

ORIGINAL

Decision No. 57892

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of	)	
CALIFORNIA WATER & TELEPHONE COMPANY	)	
for authority to increase its rates	)	Application No. 38685
and charges for telephone service.	)	(Amended)

(Appearances and Witnesses are listed in Appendix B)

O P I N I O NApplicant's Request

California Water & Telephone Company, a California corporation, <sup>1/</sup> filed the above entitled application on December 21, 1956, and filed amendments thereto on August 29, 1957, on March 11, 1958, and on June 20, 1958, seeking authority to increase rates and charges for telephone service. The original application request was for an increase of approximately \$1,472,000 or 11.6 percent on the basis of estimated telephone revenues of \$12,648,410 for 1957 under then existing rate levels. By the third amendment the request now is for an increase of approximately \$1,970,000 or 12.1 percent on the basis of estimated telephone revenues of \$16,255,884 for 1958 under present rate levels.

During the interval between December 21, 1956 and June 20, 1958, important changes were made in the multi-message unit rates in

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<sup>1/</sup> Applicant is a public utility rendering water service in various areas within the Counties of San Diego, Los Angeles and Monterey, and telephone service in various areas within the Counties of Los Angeles, Riverside and San Bernardino. During the year 1957 applicant's water operations accounted for 25.1 percent of its total revenues of \$17,722,301.14 for the year.

the Los Angeles Extended Area<sup>2/</sup> and in the message toll rates of The Pacific Telephone and Telegraph Company which benefit the applicant.<sup>3/</sup> Full weight is given to these benefits in arriving at a decision on applicant's request contained in its third amendment to the application.

Public Hearing

After due notice, eight days of public hearing in this matter were held before Commissioner Rex Hardy and/or Commissioner Matthew J. Dooley and/or Examiner Manley W. Edwards during the period May 22, 1957 to October 20, 1958, in Los Angeles, Redlands, San Francisco and San Fernando.

At the first day of hearing in Los Angeles the applicant presented thirty exhibits and testimony by four witnesses in support of its original request. Counsel for the Commission's staff, on reviewing applicant's Exhibit No. 14, made a motion to dismiss the proceeding stating that the company's own figures show a rate of return of 8.64 percent in 1956 and an estimated 7.26 percent in 1957 for its exchange operations and that this Commission should not increase exchange rates to offset deficiencies in toll or in multi-message unit compensation.

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- 2/ By Decisions Nos. 55936 and 56048 dated December 10, 1957, and January 7, 1958, respectively, this Commission authorized on an interim basis a reduction in the length of mileage steps for multi-message unit service in the Los Angeles Extended Area. On May 21, 1958, the Supreme Court of the State of California denied a petition for writ of review filed January 14, 1958, on behalf of the Cities of Los Angeles and Long Beach and two individuals seeking to have that Court review the lawfulness of the aforesaid decisions.
- 3/ By Decision No. 56652, effective May 26, 1958, this Commission made permanent the aforesaid mileage step changes, authorized The Pacific Telephone and Telegraph Company to place into effect increased message toll rates. Applicant benefits from these new rates through settlement contracts with The Pacific Telephone and Telegraph Company.

The second day of hearing, held in Redlands on May 23, 1957, was for the purpose of advising the applicant's subscribers and the public as to progress of the hearing and taking of any public statements. A representative from Desert Hot Springs appeared at the hearing, presented a petition signed by a number of subscribers and made a request for extended service between the Desert Hot Springs and the Palm Springs areas. By Decision No. 56194, dated February 4, 1958, applicant is authorized to inaugurate extended service between the Desert Hot Springs exchange and the Palm Springs Main exchange on or before April 1, 1959.

The third day of hearing, held in San Francisco on June 11, 1957, before the Commission en banc, was for the purpose of receiving argument on the motion to dismiss.

The fourth day of hearing, held in Los Angeles on September 19, 1957, was for the purpose of receiving testimony from four subscribers and additional evidence from the applicant.

At the fifth day of hearing in Los Angeles on June 26, 1958, applicant presented exhibits and testimony regarding its third amendment to the application.

At the sixth day of hearing in Los Angeles on September 18, 1958, the Presiding Commissioner denied the staff's motion to dismiss and received additional evidence from the applicant with regard to its third amendment to the application. On September 19, 1958, the Commission staff presented its independent analysis of the applicant's operations based on the third amendment to the application. On October 20, 1958, the eighth day of hearing was held in San Fernando to receive testimony from subscribers in the San Fernando Valley who

had signed a petition requesting notice of the hearing.<sup>4/</sup> Submission of the matter was taken at the close of the San Fernando hearing subject to receipt of written statements on November 3, 1958, and certain late-filed exhibits on or before November 10, 1958.

Applicant's Operations

The California Water & Telephone Company for administration and operation purposes is divided into three water divisions and one telephone division. The telephone division has four districts: Monrovia District, San Fernando District, Redlands District and Palm Springs District. The Monrovia District serves the communities of Monrovia and Sierra Madre. The San Fernando District consists entirely of the San Fernando exchange serving the City of San Fernando and certain surrounding territory. The Redlands District serves the City of Redlands and a number of small communities in San Bernardino and Riverside counties. The Palm Springs District serves the City of Palm Springs and certain desert communities to the north and to the east thereof.

Applicant's properties are so scattered geographically that it does not maintain a central billing office, meter shop or warehouse. Each division operates as a separate entity from centralized top management at the general office in San Francisco. The local office for the telephone division is located in the City of Monrovia, California. The San Francisco office is also the general office for three associated corporations or corporations which are controlled, or substantially controlled, through stock ownership by the Argonaut Investment Company and Western Utilities Corporation. The personnel

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<sup>4/</sup> This was a very sizeable petition signed on behalf of some 6,000 subscribers. The Presiding Commissioner on September 19, 1958, required the applicant to mail notice of the San Fernando hearing to each person who signed the petition at least 10 days prior to the hearing. Some forty persons attended the San Fernando hearing and fifteen testified.

in the San Francisco office perform accounting, engineering and administrative services for applicant as well as for the associated corporations. The pro rata share of the cost of operating the San Francisco office is charged to applicant's telephone division on the basis of four factors taken from preliminary figures for the prior year. These factors are: (1) total plant, (2) total customers, (3) operation and maintenance expenses, and (4) gross payroll.

Telephone service is rendered through sixteen exchanges. As of March 31, 1958, applicant served 133,230 company stations and was holding 1,336 applications for primary service and 7,461 orders for higher grades of service which had not yet been completed. The telephone properties provide service to an area of approximately 2,400 square miles in which the population is estimated to exceed 312,000 persons. Applicant owns and operates toll circuits over two routes: Palm Springs to Desert Hot Springs, and Hemet to Idyllwild. Most of applicant's toll calls flow over toll lines of The Pacific Telephone and Telegraph Company and other companies.

#### Applicant's Position

In the original application it was stated that the existing rates for telephone service were established by Decision No. 47831, Application No. 33010, dated October 14, 1952, and since that time, as a result of negotiations with the Union representing the wage-earning employees in the Telephone Division, applicant has granted five successive increases to its wage-earning employees in the Telephone Division and corresponding wage and salary increases to its supervisory and nonunion employees in the Telephone Division. These wage and salary increases aggregate the sum of approximately \$1,250,000. Also, there have been increases in the ad valorem tax rates, and materials and supplies since 1952. In 1955 applicant

realized a rate of return of 6.97 percent on the depreciated original cost of its operative telephone properties and in 1956 estimated that its rate of return would fall to 5.54 percent in 1957. Applicant sought increased rates to produce a rate of return of 7 percent and took the position that the rates provided by Decision No. 47831 are unjust, unreasonable and noncompensatory.

In the third amendment to the application, applicant, after accounting for the increases resulting from multi-message unit rates and mileage step reductions and increases in message toll rates effective for a full year basis, and all other rates as presently authorized and existing, represents that it will realize a rate of return of only 5.40 percent in its Telephone Division for 1958. Applicant now proposes rates that will yield it a rate of return of 7.08 percent and again takes the position that its existing rates for telephone service are noncompensatory, unjust and unreasonable.

The independent study by the staff of the Commission did not indicate that applicant's earnings would fall below 6 percent in 1958 and, in fact, under the assumptions it made for rate making purposes, showed a rate of return of 6.15 percent for 1958.

Earnings Comparison for 1958

A more detailed comparison of the revenues, expenses, rate base and rate of return computed by the applicant and the staff for the year 1958 under present rates (on a full year basis for rates authorized by Decisions Nos. 56652, 56048 and 55936) is set forth in the tabulation following.

	<u>Total Telephone Division</u>	<u>Inter- changed Message Toll</u>	<u>Multi- Message Unit</u>	<u>Remainder</u>
<u>Applicant - (Exhibit No. 38, Table III)</u>				
Revenues	\$16,255,884	\$3,613,784	\$ 4,008,013	\$ 8,634,087
Expenses and Taxes	13,351,502	3,070,203	3,149,602	7,131,697
Net Revenue	<u>2,904,382</u>	<u>543,581</u>	<u>858,411</u>	<u>1,502,390</u>
Depreciated Rate Base	53,771,242	8,110,955	13,515,426	32,144,861
Rate of Return	5.40%	6.70%	6.35%	4.67%

Staff - (Exhibit  
No. 54, Table 17-C)

Revenues	16,852,000	3,785,000	4,364,000	8,703,000
Expenses and Taxes	13,591,000	3,156,000	3,369,000	7,066,000
Net Revenue	<u>3,261,000</u>	<u>629,000</u>	<u>995,000</u>	<u>1,637,000</u>
Depreciated Rate Base	53,005,000	8,171,000	14,038,000	30,796,000
Rate of Return	6.15%	7.70%	7.09%	5.32%

Applicant in this proceeding is seeking increases in its rates for local exchange and intracompany toll service, service connection charges, move and change charges and other items which fall under the "Remainder" category shown in the above tabulation. Applicant is not seeking any increase in this third amendment to its application in the categories of Interchanged Message Toll or Multi-Message Unit shown in the above tabulation, but apparently proposes to make up for any revenue deficiencies in such categories by extra increase in local exchange rates.

Interchanged Message Toll-Interstate

Applicant's interchanged interstate toll service is outside and beyond the scope of this Commission's jurisdiction. Applicant should not expect to offset any deficiencies in interstate toll earnings by increases in local exchange rates. Toll rate revisions should be sought from the appropriate regulatory authority or by renegotiation of settlement contracts with the companies that handle the toll service.

Interchanged Message Toll - Intrastate

Applicant's interchanged California intrastate toll service is furnished at rates filed with the Commission by The Pacific Telephone and Telegraph Company. The Commission in its Decision No. 56652 dated May 6, 1958, among other things, increased toll rates generally throughout California effective June 1, 1958, and stated that a rate of return of 7.7 percent 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 receives 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, we find that applicant is entitled to receive its costs including a fair rate of return on its plant devoted to interchanged intrastate toll operations. Applicant should not expect to offset any deficiencies in intrastate toll earnings by increases in local exchange rates, but should seek revision of its settlement contracts. In accordance with the provisions of Section 766 of the Public Utilities Code, if utilities do not agree upon the division between them of joint charges, this Commission, after hearing, may establish such division by order.

Applicant's estimate of revenue from interchanged message toll service is \$171,216 or 4.5 percent below the staff's estimate. Applicant pointed out that its settlement agreement on toll service with The Pacific Telephone and Telegraph Company does not guarantee it a 7.7 percent rate of return and actually in 1958 will show less than this amount. However, applicant in its closing statement said: "The most current information indicates that the interchanged message toll business is likely to produce a rate of return to applicant



approximating 7.7 percent." Also, in its closing statement, applicant contends that the staff in making its separations study departed from the requirements of the interchanged message toll settlement agreement in that it used the 1957 changes based on quarterly reviews, and that the staff's revenue estimate of interchanged toll is still \$47,000 too high.

Multi-Message Unit

Applicant's estimate of Multi-Message Unit revenue is \$355,987 or 8.1 percent below the staff's estimate. The staff followed our Decision No. 56652, Application No. 39309, in which we decreased the mileage steps in order to increase interchanged multi-message unit revenues to the four interconnecting companies which handle the traffic - The Pacific Telephone and Telegraph Company, General Telephone Company of California, Sunland-Tujunga Telephone Company and the applicant herein. In that decision we stated:

"The evidence also shows that a settlement ratio of 7.09 percent is indicated for interchanged multi-message unit operations in the Los Angeles Extended Area for the four utilities, based on fourth quarter 1957 annualized cost reviews, at the interim rate levels authorized by said Decision No. 55936. We hereby find such settlement ratio to be within a zone of reasonableness."

Also, in Decision No. 57086, Application No. 39465, by the General Telephone Company of California, we found that the interchanged multi-message unit revenues to which it was entitled should be its costs plus a 7.09 percent settlement ratio on plant devoted to such service.

Applicant states that the staff's figure is purely hypothetical and considerably above the 6.15 percent and 6.26 percent actually realized in the first and second quarters of 1958. Applicant also states that the procedures employed by the staff result in erroneous allocations of plant and expense between the categories of "Message Toll", "Multi-Message Unit" and "Remainder"

principally because the 1957 base separations study was not weighted for the quarterly reviews, and that a proper figure for multi-message unit revenue on the staff's basis is \$180,000 lower than computed by the staff.

We have carefully considered applicant's position regarding the multi-message unit revenues, and the contentions of the staff with regard thereto, but fail to find that the staff's analysis provides unreasonable results for rate making purposes. Looking to the future we will not burden exchange rates with any deficiency which results from applicant's entering into a settlement contract that has not been specifically approved by the Commission.

Remainder (Principally Local Exchange)

There remains applicant's local exchange and intracompany toll and miscellaneous operations to analyze to determine applicant's need and justification for rate increases. Both applicant and the Commission staff presented more detail of the earnings of applicant's exchange operations under present rates than previously shown. These may be summarized and compared as follows:

SUMMARY OF EXCHANGE AND MISCELLANEOUS  
OPERATIONS - YEAR 1958, ESTIMATED

<u>Item</u>	<u>Applicant Exh. No. 38</u>	<u>Staff Exh. No. 54</u>	<u>Adopted Results</u>
<u>Revenues</u>			
Local Service	\$ 7,629,088	\$ 7,682,000	\$ 7,682,000
Message Toll (Intracompany)	28,650	29,000	29,000
Miscellaneous	1,012,460	1,019,000	1,019,000
Uncollectible	(36,111)	(27,000)	(27,000)
Total Revenues	<u>8,634,087</u>	<u>8,703,000</u>	<u>8,703,000</u>
<u>Expenses and Taxes</u>			
Maintenance Expenses	1,836,717	1,737,000	1,737,000
Traffic Expenses	346,391	372,000	372,000
Commercial Expenses	958,164	915,000	915,000
General Expenses	400,188	370,000	370,000
Other Operating Expenses	178,661	170,000	170,000
Depreciation	1,564,024	1,528,000	1,576,000
Taxes - Other than Income	1,045,174	1,007,000	1,013,000
Income Taxes	802,378	967,000	864,000
Wage Increase	-	-	105,000
Total Expenses and Taxes	<u>7,131,697</u>	<u>7,066,000</u>	<u>7,122,000</u>
Net Revenue	1,502,390	1,637,000	1,581,000
Rate Base (Depreciated)	32,144,861	30,796,000	30,796,000
Rate of Return	4.67%	5.32%	5.13%

(Red Figure)

The adopted results which the Commission will use to test the validity of applicant's request also are shown in the above tabulation.

#### Revenues

The staff's revenue estimate is \$68,913 or 0.8 percent greater than applicant's estimate. Applicant represents that the staff's estimate of subscriber station revenues is \$86,975 higher because it used an estimated station gain that is approximately 3,500 stations greater than actually will be experienced in 1958. The staff points out that it used the same estimate of station growth that the applicant did, and that its higher estimate of revenues results from the fact that it used the higher revenues per station experienced in 1958 as a result of the regrade program the applicant has undertaken. The staff represents that its revenues, expenses and rate base are mutually consistent and provide reasonable estimates for rate fixing purposes, and that the applicant's showing reflects understated revenues, overstated expenses, and a rate base which includes plant that does not exist in fact.

We are concerned here with the problem of making rates for the future. For such purpose we use average or normal conditions insofar as reasonable. The fact that station gain is not up to average in large measure can be accounted for by the business recession experienced in the first eight months of the year. In the Commission's opinion, the staff's revenue estimate is more reasonable than applicant's for the purposes of a test year. Therefore, we adopt as reasonable the staff's revenue estimate of \$8,703,000 for 1958.

#### Expenses

The staff's maintenance expenses are \$99,717 lower than applicant's; the staff's traffic expenses are \$25,609 higher than applicant's; the staff's commercial expenses are \$43,164 lower than

applicant's; the staff's general expenses are \$30,188 lower than applicant's; and the staff's other operating expenses are \$8,661 lower than applicant's. The total of these items indicates that the staff's estimate is \$156,121 lower than applicant's. Applicant represents that the staff used the lower trend of expenses shown for the first five months actual results in making its estimate and that it would be inconsistent with its use of a higher than actual number of subscribers in making its revenue estimate. The staff contends that the difference in expenses does not relate to station development, but results, principally, from the fact that the staff used wage rates in effect at the time of the study, whereas the applicant allowed for wage increases to which it was not committed at the time of making its estimate. At the last day of hearing applicant advised of wage and salary increases granted starting November 1, 1958, which will increase annual operating expenses by \$205,000 of which \$105,000 is applicable to the exchange and miscellaneous category. In resolving this problem a fair solution appears to be to adopt the staff's estimates of these expense items and augment them by a pro rata of the wage and salary increase. Accordingly we adopt as reasonable the staff's estimate of maintenance, traffic, commercial, general and other operating expenses, and in addition are allowing \$105,000 of wage increases applicable to the exchange and miscellaneous category.

#### Depreciation Expense

The staff's depreciation expense is \$36,024, or 2.3 percent, below applicant's estimate. Applicant states that the present method of accruing depreciation expense to Account 232 "Station Connections" went into effect January 1, 1958; that the rate originally anticipated for this item was 13 percent; but that

experience for the first seven months of 1958 indicates that the proper rate should be approximately 15 percent. This correction would have the effect of increasing the staff's depreciation allowance by \$83,000, of which approximately 58 percent or \$48,000 is applicable to the exchange and miscellaneous category. Therefore, we adopt as reasonable an amount of \$1,576,000 for depreciation expenses for the 1958 test year.

#### Taxes - Other Than Income

The staff's taxes - other than income are \$38,174 lower than applicant's estimate. This results primarily from the fact that the applicant estimated higher expenses, including higher wages for 1958, than did the staff. Neither the staff nor the applicant reflected in their estimates the higher social security tax rate which will become effective on January 1, 1959. Since such higher social security tax rate is definitely known as shown in this record, it is appropriate to reflect its effect in the test year results. The increase in social security tax rate from 2.25 percent to 2.50 percent results in an increase in taxes of approximately \$10,000 for applicant's total telephone operations of which approximately \$6,000 is applicable to the exchange and miscellaneous category. We adopt as reasonable the staff's estimate of taxes - other than income augmented by \$6,000 to reflect the higher social security tax rate.

#### Income Taxes

The level of income taxes depends upon the net income shown. By allowing for \$159,000 increase in expenses over the staff's estimate, the income tax would be reduced by \$86,000. Such assumption is based on the use of straight-line tax depreciation accounting.

For the years 1954 through 1956 applicant elected to use the double rate declining balance method to compute accelerated depreciation, but in 1957 elected to revert back to straight-line depreciation accounting. The use of accelerated depreciation resulted in sizeable tax reductions for the years 1954, 1955 and 1956 and applicant now has accumulated a deferred tax reserve of \$484,455 attributable to its Telephone Division.

The question as to what rate treatment should be accorded to accelerated depreciation tax accruals and reserves for deferred taxes is being investigated by the Commission under Case No. 6148. Until such case is decided, the applicant shall advise this Commission as to its election for the 1958 and 1959 tax years within 30 days after the effective date of this order, and yearly thereafter by January 1 of each year until a final decision of this Commission in Case No. 6148, and the Commission will promptly move to adjust the rates herein authorized in such manner as may be found appropriate. For the purposes of this decision only, pending final decision by this Commission on the treatment to be accorded accelerated depreciation for rate making purposes, the tax expense for rate making purposes herein will be determined after crediting to the Federal Income Tax Account interest calculated on the reserve for income taxes at the rate of return on applicant's rate base herein adopted. Since approximately 58 percent of this reserve, or about \$280,000, is chargeable to applicant's local exchange and intracompany toll operations, the interest credit in this proceeding will be \$17,000.

After giving weight to the variation in expenses being adopted herein and the deferred tax reserve interest credit, an income tax figure of \$864,000 is computed for the test year 1958 which is found to be reasonable and is adopted.

Rate Base

The staff's rate base is \$1,348,861, or 4.2 percent, below applicant's rate base. The difference results, in part, from the fact that the staff estimated \$614,000 less than applicant for weighted average plant in service and, in part, from a difference in separation of plant to the three categories: (1) message toll, (2) multi-message, and (3) remainder (local exchange mainly), which reflect higher allocations to the first two categories than applicant computed.

The staff's allocation reflects applicant's admitted inability to keep fully in pace with the tremendous growth that has occurred in the areas it is serving. As a consequence there is a substantial number of held orders. Applicant explained that it has not had normal plant margins for many years and the substantial additions planned for 1958 and forecast for 1959 are designed to afford normal margins to enable it to keep on a current basis and take care of regrading. Applicant's rate base estimate was made with its new construction budget in mind, which so far has not been expended as fast as forecast. The staff represents that its rate base is consistent with its revenue and expense estimates and provides a reasonable estimate for rate fixing purposes. After considering the evidence of record on this subject we adopt the staff's rate base and find it reasonable.

Rate of Return

It is applicant's contention that rates should be prescribed to produce earnings to yield 7 percent on its total operations in order to compete in the money market and attract investors who will provide the funds so urgently needed to enable it to discharge its public obligations. Applicant also requests some

additional provision be allowed in the rate of return to compensate for future attrition which it claims will result from higher unit plant costs, increased ad valorem tax rates and assessments, higher wage rates and other effects of the inflationary spiral. Applicant represents that these items lower its rate of return from 0.5 percent to 0.75 percent annually.

In the results being adopted in this decision we have allowed for the exchange pro rata increase in wages effective late in 1958 on a full year basis, and by using an estimated year in advance, rather than a past year as a test period, we give full weight to the higher unit plant costs. It is not Commission policy to speculate as to future tax rate changes. Therefore, in this decision, we have allowed for the major items that cause attrition and do not find any reason for granting any extra allowance in rate of return.

We have considered our former allowance of a rate of return of 6.1 percent in 1952 by Decision No. 47831, Application No. 33010. Such rate of return was predicated on total telephone division operations, including toll, multi-message and local exchange revenues. The local exchange portion of applicant's revenues is the most stable of the three categories and the rate of return need not be as high as for toll and multi-message unit service.

The City of Los Angeles took the position that any increase in rate of return should be in such moderate amount as may be needed to reflect the rise in interest rates which has taken place since Decision No. 47831 was rendered. The City stated that the evidence fails to support the applicant's contention for a rate of return of approximately 7 percent and pointed out that the evidence presented by applicant's financial witness was from the viewpoint of the "investor interests"; and that he did not mention the interests of the "rate payers" and "customers". If earnings on



equity are maintained within the range of past earnings, the City computes a cost of capital of approximately 6.25 percent.

The California Farm Bureau Federation took the position that to the extent the applicant has higher costs of operation, it is entitled to recover such costs through higher rates, but that the effect of the assumed percentages for interchanged toll and multi-message service is to show an unreasonably high return under applicant's proposed rates for local exchange service.

Upon a careful consideration of the evidence before us we are of the opinion and find that a rate of return of 6.25 percent on applicant's local exchange and intracompany toll operations is fair and reasonable for the estimated year 1958. When a rate of return of 6.25 percent is applied to the depreciated rate base of \$30,796,000 hereinbefore found reasonable for applicant's local exchange and intracompany toll operations, an increase in annual gross revenues of \$750,000 is found to be required. This increase is approximately 38 percent of the increase in revenues requested by applicant.

#### Spread of Rates

The City of Los Angeles pointed out that the recent increase in multi-message unit charges as a result of decrease in mileage steps has placed an additional burden on the subscribers in the San Fernando exchange, whereas the applicant's outlying exchanges have been spared such increase. The basic position taken by the City is that rates for basic exchange service should be maintained at the lowest practical level; that any failure of applicant to obtain full compensation from connecting companies for its portion of jointly handled business should not cast a burden upon its rates for local service; and that earnings by exchanges should be considered in arriving at the fair level of the various basic exchange rates to be authorized.

For the purposes of this third amendment to its application the applicant has not submitted a results of operation summary segregated by exchanges, but did submit by Exhibit No. 50, a summary for its 1957 telephone operations segregated by districts which showed the following results:

<u>Districts</u>	<u>Rate of Return</u>
Monrovia	8.21%
San Fernando	5.72%
Redlands	5.00%
Palm Springs	1.12%
Total Division	5.50%

The basic position of the City of San Fernando was similar to that expressed by the City of Los Angeles in its closing statement. With indicated earnings in San Fernando slightly above system average, the City of San Fernando does not approve of any extra increases to make up for the low earning position in the Palm Springs or Redlands Districts.

Two subscribers from Sierra Madre, located in the Monrovia District, protested the proposed increase in rates, pointed out that the rates in a nearby exchange served by The Pacific Telephone and Telegraph Company are lower and questioned that the service was as good as in the nearby Pacific exchange.

In resolving this subject of rate spread, it is the Commission's opinion that rates in all exchanges should be increased somewhat, but those rates in the districts of Monrovia and San Fernando should be increased less percentagewise, than in Redlands and Palm Springs.

#### Basic Exchange Rates

Applicant proposed increases in basic exchange rates totaling \$1,153,000 of which \$371,000 was apportioned to business service and \$782,000 was apportioned to residence service. Applicant's proposal was to apply uniform increases in all exchanges outside the Los Angeles Extended Area and lesser uniform increases

in the three exchanges within the Los Angeles Extended Area.

We find that an increase of \$203,000 is justified for basic business service and rates to produce such amount will be authorized. In the interest of improving telephone service, applicant will be required to upgrade all business four-party services by December 31, 1959.

We find that an increase of \$27,000 is justified for basic residence service and rates to produce such amount will be authorized. As an objective in the Los Angeles Extended Area in the interest of improving telephone service, 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. The increases in basic rates found justified at this time may be summarized as follows:

	<u>Increase Per Month</u>			
	<u>Monrovia</u> <u>District(b)</u>	<u>San Fernando</u> <u>District(c)</u>	<u>Redlands</u> <u>District(d)</u>	<u>Palm Springs</u> <u>District(e)</u>
<u>Business Service,</u> <u>Each Primary Station</u>				
Individual Line				
Flat Rate	\$ .50	\$1.00	\$1.50	\$2.00
Two-Party Line				
Flat Rate	.25	.75	1.25	1.75
Four-Party Line				
Flat Rate (a)	not offered	not offered	1.25(a)	1.75(a)
Suburban	.20	.70	1.10	1.60
Semi-Public -				
Rate Per Month	.25	.75	1.25	1.75
Trunk Rate	.75	1.50	2.05 to 2.25	2.75 to 3.00
<u>Residence Service,</u> <u>Each Primary Station</u>				
Individual Line				
Flat Rate	.10	.10	.10	.10
Two-Party Line				
Flat Rate	.05	.05	.05	.05
Four-Party Line				
Flat Rate	-	-	-	-
Suburban	-	-	-	-
Trunk Rate	.25	.25	.25	.25 to .50

- No increase authorized.

- (a) Rate for business four-party service is to be withdrawn as facilities are available to upgrade the service, but no later than December 31, 1959.
- (b) Monrovia and Sierra Madre exchanges.
- (c) San Fernando exchange.
- (d) Banning-Beaumont, Elsinore, Hemet-San Jacinto, Idyllwild, Moreno, Murrieta, Perris, Redlands, and Temecula exchanges.
- (e) Desert Hot Springs, Joshua Tree, Palm Springs, and Twentynine Palms exchanges.

Service Connection and Move and Change Charges

Applicant proposed to increase service connection and move and change charges so as to increase annual revenues by an estimated \$213,000. In view of increases in costs we find it to be fair and reasonable to increase such charges in the annual amount of \$134,000 and the order herein will so provide.

Extension and PBX Station Rates

Increases in monthly rates for business and residence extension and PBX stations were proposed by applicant estimated to increase annual revenues by \$163,200. We find some increases in these rates to be justified at this time to produce \$70,000 in annual revenues and the order herein will so provide.

PBX Switchboard and Equipment Rates

Applicant proposed to increase installation charges and monthly rates for PBX switchboards and equipment to augment annual revenues by \$79,000. Such requested increases appear reasonable and will be authorized by the order herein.

Key System-Telephone Service Rates

Increases in installation charges and monthly rates were proposed by applicant for various key telephone services estimated to increase annual revenues by \$135,000. We find such increases to be reasonable and they will be authorized by the order herein.

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 by \$70,900. 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 \$64,000 in supplemental equipment rates to be justified as provided in the order herein.

### Base Rate Areas

A Commission staff witness recommended expansion of the San Fernando base rate area by approximately 9.75 square miles as set forth on the map filed as Exhibit No. 58. He recommended that all existing suburban services within the enlarged portion of the base rate area be filed as deviations until such services reasonably can be upgraded. He further recommended that until the upgrading can be accomplished and the proper rates applied, all such deviation services be billed at either suburban service rates or at rates for higher grades of service, whichever is lower. It appears that the San Fernando base rate area should be expanded as recommended and the order herein will so provide. The annual revenue reduction resulting from such base rate area expansion at the rates authorized by the order herein approximates \$12,000.

For the future 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.

### Foreign Exchange Rates

Applicant proposed various changes in rates applicable to foreign exchange service, the over-all effect of such changes being an estimated increase in annual revenues of \$85,800. The record reveals that such requested increase would be obtained from approximately 1,000 services. While foreign exchange service, in effect, constitutes a commuted toll service and while the Commission recently has authorized higher levels of toll rates generally throughout California and has shortened the mileage steps on message unit service, we do not find that the total amount of applicant's request for increases in foreign exchange service rates is reasonable at this

time. The order herein will authorize rates for foreign exchange service which are estimated to increase annual revenues by \$9,000<sup>5/</sup>.

#### Suburban Mileage Rates

Applicant proposed to increase suburban mileage rates by amounts which it is estimated will increase annual revenues by approximately \$21,000. These mileage charges generally have remained at their present level without change for many years. We find the proposed increases in suburban mileage rates to be justified at this time.

#### Other Miscellaneous Rates

Proposals to increase rates for a number of miscellaneous services were made by the applicant so as to increase annual revenues an estimated \$49,800. These increases relate to off-premises mileage rates, directory listings, special telephone service, joint user service, interexchange receiving service, wall telephone sets, employee's service, tie line service, order receiving service, message toll telephone service, private line service, and special assemblies of equipment. We find increases of \$20,000 annually to be justified in such miscellaneous rates at this time.

#### Summary

The rate increases authorized may be summarized as follows:

<u>Category</u>	<u>Annual Increase</u>
Basic Business Rates	\$203,000
Basic Residence Rates	27,000
Service Connection-Moves & Changes	134,000
Extension and PBX Station Rates	70,000
PBX Switchboard and Equipment Rates	79,000
Key System-Telephone Service Rates	135,000
Supplemental Equipment Rates	64,000
San Fernando Base Rate Area	
Expansion	(12,000)
Foreign Exchange Rates	9,000
Suburban Mileage Rates	21,000
Other Miscellaneous Rates	20,000
Total	\$750,000

(Red Figure)

<sup>5/</sup> Inasmuch as the Commission 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.

### Message Rate Service

The Commission in Decision No. 45257, dated January 16, 1951, in Application No. 28693, involving this utility stated, in part: "Message rate business service provides a service to the smaller users at a minimum rate and at a charge which varies in relation to usage. The Commission is of the opinion that the company should proceed at once to develop a program for the introduction of such service".

Apparently applicant has made no progress with plans to provide message rate service particularly in the Los Angeles Extended Area, nor has applicant in this proceeding requested authority to establish such business message rate service.

In the interest of providing a more 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.

### Service Matters

Service problems and deficiencies were called to the Commission's attention by a number of subscribers who appeared and presented testimony. The individual complaints were investigated by applicant at the direction of the presiding examiner. Exhibit No. 57 filed in this proceeding summarizes the results of such investigations.

The evidence reveals that as of March 31, 1958, applicant was unable to fill 1,336 applications for main service and 7,461

requests for higher grades of service. While it appears some progress has been made in reducing such unfilled applications, applicant should provide service to waiting applicants as rapidly as reasonably possible consistent with maintaining reasonably adequate service to existing subscribers. The San Fernando base rate area expansion and reduction in primary stations per line resulting from such base rate area expansion and withdrawal of business four-party service as ordered hereinafter should tend to further improve the quality of applicant's service.

The Commission is concerned over the comparatively large number of service complaints received during the course of the hearings and implications of generally unsatisfactory service based on the large number of subscribers signing petitions. Applicant's stated position and philosophy is that a utility that has inadequate earnings must necessarily render inadequate and inefficient service. The Commission disagrees with applicant's position and philosophy: Applicant's obligation as a public utility operating under the Public Utilities Code of the State of California is first to supply adequate and sufficient service. Inadequate past earnings and inadequate financing are not an excuse. Accordingly, we have held increases in residence rates to a very minimum, with no increases to the residence four-party and suburban grades.

#### Findings and Conclusions

The Commission has carefully weighed all of the evidence of record and has considered the statements of the parties with equal care. The action which we are taking herein will reasonably produce an over-all result which we find to be fair and reasonable and in the public interest. Further, we hereby find as a fact:

1. That the increases in rates and charges authorized herein are justified.
2. That present rates insofar as they differ from those herein prescribed, for the future are unjust and unreasonable.
3. That an order should be issued increasing the rates in the manner heretofore discussed.



O R D E R

California Water & Telephone Company 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 now being ready for decision; therefore,

IT IS ORDERED that:

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 hereto, and, on not less than five days' notice to the public and to this Commission, to make said revised tariffs effective for all service furnished on and after February 16, 1959, excepting that increases in installation, service connection and move and change charges shall be made effective on applications received by the applicant on and after February 16, 1959.

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 San Francisco, California, this 26th day of January, 1959,

E. L. Fox  
President  
W. L. [illegible]  
Matthew [illegible]  
Theodore [illegible]  
Commissioners

APPENDIX A  
Page 1 of 8

RATES

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

Base Rate Area

San Fernando base rate area is to be expanded as set forth on Exhibit No. 58. In said expanded portion of San Fernando base rate area, applicant is authorized to provide suburban line residence and business services at the four-party residence and suburban business rates, respectively, on a deviation basis until facilities become available to furnish urban grades of service. Said urban grades of service shall be furnished by no later than December 31, 1959.

Schedule No. A-1Individual and Party Line Service

Service Where Offered	Increase in Rate Per Month			
	Monrovia District(a)	San Fernando District(b)	Redlands District(c)	Palm Springs District(d)
Flat Rate, Local or Extended Service				
Business Service, Each Primary Station:				
Individual Line	\$0.50	\$1.00	\$1.50	\$2.00
Two-Party Line	.25	.75	1.25	1.75
Four-Party Line (e)	*	*	1.25	1.75
Residence Service Each Primary Station:				
Individual Line	.10	.10	.10	.10
Two-Party Line	.05	.05	.05	.05

\* Service not offered.

(a) Monrovia and Sierra Madre exchanges.

(b) San Fernando exchange.

(c) Banning-Beaumont, Elsinore, Hemet-San Jacinto, Idyllwild, Moreno, Murrieta, Perris, Redlands, and Temecula exchanges.

(d) Desert Hot Springs, Joshua Tree, Palm Springs, and Twenty-Nine Palms exchanges.

(e) Rate to be withdrawn no later than December 31, 1959.

Revised Special Conditions 6 and 7 to indicate that rate for business four-party line service is to be withdrawn in all exchanges where such service is now offered as facilities become available to upgrade the service, but no later than December 31, 1959.

APPENDIX A  
Page 2 of 8Schedules Nos. A-1, A-3, A-5 and A-11  
Extension Station Rates

	<u>Rate Per Month</u>
Each Extension Station:	
Business	\$1.60
Residence	1.10

Schedule No. A-2  
Semi-Public Coin Box Service

	<u>Increase in Rate Per Month</u>			
	<u>Monrovia District</u>	<u>San Fernando District</u>	<u>Redlands District</u>	<u>Palm Springs District</u>
Each Primary Station:	\$0.25	\$0.75	\$1.25	\$1.75

Schedule No. A-4  
Mileage Rates

Changes proposed in mileage rates, RATE 1, within Suburban Area, as set forth on Page 5 of Exhibit A attached to the third amendment to Application No. 38685 are authorized.

Schedule No. A-5  
Suburban Service

	<u>Increase in Rate Per Month</u>			
	<u>Monrovia District</u>	<u>San Fernando District</u>	<u>Redlands District</u>	<u>Palm Springs District</u>
Exchange Where Offered				
Each Primary Station				
Business Service:	\$0.20	\$0.70	\$1.10	\$1.60

Schedule No. A-7  
Private Branch Exchange ServiceSwitchboard Rates:

Increases in installation charges and monthly rates, and proposed tariff revisions for switchboards set forth on Page 7 of Exhibit A attached to the third amendment to Application No. 38685 are authorized.

Trunk Rates:Flat Rate, Local or Extended Service:

Each trunk within the base rate area - 150% of the business individual line primary station flat rate rounded to the lower 25¢ multiple.  
Each trunk within a special rate area - Authorized trunk rate within the base rate area plus present dollar differential between special rate area and base rate area trunk rate.

Note: In the case of Palm Springs exchange an increase of \$2.75 in the monthly rate per trunk is authorized until the introduction of extended service with Desert Hot Springs.

APPENDIX A  
Page 3 of 8

Schedule No. A-7

Private Branch Exchange Service - Continued

	<u>Rate Per Month</u>
Station Rate:	
Each Commercial PEX Station	\$1.60
Each Hotel PEX Station - Not in Guest Room	1.60
- In Guest Room	1.10

Schedule No. A-8

Dial Private Branch Exchange Service

Mechanical Switching Equipment and Attendant's Cabinet Rates:

Increases in installation charges and monthly rates, and proposed tariff revisions for mechanical switching equipment and attendant's cabinet equipment set forth on Page 9 of Exhibit A attached to the third amendment to Application No. 38685 are authorized.

Trunk Rates

Flat Rate, Local or Extended Service, Business or Residence:

Each trunk within the base rate area - 150% of the individual line primary station flat rate rounded to the lower 25¢ multiple.

Each trunk within a special rate area - Authorized trunk rate within the base rate area plus present dollar differential between special rate area and base rate area trunk rate.

Note: In the case of Palm Springs exchange an increase of \$2.75 a month per business trunk is authorized until the introduction of extended service with Desert Hot Springs. In the case of Desert Hot Springs exchange, no increase is authorized in residence trunk rates prior to the introduction of extended service with Palm Springs.

Schedule No. A-9

Key System Service

Increases in monthly equipment and station rates set forth on Page 11 of Exhibit A attached to the third amendment to Application No. 38685 are authorized.

Schedule No. A-11

Key Telephone Service

Key Equipment Arrangements:

Increases in installation charges and monthly rates for key equipment arrangements set forth on Pages 11 and 12 of Exhibit A attached to the third amendment to Application No. 38685 are authorized.

APPENDIX A  
Page 4 of 8

Schedule No. A-14  
Directory Listings

All 75% directory listing items are authorized to be increased to 85% and all 35% directory listing items are authorized to be increased to 40%

Special Conditions 5(c) and 5(h) are authorized to be revised as set forth on Page 13 of Exhibit A attached to the third amendment to Application No. 38685.

Schedule No. A-15  
Supplemental Equipment Service

Increases in installation charges and monthly rates and proposed tariff revisions for supplemental equipment service set forth on Pages 13, 14 and 15 of Exhibit A attached to the third amendment to Application No. 38685 are authorized except as follows:

<u>Item</u>	<u>Authorized and Ordered</u>	
	<u>Installation Charge</u>	<u>Rate Per Month</u>
Colored Handset Telephones	\$10.00	*
Jack and Plug Equipment		
Each jack of 3 contacts or less	7.50	- #

\* The monthly charge and service connection charge for colored handsets will be the charges applicable to standard black finish handset equipment.

# The present monthly rate of 15% for each jack of 3 contacts or less is ordered canceled.

Schedule No. A-16  
Special Telephone Services

Increases in installation charges and monthly rates set forth on Page 15 of Exhibit A attached to the third amendment to Application No. 38685 are authorized.

Schedule No. A-17  
Foreign Exchange Service

Primary Service Rates:

1. Primary rates for foreign exchange service served from exchanges of California Water & Telephone Company 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% per month.

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Page 5 of 8

Schedule No. A-17  
Foreign Exchange Service - Continued

Primary Service Rates:

2. Primary rates for foreign exchange service filed by California Water & Telephone Company other than in 1 above are to be adjusted to the extent required by the increase hereinabove authorized in directory listing rates.
3. Increases requested in PEK trunk allowances from 200 to 300 messages set forth on Page 16 of Exhibit A attached to the third amendment of Application No. 38685 priced at 5¢ each are authorized to be made in the basic foreign exchange rates.
4. Applicant shall cancel all foreign exchange rates over routes where no present services are furnished or applications for service are pending.

Listed Routes Between Contiguous Exchanges  
Suburban Mileage Rates:

Increases in rates set forth on Page 17 of Exhibit A attached to the third amendment to Application No. 38685 are authorized.

Residence Foreign Exchange Mileage Rates:

Residence Service:

	<u>Rate Per Month</u> <u>Each One-Quarter Mile</u> <u>or Fraction Thereof</u>
Each individual line primary station	\$2.00
Each two-party line primary station	1.75
Each four-party line primary station	1.50
Each suburban line primary station	1.00

Listed Routes Between Non-Contiguous Exchanges:  
Business and Residence Foreign Exchange Mileage Rates:

Increases in rates for business and residence foreign exchange mileage rates set forth on Page 18 of Exhibit A attached to the third amendment to Application No. 38685 are authorized.

APPENDIX A  
Page 6 of 8

Schedule No. A-19  
Joint User Service

The following joint user rates are authorized:

	<u>Rate Per Month</u>
Each joint user service in connection with local or extended business service:	
Individual or party line flat rate service	\$2.25
Semi-public coin box service	1.50
Private branch exchange service	3.00
Each joint user service in connection with foreign exchange service	
Message Rate:	
Individual line business service	6.00
Private branch exchange service	6.50
Flat Rate:	
Individual line business service	8.00
Private branch exchange service	10.00

Schedule No. A-20  
Interexchange Receiving Service

The rate for each interexchange receiving service is authorized to be increased to \$6.00 per month.

Schedule No. A-21  
Wall Telephone Sets

This schedule is authorized to be canceled. Other schedules affected by this change are authorized to be revised to the extent necessary.

Schedule No. A-22  
Move and Change Charges

Increases in move and change charges, changes in text of Charge 2, Other Equipment and Wiring, and change in Special Condition 4 set forth on Page 20 of Exhibit A attached to the third amendment to Application No. 38685 are authorized.

Schedule No. A-24  
Tie Line Service

Mechanical Switching Equipment:

The increases in installation charges and monthly rates for mechanical switching equipment set forth on Page 23 of Exhibit A attached to the third amendment to Application No. 38685 are authorized.



APPENDIX A  
Page 7 of 8

Schedule No. A-26  
Service Connection Charges

New and Additional Service:

Increases and charges set forth on Page 24 of Exhibit A attached to the third amendment to Application No. 38685 are authorized for new and additional service.

Instrumentalities in Place and no Change of Location or Type of Facilities Involved

Subscribers' exchange service and facilities:

One or more units \$7.00

Special Condition No. 2 is authorized to be changed as set forth on Page 24 of Exhibit A attached to the third amendment to Application No. 38685.

Schedule No. A-30  
Order Receiving Equipment Service

Increases in installation charges and rates per month set forth on Page 25 of Exhibit A attached to the third amendment to Application No. 38685 are authorized.

Schedule No. B-1  
Message Toll Telephone Service

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

Rate (1), Service between points on the lines of the Company:

Route	Rate							
	Day, Night and Sunday							
	Station Service				Person Service			
	Paid		Collect		Paid and Collect			
	First	Each	First	Each	First	Each	First	Each
	3	Addl.	3	First	After	3	First	After
	Min.	Min.	Min.	3	3	Min.	3	3

Desert Hot Springs-								
Palm Springs	\$0.15	\$0.05	\$0.30	\$0.10	\$0.05	\$0.40	\$0.10	\$0.05
Idyllwild-								
Hemet-San Jacinto	0.20	0.05	0.30	0.10	0.05	0.45	0.15	0.05

Add the following Special Condition:

Message toll telephone service between points on the lines of this Company and points reached over the lines of the connecting companies is furnished at the through rates quoted by the connecting companies.

APPENDIX A  
Page 8 of 8

Schedule No. G-1  
Private Line Telephone Service

Increases in installation charges and monthly rates shown under Rate 3. Installation charge, and Rate 4, Battery and Ringing Supply Rates as set forth on Page 26 of Exhibit A attached to the third amendment to Application No. 38685 are authorized. Increase in station rate to \$1.60 per month is authorized.

Schedules Nos. G-2, G-4, G-5, G-6  
Private Line Service

Increases in installation charges as set forth on Page 26 of Exhibit A attached to the third amendment to Application No. 38685 are authorized.

Schedule No. K-1  
Special Assemblies of Equipment

Telephone Answering Service Equipment  
Recorder-Connector Equipment  
Fire Department Conference Dispatching Equipment  
Miscellaneous Equipment

Increases in installation charges and monthly rates set forth on Pages 27 and 28 of Exhibit A attached to the third amendment to Application No. 38685 are authorized except that no increases or changes are authorized in the mileage rates for telephone answering service and the monthly rate for telephone answering service - PBX hand-set station is increased to \$1.60.

APPENDIX B  
Page 1 of 2

LIST OF APPEARANCES

For Applicant:

Bacigalupi, Elkus & Salinger, by Claude N. Rosenberg  
and William G. Fleckles; Peter A. Nenzel.

Respondent to Motion by Applicant:

The Pacific Telephone and Telegraph Company, by  
Francis N. Marshall.

Protestants:

Pacoima Civic Association, by Mrs. James H. Roberts;  
Girl Scouts, Pacoima Neighborhood, by Mrs. Mary L.  
Berry; Coordinated Council, Panorama City, by  
William P. Bear; Mrs. Jill R. Housinger, H. J. Rodrick,  
Mrs. Arnold M. Swanson, Helen Weisberger, Sheldon E.  
Walter, Inez H. Allerdice, Betty Egan, in propria  
personae.

Interested Parties:

City of Los Angeles, Department of Public Utilities  
and Transportation, by Roger Arnebergh, Alan G.  
Campbell, Robert W. Russell and Manuel Kroman;  
California Independent Telephone Association, by  
Neal C. Hasbrook; California Farm Bureau Federation, by  
Joseph Q. Joynt and Bert Buzzini; City of San Fernando,  
by Neville R. Lewis and John J. Varni; Chamber of  
Commerce, Panorama City, by Robert E. Driscoll; YWCA,  
San Fernando Center, by Jean Norins; San Fernando  
Coordinating Council, by Mrs. Sara Newman; Clifford  
Babin, in propria persona.

Commission Staff:

Mary Moran Pajalich, John F. Donovan and Marshall  
Kimball.

LIST OF WITNESSES

Evidence was presented on behalf of applicant by:

Arthur D. Scripture (wage expense, stations, results of operation);  
Peter A. Nenzel (budget, results of operation, balance sheet);  
James Naylor (present and proposed rates); Alfred L. Burke (cap-  
italization, financing problems, stock price and earnings).

Evidence was presented on behalf of protestants and interested parties by:

Mrs. Jill R. Housinger; Clifford Babin; Robert E. Driscoll;  
Helen Weisberger; Mrs. Arnold N. Swanson; William P. Bear;  
Sheldon Walter; Mary H. Sommer; Mrs. Mildred Greene; Mrs. John Sturm;  
Mrs. William Magginetti; Mrs. William F. Eagan; Mrs. Inez H.  
Allerdice; Robert J. Wilcox; Mrs. Dorothy Bell; Mrs. James H.  
Roberts; Dorothy Johnson; Mrs. Donald Hart; Mrs. Mary L. Berry;  
Ernest Finkelstein; Jean Norins.

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Page 2 of 2

(List of Witnesses Contd):

Evidence was presented on behalf of the Commission staff by:

Paul Popenoe, Jr. (expenses, taxes, plant, reserve, rate base and summary of earnings); A. Albert Ehrman (Balance sheet, income and earnings, and clearing accounts); Melvin E. Mezek (revenues); Loren W. East (maintenance, commercial and general operating expenses).