicant proposed to shorten the mileage steps to correspond with those authorized by Decision No. 55936 generally throughout the Los

<sup>6/</sup> Inasmuch as the Commission essentially is authorizing new foreign exchange rates for applicant, it follows that affected foreign exchange rates filed by connecting companies should be revised so as to be consistent therewith. Such connecting companies should request authority of this Commission, by advice letter procedures, to make the necessary tariff filings to reflect the increase authorized in the serving exchange by the order herein.

Angeles Extended Area. Applicant estimates this mileage step change would increase annual revenues by \$40,000.

With respect to applicant's exclusive toll routes, applicant's presently effective toll rates are at a lower level than those recently authorized by this Commission in Decision No. 56652 for toll service generally throughout California. It is estimated that if applicant's toll rates were increased to the level of those authorized by Decision No. 56652, applicant's annual revenues would be increased by \$15,000.

We find that applicant's proposed increases in applicant's multi-message unit and toll rates are reasonable and should be authorized.

Message Rate Extensions Stations. Applicant proposed to increase rates for message rate extension stations so as to produce \$5,000 of additional revenues. We find that no increase in these rates is justified at this time.

Wall Set Rate. Applicant proposed to withdraw the discount rate for wall sets applicable to approximately 7,057 wall sets in service as of June 30, 1957. This discount rate does not apply to any wall set installed subsequent to June 1, 1950. We do not find this change to be justified and it will not be authorized at this time.

Directory Advertising Rates. Applicant in its showing included \$144,000 of increased revenues from proposed increases in rates for advertising in telephone directories. The evidence is not convincing that any increase in these rates is justified at this time.

Farmer Line Rates. Applicant proposed to increase certain rates for farmer line service so as to produce \$7,000 of additional annual revenues. These proposed increases will not be authorized at this time.

Interchanged Toll Revenues. Applicant derives a portion of its revenues as compensation for handling toll traffic interchanged with The Pacific Telephone and Telegraph Company. Such interchanged toll traffic flows at toll rates filed by Pacific Telephone.

The Commission, in its Decision No. 56652 dated May 6, 1958, among other things, increased toll rates generally throughout California and stated that a rate of return of 7.7 per cent would result from such business. Said Decision also stated, in part, "Applicant (Pacific Telephone) is the tariff filing utility for toll service generally throughout the state and accordingly has the obligation and responsibility of seeing that each of the connecting independent telephone companies receive its costs and a fair return on the plant devoted to the service." In view of the action taken in said decision, of which we take official notice, interchanged toll revenues of applicant adopted herein reflect applicant's costs and a 7.7 per cent rate of return on applicant's plant devoted to the service.

In accordance with the provisions of Section 766 of the Public Utilities Code, if the utilities do not agree upon the division between them of joint charges, this Commission, after further hearing, may establish such division by supplemental order.

Interchanged Multi-Message Unit Revenues. The subject of message unit rates, in so far as it pertains to the Los Angeles Extended Area, has heretofore received extensive treatment in this Commission's Decisions Nos. 55936 and 56652.<sup>7/</sup> In the latter decision the Commission found that a settlement ratio of 7.09 per cent for interchanged multi-message operations in the Los Angeles Extended Area was within a zone of reasonableness. The evidence in

---

<sup>7/</sup> In Application No. 39309.

the present proceeding leads to no departure from such finding. Accordingly, we find, as respects applicant herein, that the interchanged multi-message unit revenues to which applicant is entitled should be applicant's costs plus a 7.09 per cent settlement ratio on applicant's plant devoted to such service. The revenue effect of the order herein will be to reflect such situation.

As in the case of toll settlements, division of the revenues to be obtained from the joint charges pertaining to this segment of the business may be established in accordance with Section 766 of the Public Utilities Code.

Message Rate Service. In 1950 the Commission, in Decision No. 44135 (49 CPUC 613), involving this utility stated, in part: "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. ... 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 evidence in this proceeding is clear that applicant has not progressed with its plans to provide message rate service in the Los Angeles Extended Area, nor has applicant in this proceeding requested authority to establish rates for such business message rate service in all of its exchanges within the Los Angeles Extended

Area. At the request of the City of Long Beach, however, applicant has now agreed to undertake studies of the cost and revenue effects of introducing business message rate service as well as residence two-party message rate service in the Long Beach exchange.

In the interest of providing an equitable distribution of charges among small and large business users as well as to improve service to residence users, applicant will be required by the order herein to prepare and place before the Commission, studies of the cost and revenue effects of providing business individual line and private branch exchange message rate service in lieu of flat rate service, as well as residence two-party message rate service in lieu of residence four-party flat rate service, in all of applicant's exchanges within the Los Angeles Extended Area. In our opinion, applicant's apparent intent not to provide message rate service and to adhere to four-party rather than two-party service clearly requires reversal. The extent to which such may be accomplished, however, cannot be determined from the present record and must necessarily await the conclusion of the ordered studies.

Basic Exchange Rates. Applicant proposed increases in basic exchange rates totaling \$5,118,000 of which \$2,814,000 was apportioned to business service and \$2,304,000 was apportioned to residence service. Applicant's proposal was to apply uniform increases in all exchanges. In view of the evidence we find that with respect to the Long Beach exchange no changes in basic business or residence rates should be made at this time. As discussed above, applicant is making studies with respect to message rate service in Long Beach and depending upon what those studies reveal, changes in basic rates in Long Beach exchange may be warranted at a later date.

With respect to Fowler exchange, the Commission, in its Decision No. 56729 dated May 27, 1958, authorized the introduction

of extended service between Fresno and Fowler under a "partnership" arrangement on or before July 1, 1960. We find that the rate pattern authorized for extended service in said Decision No. 56729 should be maintained. Accordingly, we now further find that increases in Fowler exchange rate should correspond to those recently authorized in Decision No. 56652 for Pacific Telephone exchanges in the Fresno area and the order herein will so provide.

We find that an increase of \$1,605,000 is justified for basic business service and rates to produce such amount will be authorized. No increases appear justified at this time for business message rate services in Downey, West Los Angeles and Santa Monica exchanges, the only exchanges where applicant currently offers such message rate service. The rate effect on the business individual line flat rate subscriber, for example, in all exchanges except Long Beach and Fowler, will be an increase of \$1.90 per month compared to applicant's requested increase of \$2.50.

We find that an increase of \$590,000 is justified for basic residence service and rates to produce such amount will be authorized.

Applicant proposed to withdraw the offering of two-party residence service to new subscribers in exchanges in the Los Angeles Extended Area. Such requested withdrawal will not be authorized. As an objective in the Los Angeles Extended Area, applicant must look forward to the provision of residence individual line and two-party line flat rate service and residence two-party line message rate service.

Base Rate Area Changes. Applicant should make periodic reviews of its base rate areas and file for expansion of such base rate areas whenever and wherever the need therefor becomes apparent.

The revenues adopted herein at present and authorized rates reflect normal expansions of base rate areas.

To Summarize. The rate spread treatment discussed above may be visualized more clearly by reference to the following tabular summaries.

A. Increases Spread by Major Categories

<u>Category</u>	<u>Authorized Increase</u>
Private Branch Exchange Rates .....	\$1,014,000
Supplemental Equipment Rates .....	977,000
Service Connections - Moves and Changes	1,002,000
Mileage Charges .....	331,000
Foreign Exchange Rates .....	74,000
Joint User Rates .....	75,000
Private Line Rates .....	56,000
Directory Listing Rates .....	81,000
Multi-Message Unit and Toll Rates ....	55,000
Message Rate Extensions .....	-
Wall Set Rate .....	-
Directory Advertising Rates .....	-
Farmer Line Rates .....	-
Basic Business Rates .....	1,605,000
Basic Residence Rates .....	590,000
Total .....	5,860,000

B. Basic Business Rate Increases

	<u>Increase per Month</u>		
	<u>Long Beach Exchange</u>	<u>Fowler Exchange</u>	<u>All Other Exchanges</u>
Business Service, Each Primary Station			
Individual Line Flat Rate	\$ -	\$0.50	\$1.90
Two-Party Line Flat Rate	-	.35	1.90
Four-Party Line Flat Rate	-	-	*
Suburban	-	.35	1.50
Semi-Public	-	-	1.90
Trunk Rate (Existing relationships)	-	.75	2.75 to 3.00

\* Service authorized to be withdrawn and rates canceled.

C. Basic Residence Rate Increases

	<u>Increase per Month</u>		
	<u>Long Beach Exchange</u>	<u>Fowler Exchange</u>	<u>All Other Exchanges</u>
Residence Service, Each Primary Station			
Individual Line Flat Rate	\$ -	\$0.35	\$0.35
Two-Party Line Flat Rate	-	.10	.10
Four-Party Line Flat Rate	-	.05	.05
Suburban	-	.05	.05
Trunk Rate (Existing relationship)	-	.50	.50



SERVICE MATTERS

The evidence reveals certain deficiencies in applicant's service, particularly as to an excessive number of busy conditions encountered, inability of a number of subscribers to obtain the grade of service desired, and certain transmission difficulties.

As of June 30, 1957 applicant served a total of 865,172 business and residence telephones, 45 per cent of which were classified as four-party stations. As of the same date applicant was unable to fill approximately 55,000 requests for higher grades of service. While some improvement has been made by applicant recently in the number of its unfilled requests for upgrades in service, it is our opinion that the unusually high four-party development on applicant's system, particularly in the Los Angeles Extended Area, is a contributing factor to the service deficiencies revealed by this record.

As indicated hereinabove, applicant will not be authorized to withdraw the offering of residence two-party service in the Los Angeles Extended Area. Rather, applicant will be required to prepare and file studies on the provision of residence two-party message rate service in lieu of residence four-party flat rate service in exchanges within the Los Angeles Extended Area.

OVER-ALL CONCLUSION

The Commission has carefully weighed all of the evidence of record and has considered the statements and arguments of the parties with equal care. The findings hereinabove set forth produce an overall result which we find to be fair and reasonable and in the public interest. Further, we hereby find as a fact that the increases in rates and charges authorized herein are justified and that present rates and charges, in so far as they differ from those herein prescribed, for the future are unjust and unreasonable.

O R D E R

General Telephone Company of California having applied to this Commission for an order authorizing increases in rates and charges for telephone service, public hearings having been held, the matter having been submitted and the Commission having been fully informed thereon, the matter is now ready for decision based upon the evidence and the findings and conclusions contained in the foregoing opinion; therefore,

IT IS ORDERED as follows:

1. Applicant is authorized and directed to file in quadruplicate with the Commission, on or after the effective date of this order and in conformity with the provisions of General Order No. 96, revised tariff schedules with rates, charges and conditions modified as set forth in Appendix A attached to this order and, on not less than five days' notice to the public and to this Commission, to make said revised tariffs effective for all service rendered on and after August 30, 1958, excepting that increases in installation, service connection, and move and change charges shall be made effective on applications received by the utility on and after August 30, 1958.

2. Within six months from the effective date of this order, applicant shall have prepared and properly docketed with this Commission and shall have served copies thereof upon the municipalities served by its exchanges within the Los Angeles Extended Area, a study or studies showing the cost and revenue effects of providing (1) business individual line and private branch exchange trunk message rate service in lieu of flat rate service and (2) residence two-party message rate service in lieu of residence four-party flat rate service, in each of applicant's exchanges in the Los Angeles Extended Area. Further, such study or studies shall include a proposal or

proposals as to rate levels and a reasonable program for the introduction of such in-lieu services.

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

Dated at Los Angeles, California, this 5<sup>th</sup> day of August, 1958.

S. L. Fox  
 President

Rail & Interurban

William J. Deady

---

Commissioners

D I S S E N T

I cannot concur in the majority opinion conclusions that concern General's affiliate interests in the manufacturing, sales, and directory companies. It is my opinion that in light of the evidence presented, the existing Commission precedents (D. 21766, 33 CRC 737, D. 41416, 48 CPUC 1, D. 42529, 48 CPUC 461, D. 42530, 48 CPUC 487, D. 43145, 48 CPUC 823, D. 50258, 53 CPUC 275, D. 56652, May 6, 1958) and court decisions (cited in The Pac. Tel. & Tel v. Public Utilities Com. 34 C.2d 824 at 826 (1950), and California Fire Proof Storage Co. v. Harley W. Brundige et al., 199 Cal. 185 (1926) Smith v. Illinois Bell Telephone Co., 282 U.S. 133, 75 L. Ed. 255 (1930), Lindheimer v. Illinois Bell Telephone Co., 292 U.S. 151, 78 L. Ed. 1182 (1933), applicant has not borne the burden of proving the reasonableness of the costs of products and services purchased from the affiliates.

As the Commission pointed out in Decision No. 43145, in a corporate combine, such as is presented in the present proceedings (counsel for applicant admitted complete control), "the burden rests heavily upon an affiliate to prove the fairness of a contract or a transaction with another affiliate in such corporate combination." There is no presumption of reasonableness in the price charged by the affiliate. Reasonableness of price may be established in various ways. In the absence of direct proof, this may be done by showing competitive bidding or by adding a reasonable rate of return to the actual cost. In California, the reasonableness of profits earned by a totally controlled affiliate of a public utility and a public utility has traditionally been measured by the same yardstick. Applicant has not established reasonableness of cost upon the basis of competitive bidding, nor by any other objective standard and therefore the only reasonable yardstick available to the Commission in this application is cost plus a fair rate of return. It must be

borne in mind that in this case the utility purchased the manufacturing and distributing companies, not vice-versa, and it is doing business with itself. It is reasonable to expect that it should play the game by the same ground rules governing utilities.

The majority opinion attempts to distinguish this case from The Pacific Telephone and Telegraph Company case (cited supra). These are distinctions without a difference and the facts cited by the majority decision have no bearing upon the reasonableness of the transactions with the affiliate.

The majority opinion at page 10 makes a finding that all intra-corporate transactions have been reasonable. This finding is completely unsupported by the record and diametrically opposed to the reasonable inferences that may be drawn from the sparse evidence presented by applicant concerning these transactions.

Through the instrumentality of this corporate combine, the utility has been dealing with itself and has been enjoying excessive profits. General Telephone's totally controlled manufacturing and distributing companies earned a rate of return on average net investment of 35.63 percent in 1956 and 27.1 percent in 1957 on their affiliate transactions. However, these same companies earned only 23.92 percent in 1956 and 19.69 percent in 1957 on their transactions with non-affiliates. The "Fortune Directory of the 500 Largest U. S. Industrial Corporations", issued in July 1957, listing rates of return on net investment reveals only 12 companies with a rate of return exceeding 27.1 percent and only 4 exceeding 35.5 percent.

The majority opinion rejects the computation of earnings based on average net investment which is nearly comparable to the standard utility yardstick used to test reasonableness and which shows that General Telephone makes more profit on its dealings with its affiliates than it does on its sales to the general public.

Instead, the majority substitutes a percentage of profit on sales figure to test reasonableness on the basis that this best reflects the earnings picture in sales and manufacturing concerns. Assuming that this type of computation has any validity as applied to a concern whose profits on 42 percent of sales are protected by law, to conclude that reasonableness of prices may be supported by a finding of 8.57 percent (1956) and 8.15 percent (1957) as a percentage of net profit on sales does violence to the applicant's own evidence.

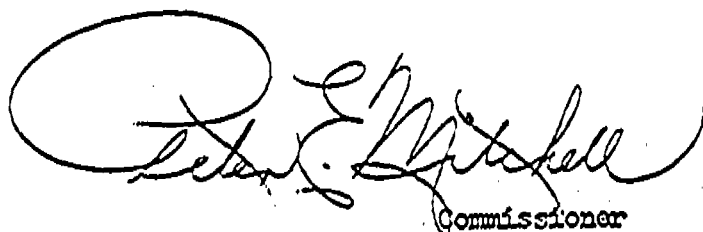
Applicant introduced the Fortune survey to justify its affiliates' high rate of return. Using the computations General has put forward, which show the profits of the affiliate in the most favorable light, it is difficult to imagine evidence which could bear more unfavorably on any conclusion that the transactions of the affiliates with General are reasonable. 8.5 percent and 8.15 percent are unquestionably much lower figures than 35 percent and 27 percent, but their significance is quickly grasped when applicant's own evidence shows that General's rival manufacturing and sales competitors, Western Electric and International Telephone and Telegraph, earned substantially less than 8 percent returns. Western Electric had a return of 3.4 percent on sales. Thus, General's affiliates make nearly 300 percent more profit on their sales than does Western Electric (using applicant's own yardstick) and the majority decision finds this reasonable. Such a conclusion is clearly erroneous and distorts any logical inference that may be drawn from the facts.

The above discussion is equally applicable to the directory company.

If the excess profits resulting from the affiliate transactions are deducted from General's rate base, under the present rates the Company is earning a 6.60 return. If the excess profits are not deducted, under the Commission's determination of 7.10 fair

rate of return (allowing 0.5 for an attrition adjustment) the rate-payer will be saddled with the burden of an additional \$2,600,000 rate increase.

I feel that the disallowance of the unreasonable profits of the intra-corporate transactions is the only finding that is consonant with the well established Commission precedents and the evidence presented in this case.

  
Commissioner

I concur,

  
Commissioner

APPENDIX A.  
Page 1 of 5RATES

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

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

	<u>Increase Per Month</u>		
	<u>Long Beach Exchange</u>	<u>Fowler Exchange</u>	<u>All Other Exchanges</u>
Flat Rate, Local or Extended Service:			
Business Service, Each Primary Station:			
Individual Line	No Increase	\$0.50	\$1.90
Two-Party Line	No Increase	.35	1.90
Four-Party Line	-	-	*
Residence Service, Each Primary Station:			
Individual Line	No Increase	.35	.35
Two-Party Line	No Increase	.10	.10
Four-Party Line	No Increase	.05	.05

\* Rate authorized to be canceled.  
- Service not offered.

Schedule No. A-1(a)  
Business Extended Ten-Party Line Service

This schedule is to be canceled.

Schedule No. A-3  
Semi-Public Service

	<u>Increase Per Month</u>
All except Long Beach and Fowler exchanges	\$1.90

Schedule No. A-4  
Mileage Rates

Changes proposed in mileage rates as set forth on Page 11 of Exhibit No. 38 are authorized.

Schedule No. A-5  
Suburban Service

	<u>Increase Per Month</u>		
	<u>Long Beach Exchange</u>	<u>Fowler Exchange</u>	<u>All Other Exchanges</u>
Flat Rate, Local or Extended Service:			
Each Primary Station:			
Business Suburban Service	No Increase	\$0.35	\$1.50
Residence Suburban Service	No Increase	.05	.05



APPENDIX A  
Page 2 of 5

Schedules Nos. A-6, A-7 and A-8  
Commercial, Hotel, and Automatic Private Branch Exchange Service

Increases in installation charges and monthly rates, and tariff revisions set forth on Pages 13 and 14 of Exhibit No. 38 are authorized.

Schedules Nos. A-6, A-7, A-8 and A-9  
Commercial, Hotel, and Automatic Private Branch Exchange Service, and Intercommunicating System Service

Trunk Rates:

Flat Rate, Local or Extended Service, Business or Residence:  
Each trunk - 150% of the individual line primary station  
flat rate rounded to the lower 25¢ multiple.

Schedule No. A-13  
Joint User Service

Increases in rates set forth on Page 18 of Exhibit No. 38 are authorized.

Schedule No. A-14  
Directory Listings

Increases in directory listing rates set forth on Page 19 of Exhibit No. 38 are authorized.

Schedule No. A-15  
Supplemental Equipment

Increases in installation charges and monthly rates set forth on Pages 20 through 23 of Exhibit No. 38 are authorized, except that the change in monthly rate for Item 14 on Page 20 and in installation charge for Item 1 on Page 22 of Exhibit No. 38 are not to be made.

APPENDIX A  
Page 3 of 5

Schedule No. A-19  
Foreign Exchange Service

Primary rates for foreign exchange service served from exchanges of General Telephone Company of California, are to be adjusted to the extent required by the changes hereinabove authorized in primary rates and directory listing rates, and in addition are to be increased by 50 cents per month.

Schedule No. A-24  
Receiving Cabinet Service

Increases in installation charges and monthly rates set forth on Page 32 of Exhibit No. 38 are authorized.

Schedule No. A-29  
Move and Change Charges

Increases and changes in move and change charges set forth on Pages 33 and 34 of Exhibit No. 38 are authorized, except that (1) the revisions in move and change charges for Items 2 through 6 on Page 34 of Exhibit No. 38 are not to be made; and (2) the special condition which states, "The minimum charge for moving, changing or rearranging any item of equipment, wiring or service arrangement shall be \$5.00", is not to be added.

Schedule No. A-30  
Service Connection Charges

Increases in service connection charges set forth on Page 35 of Exhibit No. 38 are authorized, except that the special condition which states, "The minimum charge for installing any item of equipment or service arrangement shall be \$5.00", is not to be added.

Schedule No. B-1  
Message Toll Telephone Service

The following increases and changes in message toll telephone service rates are authorized:

Rates (1)(a):

Increases and changes in RATES (1)(a) to the extent required by increases and changes in RATES (1)(b) are authorized.

Rates (1)(b) Basis of rates:

Mileage	STATION SERVICE				PERSON SERVICE			
	Day (Except Sunday)		Night and Sunday		Day, Night and Sunday			
:Up to : and :Over:	:First: : 3 : Mins.:	: Each : Addl. : Min.:	:First: : 3 : Mins.:	: Each : Addl. : Min.:	:First: : 3 : Mins.:	: Each : Addl. : Min.:	: After : 3 : Mins.:	: After : 3 : Mins.:
0 2	\$0.10	\$0.05*	\$0.10	\$0.05*	\$0.35	\$0.10	\$0.05	
8 12	.15	.05	.15	.05	.40	.10	.05	
12 16	.20	.05	.20	.05	.45	.15	.05	
16 20	.25	.05	.25	.05	.50	.15	.05	
20 25	.30	.10	.30	.10	.55	.15	.10	
25 30	.35	.10	.35	.10	.65	.20	.10	
30 35	.40	.10	.40	.10	.70	.20	.10	
35 40	.45	.15	.45	.15	.80	.25	.15	
40 50	.50	.15	.50	.15	.90	.30	.15	
50 60	.55	.15	.50	.15	1.00	.30	.15	
60 70	.60	.20	.50	.15	1.10	.35	.20	
70 80	.65	.20	.55	.15	1.15	.35	.20	
80 90	.70	.20	.60	.20	1.25	.40	.20	

\* \$0.05 for each additional 2 minutes.

(a) The minimum charge for a station service collect call is \$0.30 for the first 3 minutes, \$0.10 for each minute for the first 3 minutes of overtime and \$0.05 for each minute over the first 3 minutes of overtime.

(b) Night rates apply between 6 p.m. and 4:30 a.m.

APPENDIX A  
Page 5 of 5

Schedules Nos. G-1, G-3, G-5, G-6, G-7, G-9 and G-10  
Private Line Services and Channels

Increases in rates and charges set forth on Pages 40 through 42 of Exhibit No. 38 are authorized except that (1) changes in monthly rates for each service equipment for Items 7 and 12 on Page 40 and for each spare equipment for Items 12 and 15 on Page 40 of Exhibit No. 38 are not to be made, and (2) increases in monthly rates and changes in basis of mileage measurement, set forth on Page 42 of Exhibit No. 38, for Schedule No. G-10, Channels for Program Transmission in Connection with Radio Broadcasting, are not authorized.

Schedule No. G-21  
Supplemental Equipment (Private Line Service)

Changes in installation charges and increases in monthly rates set forth on Pages 43 and 44 of Exhibit No. 38 are authorized.

Schedule No. G-22  
Move and Change Charges (Private Line Services)

Increases in move and change charges set forth on Page 45 of Exhibit No. 38, are authorized except that addition of the special condition which states, "The minimum charge for installing, moving, changing or rearranging any item of equipment, wiring or service arrangement shall be \$5.00", is not authorized.

Schedule No. H-1  
Message Unit Service

Increases in rates set forth on Page 46 of Exhibit No. 38 are authorized.

Attachment 1

LIST OF APPEARANCES

APPLICANT:

O'Melveny & Myers by Harry L. Dunn and Lauren M. Wright;  
John Robert Jones and Albert M. Hart.

PROTESTANTS:

Storrey Brook-Mirada Park Homeowners Association, by  
Robert W. Townsend; City of Monte Vista, by Henry H. Busch;  
John Francis Donovan III, in propria persona.

INTERESTED PARTIES:

City of Los Angeles, by Roger Arnebergh, Alan G. Campbell,  
T. M. Chubb, Robert W. Russell and Jack O. Sanders; City  
of Long Beach, by Walhired Jacobson, Leslie E. Still and  
Henry E. Jordan; City of Torrance, by Stanley E. Remelmeyer;  
City of Santa Monica, by Robert D. Ogle; City of Upland,  
by Henry H. Busch; California Farm Bureau Federation, by  
Bert Buzzini; California Independent Telephone Association,  
by Neal C. Hasbrook; Henry E. Jordan, Leslie E. Still and  
Abraham Gottfried in propriae personae.

COMMISSION STAFF:

H. J. McCarthy, Hector Anninos, Marshall J. Kimball  
and Theodore Stein.