km/ec

25

ORIGINAL

Decision No. 91121 DEC 18 1979

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY, a corporation, for authority to increase certain intrastate rates and charges applicable to telephone services furnished within the State of California.	Application No. 58223 (Filed July 14, 1978)
Investigation on the Commission's own motion into the rates, tolls, rules, charges, operations, costs, separations, inter-company settlements, contracts, service, and facilities of THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY, a California corporation; and of all the telephone corporations listed in Appendix A, attached hereto.	OII No. 21 (Filed July 25, 1978)
Investigation on the Commission's own motion into the effect of the enactment of the Revenue Act of 1978 on the rates of the California public utilities and transportation companies subject to the ratemaking power of the Commission named in Appendices A and B attached hereto.	OII No. 33 (Filed December 12, 1978)

(See Decision No. 90642 for appearances.)

Additional Appearances

Sidney J. Webb, for himself, interested party.
James D. Pretti and Dean J. Evans, for the Commission staff.

ORDER MODIFYING DECISIONS NOS. 90642
AND 90919 UPON PARTIAL REHEARING

Synopsis of Opinion

This opinion and order is the result of a rehearing of Decision No. 90642 on the limited and specific issue of The Pacific Telephone and Telegraph Company's (Pacific) cost of long-term debt and preferred stock pursuant to Ordering Paragraph 10 of Decision No. 90919 with respect to Application No. 58223 for a rate increase of approximately $470 million. Decision No. 90642 dated July 31, 1979 found that Pacific's jurisdictional revenue requirements should be reduced by approximately $42.2 million annually. Decision No. 90919 dated October 10, 1979 modified Decision No. 90642 by finding that a $1.3 million increase in Pacific's revenue requirements was reasonable instead of a reduction of $42.2 million.

Based on the additional evidence introduced in the reopened hearings, we find that Pacific's rate of return should be increased from 9.73 percent to 10.25 percent to reflect increased long-term debt and preferred stock costs on average year 1980 balances as shown below.

Component	Capital Ratios	Cost	Weighted Cost
		Decision No. 90642	
Long-Term Debt	50.04	7.62	3.81
Preferred Stock	4.24	7.51	.32
Common Equity	45.72	12.25	5.60
Total			9.73%
		Adopted	
Long-Term Debt	50.04	8.64	4.32
Preferred Stock	4.24	7.90	.33
Common Equity	45.72	12.25	5.60
Total			10.25%
		Increase	.52

The revised adopted cost of capital is .52 percent higher than the 9.73 percent rate of return figure found reasonable in Decision No. 90642 and will require an additional increase in revenues of $36.6 million. The rate modifications authorized to generate Pacific's additional revenue requirements are as follows:

	Annual Revenue (Dollars in Millions)
Key Telephone Service	$17.6
Multi-Element Service Connection Charges	4.6
Message Toll Service	15.1
Settlement Effect of General's Decreases in Exchange Rates	(0.7)
Total	$36.6

Prehearing conference on the reopened hearings was held on October 22, 1979 before Administrative Law Judge K. Tomita in San Francisco. Hearings were held on October 31, November 1, and 2 in San Francisco with the matter submitted on November 2, 1979 after oral arguments. The matter is now ready for decision.

Issues

The key issues in this proceeding are:

1. Should the Commission consider increased cost of debt and preferred stock for only 1979, or should it consider 1980 costs as well?
2. If 1980 debt and preferred costs are considered, should it be on an average year cost basis or on an end-of-year cost basis?
3. How should the increase revenue requirement be spread to offset the increased capital costs?

Pacific's Position

Pacific's treasurer, Robert M. Joses, testified for Pacific in support of an additional revenue requirement of $45,952,079 to give recognition to the increased cost of debt and preferred stock financing experienced or expected to be experienced in 1979 and 1980. In arriving at his computation, Mr. Joses stated that he used the capital ratios and return on common equity adopted in Decision No. 90642 and made the following calculations:

1. The cost of preferred stock was adjusted to reflect the cost of preferred stock actually outstanding at the present time. This results in a composite cost of 7.82 percent.

2. In determining the estimated cost of debt, the actual cost of debt at October 1, 1979 was the starting point. This cost was reduced by the cost of the issue that matures at November 15, 1979.

3. The planned issue of $300,000,000 of debentures in November 1979 is projected at 12-1/2 percent cost.

4. The balance of short-term debt of $489,000,000 estimated to be outstanding at the end of 1979 is assumed to be converted to long-term debt at 12-1/2 percent.

5. With respect to the 1980 financing, the assumed financings include 25 million shares of common stock and $191 million of maturing debt.

6. Three 1980 debenture issues of $287,450,000 each were assumed to have been issued at a cost of 12 percent, 11.5 percent, and 11 percent, respectively, with a resulting embedded cost for debt at year end 1980 of 8.93 percent.

The following tabulation compares the rate of return adopted in Decision No. 90642 with witness Joses' revised recommended rate of return, which Pacific considers will be reflective of costs Pacific will incur during the future period for which rates are being set.

		Decision No. 90642		Pacific's Recommended	
	Capital Ratios	Cost	Weighted Cost	Cost	Weighted Cost
Long-Term Debt	50.04%	7.62%	3.81%	8.93%	4.47%
Preferred Stock	4.24	7.51	.32	7.82	.33
Common Stock	45.72	12.25	5.60	12.25	5.60
Total			9.73%		10.40%

Mr. Joses testified that inclusion of 1980 interest costs are reasonable as rates are being set for the future, and if Pacific is to have an opportunity to recover increased cost of debt and preferred stock in 1980, the overall rate of return must recognize 1980 costs. Mr. Joses further testified that although he assumed an equity offering during the first quarter of 1980, as a practical matter, such offering will not be possible unless substantial rate relief is obtained over and above the amount requested herein.

Mr. Ronald R. Banducci, Interservices staff director, testified on Pacific's rate spread proposal to produce $46 million additional revenue to Pacific after settlements. He recommended increases to the following:

Key Telephone Service	$20.6 million
Multi-Element Service Connection Charges	4.7
Message Toll Services	20.7
Total	$46.0 million

Witness Banducci testified that although his first preference was to pass the entire increase to Key Telephone Service (KTS) since present rates do not fully cover all of the costs associated with KTS, he felt that Decisions Nos. 90642 and 90919 expressed concern about too abrupt a change in rates; therefore, he limited the increase to KTS to $20.6 million in recognition of the abrupt rate change rationale contained in the decisions.

For Multi-Element Service Connection Charges, Pacific proposes increasing the Premise Visit Charge and the Central Office Line Charge by $1.00 each to $6.00 and $9.00, respectively. The Premise Visit Charge increase is proposed to recover a greater portion of the costs of travel to a customer's premise to install or change telephone service, and the Central Office Line Charge increase is proposed to recover a greater portion of the costs incurred in establishing a central office connection.

Pacific also proposes to increase Message Toll rates as a move to reducing the rate disparity with the Interstate Message Toll Schedule by increasing Dial Day rates by one cent between 26 and 30 and 41 to 150 miles for the initial period and by one cent between 31 and 130 miles for the additional minute rates. Increases in coin rates over 20 miles are also proposed. These changes will increase total toll revenues by $20.7 million or 1.4 percent.

Pacific's witness further testified that should the Commission authorize an increase less than the $46 million additional revenue requested by Pacific, it recommends that the first $20.6 million be obtained by increasing KTS rates, the next $4.7 million by increasing Multi-Element Service Connection Charges, and finally any additional revenues authorized by increasing rates for Message Toll Services. Should the full $46 million increase be authorized, Pacific estimates that Settlements to Independent Companies will increase by $7.5 million.

Staff's Position

Staff financial examiner Mowrey's adjusted rate of return after considering increased debt and preferred stock costs to Pacific was 10.25 percent compared to Pacific's 10.40 percent computation. The staff witness differed from Pacific's presentation in that he assumed Pacific's external requirements will be derived in the same proportion as the capital ratios found reasonable in

Decision No. 90642 and by calculating the embedded cost of debt and preferred stock based on average year 1980 balances rather than on the end of year 1980 cost basis used by Pacific.

Mr. Mowrey justified his methodology by stating that Decision No. 90642 concluded that the capital ratios proposed by the staff in the original hearings in which the capital ratios were developed by imputing a capital structure consisting of common stock issues in place of debt instruments were reasonable. He further testified that his methodology in allocating Pacific's new money requirements for 1980 in the same proportion as reflected in the capital ratios adopted in Decision No. 90642 was being consistent with such decision.

Mr. Mowrey justified the use of average-year interest costs instead of costs based on end-of-year 1980 balances in this rehearing since Pacific had announced its plan to file for rate relief in November 1979 using a 1980 test year and, in addition, indicated that Pacific will be filing for general rate relief under the Commission's Regulatory Lag (NOI) Plan utilizing a 1981 test year. It was Mr. Mowrey's opinion that the use of average year balances, in such situations, will more accurately reflect Pacific's 1980 interest costs.

Mr. Mowrey's presentation was predicated on a three-year refund plan under the remand case to be comparable with Mr. Joses' calculations and also assumed no additional rate relief in 1980. Using Mr. Mowrey's methodology, the additional revenue requirement is calculated to be $36.6 million or $9.4 million less than using Pacific's methodology.

The staff's rate design proposals were made by David M. Shantz. The staff proposal is designed to produce a $17.6 million increase in KTS revenues, a $4.6 million increase in Multi-Element Service Connection Charges, and a $15.1 million increase in Message

Toll Service or a \$36.6 million increase after deducting \$0.7 million for the settlement effect of General Telephone Company of California's (General) decreases in exchange rates.

The increases proposed by the staff in KTS rates generally followed Pacific's proposals but were of slightly lower magnitude. The increase in Multi-Element Service Connection Charges are identical, and the increases in Message Toll Service rates were basically similar to Pacific's proposal except for a one cent lower rate for Initial Period, Station, Dial, one minute Day Rate for 26-30 rate mileage, and a one cent lower rate for Each Additional Minute for 31-40 rate mileage.

Since changes in rates and charges for Pacific have an effect on General, the staff recommends that General's rates be increased by \$18.2 million to offset the effect of revenue decreases resulting from Decision No. 90642, Decision No. 90919, and the \$36.6 million the staff recommends Pacific's rates be increased in this rehearing.

Appendix B attached to Exhibit No. 156 is designed to produce the following increases for General.

	Annual ~~Revenue~~ Billings (Dollars in Millions)
Service Connection Charges	\$ 1.7
Private Branch Exchange Service	3.0
Key Telephone Service	8.7
Extensions	4.3
Premium Sets	0.5
Touch Calling Sets	-
Total	\$18.2

JB

The proposed rates and charges for General are considered by the staff to be consistent with the increases in rates and charges authorized for General as an offset in Decisions Nos. 90642 and 90919 and are also consistent with achievement of the staff goal of raising rates and charges for competitive services toward full cost levels.

City of San Francisco's Position

City of San Francisco's (City of SF) position with respect to increased capital costs is that the Commission should only recognize increased interest and preferred dividend costs for 1979 and not adopt 1980 costs. Should the Commission decide that 1980 costs are to be used, the City of SF supports the adoption of witness Mowrey's average method. The City of SF also takes the position that capital costs incurred for the purpose of making refunds should be disallowed since they resulted from Pacific's imprudent actions.

In the area of rate design, the City of SF's position is that no further increase should be placed on KTS, as the Commission's findings in Decision No. 90919 indicate that the Commission went about as far as it possibly could go in authorizing the massive increases to KTS in that decision. The City of SF further argues that in adopting a rate design in this proceeding the Commission must give consideration to the directory advertising increase authorized previously, as well as the timing effect of the deferral of Zone Usage Measurement Plan (ZUM) to May 1, 1980.

California Interconnect Association's Position

California Interconnect Association (CIA) supports Pacific's use of end-of-year 1980 cost of capital figures. CIA also recommends that as a condition precedent to granting any increases in rates, Pacific be required to withdraw, or, in the alternative, the Commission reject Advice Letter 13352 which requests a reduction in rates for Dimension 2000 service and that Advice Letter 13381, seeking approval to market the "Horizon" at a capital cost of $5.5 million, be denied. If the Commission concludes that additional revenues are warranted, CIA recommends that the increases be made in the same proportions as recommended by the two rate design witnesses.

Mr. Webb's Position

Mr. Webb argued that he interpreted Decision No. 90919 as contemplating the use of December 31, 1979 figures and should not involve short-term debt costs as used by Pacific and the staff. Under Mr. Webb's methodology, a rate of return of 9.96 percent with a $29,357,000 increase in gross revenues would be justified. He also argued that no further debt should be authorized for Pacific until it issues additional common equity capital to improve its equity ratio.

Discussion

Cost of Capital

Decision No. 90919 did not address itself as to whether the Commission was going to consider increased capital costs for only 1979 or whether 1980 costs should also be considered in this rehearing. Since this rehearing was held so late in 1979, we concur with both Pacific and the staff that it is appropriate to consider 1980 capital costs if Pacific is to have an opportunity to recover increased costs of debt and preferred stock in 1980. We do not, however, agree with Pacific's methodology as being appropriate in light of its announcement that a rate filing using a 1980 test period would be filed in November[1/] and, furthermore, its announced intention to file a further application for additional rate relief in the first quarter of 1980 under the NOI procedure using a 1981 test year. Under such conditions, we agree with the staff that the use of average year 1980 debt costs will enable Pacific to recover the estimated increased capital costs it will expect to incur in 1980. We also agree with staff witness Mowrey's methodology in allocating 1980 capital requirements in the same capital ratios

---

1/ Application No. 59269 filed November 13, 1979.

found reasonable in Decision No. 90642 as being consistent with our language in Decision No. 90919 in which we stated that the capital ratios and the return on common equity adopted in Decision No. 90642 are reasonable.

The City of SF argues that any increase in capital costs should not include increased financing necessary to make refunds, as such refunds were the result of managerial imprudence. The staff witness disagreed with the City of SF and stated that Exhibit No. 155 followed the dictates of Decision No. 90919. We agree with staff witness Mowrey and point out that the discussion on pages 32 through 35 related primarily to consideration of various risks claimed by Pacific as justifications for increasing the return on common equity to the level requested by Pacific. It is obvious that if Pacific is required to make refunds pursuant to Decision No. 87832 in the remand matter, such refunds would reduce the amount of internally generated funds available for capital expenditures and thereby necessitate additional external financing. We are of the opinion that it is appropriate to consider such costs in this proceeding.

The issues raised by the City of SF in connection with directory advertising increases, as well as the revenue effect of the ZUM deferral, are matters that relate to the petition for stay and rehearing filed by the Cities of San Francisco, Los Angeles, and San Diego, which is currently under review by the Commission and should be addressed in a future order on such petition.

Mr. Webb argues that no further debt issues be authorized for Pacific unless it issues additional common stock. Our use of a theoretical capital structure in Decision No. 90642 together with language contained in Decision No. 90884 in Application No. 59090 concerning Pacific's most recent request for authorization to issue $300 million of debentures clearly sets forth this Commission's position that additional common equity offering in the immediate future is considered critical by this Commission if Pacific expects favorable action by the Commission on its various requests.

Rate Design

Both Pacific and staff witnesses offered rate design proposals that were quite similar, except as to revenue requirement. We do not agree with the City of SF's contention that Decision No. 90919 precludes the spreading of any additional increase authorized in this decision to KTS. Revised Rate Design Finding 88 in Decision No. 90919 states:

> "Because of the constraints of the overall revenue requirement authorized by this order, we cannot authorize increases in rates and charges for key telephone equipment to the levels recommended by either Pacific or the staff. Key telephone service rates are increased for a revenue effect of $47.3 million. Any anticompetitive effects of pricing this service below cost are outweighed by the overriding public interest in increasing these rates gradually to avoid undue customer disruption."

The additional revenue requirement authorized in this decision now enables us to adopt a rate design which will enable us to further increase those rates and charges which are provided below cost. We can still justify our action in not increasing such rates to fully cover costs by stating that overriding public interest in increasing these rates gradually to avoid undue customer disruption outweighs any anticompetitive effects of pricing below cost.

We do not adopt CIA's position that any increase in rates to Pacific be conditioned on Pacific's being required to withdraw or the Commission's rejecting Advice Letter 13352, which requests a reduction in rates for Dimension 2000 service and that Advice Letter 13381 seeking approval to market the "Horizon" be denied. IT IS PROPER ~~We~~ TO ~~will~~ handle the advice letters separate from this decision based on the merits of the respective proposals.

Findings of Fact

Based on the additional evidence received in the rehearing of Decision No. 90642, we find:

1. The following cost and weighted cost reasonably reflect capital costs which Pacific can be expected to experience in the year 1980:

Component	Capitalization Ratios	Cost	Weighted Cost
Long-Term Debt	50.04%	8.64%	4.32%
Preferred Stock	4.24	7.90	.33
Common Equity	45.72	12.25	5.60
Total			10.25%

2. A rate of return of 10.25 percent, as compared to the 9.73 percent rate of return found reasonable in Decision No. 90642, will enable Pacific to have an opportunity to realize the 12.25 percent return on common equity found reasonable by Decision No. 90642, given the demonstrated higher cost of debt and preferred stock for 1980.

3. The additional revenue requirement resulting from the modified rate of return of 10.25 percent we find reasonable in this decision compared to the 9.73 percent rate of return found reasonable in Decision No. 90642 is $36.6 million.

4. It is reasonable to use average year 1980 cost of debt and preferred stock figures in arriving at our adopted rate of return in this decision as Pacific has announced its intention to file for a rate increase under the NOI procedure using a 1981 test year in the first quarter of 1980.

5. We will adopt as reasonable, the staff rate design proposal set forth in Appendix A of this decision. The adopted rate

design is designed to yield a $36.6 million increase to Pacific and will result in changes in the following services:

	Annual Revenue (Dollars in Millions)
Key Telephone Service	$17.6
Multi-Element Service Connection Charges	4.6
Message Toll Service	15.1
Settlement Effect of General's Decreases in Exchange Rates	(0.7)
Total	$36.6

Decrease

6. It is reasonable to adopt a rate design which spreads the additional revenue requirement to rates and charges for key telephone equipment as such service is still priced below cost.

7. Current premises visit and central office connection elements of Multi-Element Service Connection Charges are priced below the cost of providing these services.

8. It is reasonable to increase charges for premises visit element and central office connection element of Multi-Element Service Connection Charges to recover a larger portion of the costs associated with each element.

9. There will be less likelihood for customer confusion if the toll rate disparities between interstate and intrastate toll rates for similar distances are reduced.

10. It is reasonable to increase message toll rates particularly in the intermediate mileage range to more closely match the interstate message toll schedule.

11. The adopted rates and charges for Pacific in Decision Nos. 90642, 90919, and this decision will result in reduced revenues to General of $16.0 million because of settlements between General

and Pacific. It is reasonable to recognize the reduced revenues to General by authorizing the filing of tariffs providing for $18.2 million increase in rates and charges for General which will provide General with $16.0 million additional revenues after uncollectibles and net settlement effect of increases in exchange rates. The staff-recommended rate design, which we find as reasonable, is set forth in Appendix B to this decision and is estimated to produce the following increases in annual ~~revenues~~ billings:

ss
ss

	Annual ~~Revenue~~ BILLINGS (Dollars in Millions)
Service Connection Charges	$ 1.7
Private Branch Exchange Service	3.0
Key Telephone Service	8.7
Extensions	4.3
Premium Sets	0.5
Touch Calling Sets	-
Total	$18.2

12. It is reasonable to offset the reduced revenues to General of $16.0 million by permitting General to file by advice letter increases in rates and charges for services provided by it, subject to Commission authorization by resolution action. General should provide notice to all its subscribers affected by such proposed changes.

13. The issues raised by the City of SF in connection with directory advertising increases, as well as the revenue effect of the ZUM deferral, are matters that relate to the petition for stay and rehearing filed by the Cities of San Francisco, Los Angeles, and San Diego, which is currently under review by this Commission and will be addressed in the future order on such petition.

14. In order that the ratepayers will be notified of the rate increases authorized herein, Pacific should place advertisements in newspapers of general circulation at least ten days prior to the rates becoming effective.

15. The effective date of this order should be the date hereof, as this order is intended to provide Pacific an opportunity to recover in rates the increased cost of debt and preferred stock it expects to incur in 1980.

Conclusions of Law

Based on additional evidence offered in the partial rehearing of Decision No. 90642 as to the cost of long-term debt and preferred stock we conclude that:

1. Pacific's gross revenue requirements should be increased by an additional $36.6 million based on test year 1979 but reflecting expected increased long-term debt and preferred stock cost for 1980.

2. Rates and charges of Pacific should be modified and changed in accordance with Appendix A, attached hereto.

3. Pacific's rates and charges authorized herein by Appendix A are just and reasonable and present rates and charges, insofar as they differ from those prescribed herein, are for the future unjust and unreasonable.

4. Decisions Nos. 90642 and 90919 are affirmed in all respects except as it is modified herein.

IT IS ORDERED that:

1. The Pacific Telephone and Telegraph Company (Pacific) is authorized to file with this Commission, within fifteen days after the effective date of this order and in conformity with the provisions of General Order No. 96-A, revised tariff schedules with rates, charges, and conditions modified as set forth in Appendix A. The effective date of the revised tariff sheets shall be five days after the date of filing. The revised tariff schedules shall apply to

service rendered on and after the effective date of the revised schedules, and the charges shall be collected subject to refund pending final determination of appeals with respect to the ratemaking treatment of accelerated depreciation in Decision No. 87838 in determining a reasonable allowance for federal income tax expense.

2. General Telephone Company of California may file with this Commission, after the effective date of this order and in conformity with the provisions of General Order No. 96-A, advice letters and revised proposed tariff schedules with rates and charges, and conditions modified as set forth in Appendix B, subject to approval of the Commission by resolution action. The effective date of any revised tariff sheets shall be coincident with the implementation of the Zone Usage Measurement Plan or as otherwise authorized by Commission resolution. The revised tariff schedules shall apply to service rendered on and after the effective date of the revised schedule. At or prior to the time of filing said advice letter, General Telephone Company of California shall notify all affected customers of the proposed rate changes specified therein.

3. Pacific shall place advertisements in newspapers of general circulation that detail the rate increases authorized herein at least ten days prior to the effective date of the rates.

4. All motions in these proceedings not heretofore ruled on are denied.

The effective date of this order is the date hereof.

Dated DEC 18 1979, at San Francisco, California.

John E. Bryson
President

Vernon L. Sturgeon

Richard D. Gravelle

Leonard M. Grimes, Jr.
Commissioners

Commissioner CLAIRE T. DEDRICK
Present but not participating.

The Pacific Telephone and Telegraph Company

SCHEDULE CAL. P.U.C. NO. 22-T - KEY EQUIPMENT SERVICE

PROPOSED RATES

KEY TELEPHONE SYSTEM SERVICE (COM PAK)*

STATIONS:	Rate Per Month
COM PAK II:	
Capacity of six buttons internal, each -----------	$ 4.35
Capacity of six buttons, Panel Mounted Module, each--	8.75
Capacity of six buttons external, each-----------	5.00
COM PAK III:	
Call Director 18-button capacity E/W 12 buttons internal, each------------------------------------	8.50
Call Director 30-button capacity E/W 12 buttons internal, each ----------------------------------	11.25
Capacity of 12 buttons, Panel Mounted Module, each --	10.50
COM PAK IV:	
Capacity of 20 buttons internal, each -----------	8.50
Call Director 18-button capacity E/W 18 buttons internal, each ----------------------------------	9.70
Call Director 30-button capacity E/W 18-buttons internal, each ----------------------------------	11.00
Capacity of 18 buttons, Panel Mounted Module, each---	13.50
COM PAK V:	
Capacity of 24 buttons internal, each ----------	12.00
Capacity of 30 buttons internal, each-----------	13.25
Capacity of 30 buttons, Panel Mounted Mounted Module, each ---------------------------	16.00

* Installation charges applicable to ComPak service are those effective on 10/30/79. No further revisions in these installation charges are proposed herein.

The Pacific Telephone and Telegraph Company

SCHEDULE CAL. P.U.C. NO. 22-T - KEY EQUIPMENT SERVICE (Continued)

	Rate Per Month
ADDITIONAL STATION FEATURES:	
Station Busy Indication	
Each Station arranged to give a visual indication of station busy to another station ----------------------------------	$ 1.70
LINE FEATURES:	
Line equipment, each line equipped--------	3.20
INTERCOMMUNICATING ARRANGEMENTS:	
Single talking path manual intercommunicating arrangement with the line busy lamp, a buzzer per station and associated selective push-button signaling:	
Each station termination ---------	1.90
Single talking path dial selective intercommunication arrangement with line busy lamp and a buzzer or bell station code, maximum of 40 station codes:	
Each additional station code------	2.00
Additional Features:	
Each per-set conference with code number -------------------------	5.00
Terminating Arrangements:	
Termination of a single or two talking path dial selective intercommunicating line on a different customer's key telephone system.	
Each code at each station termination:	
Single talking path----------	2.10

The Pacific Telephone and Telegraph Company

Schedule Cal. P.U.C. No. 28-T - Multi-Element Service Charges

Proposed Charges

Elements for new and additional service, move and changes and in place connections.

	CHARGES	
	RES.	BUS.
Central Office Connection Work per line	$9.00	$9.00
Premises Visit Charge	6.00	$6.00

APPENDIX A

The Pacific Telephone and Telegraph Company

SCHEDULE CAL. P.U.C. NO. 53-T - MESSAGE TOLL TELEPHONE SERVICE

	Initial Period		Each Additional Minute
	Station (Sent Paid)		
	DIAL ∅	COIN +	ALL CLASSES OF SERVICE
RATE MILEAGE	1-Minute DAY RATE	3-Minute ALL DAYS/ HOURS	
0- 8	$0.10	$0.20	$0.06
9- 12	.10	.20	.06
13- 16	.13	.25	.08
17- 20	.16	.35	.10
21- 25	.19	.45	.12
26- 30	.22	.55	.13
31- 40	.26	.70	.15
41- 50	.30	.85	.19
51- 70	.34	.95	.23
71- 90	.36	1.05	.25
91-110	.39	1.15	.28
111-130	.42	1.25	.31
131-150	.45	1.35	.33
151-170	.46	1.45	.34
171-195	.48	1.55	.35
196-220	.50	1.65	.36
221-245	.52	1.80	.37
Over 245	.54	1.95	.38

∅Operator Assisted Messages:
In addition to the DIAL computed charge, the following surcharges are applicable per message for operator assistance:

Station $0.50
Person $1.50

+Coin Messages:
On Person messages paid for at a coin box, add $1.50 to the charges computed on a Station basis.

The Pacific Telephone and Telegraph Company

SCHEDULE CAL. PU.C. NO. 53-T - MESSAGE TOLL TELEPHONE SERVICE (Continued)

Message Toll Rates and Rate Discounts Apply as Follows:

	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday#	Sunday
8:00 AM To 5:00 PM*			DAY FULL	RATE PERIOD RATE			
5:00 PM To 11:00 PM*			EVENING 30%	RATE PERIOD DISCOUNT ∅			
11:00 PM To 8:00 AM*			NIGHT 60%	RATE PERIOD DISCOUNT ∅			

*To, but not including

#Saturday rates apply on Holidays.

∅Rate Discounts
Rate Discounts apply to total charges for Dial Station messages and to the total Additional Minute charges for all types of messages. Rate Discounts do not apply to operator surcharges or to the surcharge applicable to person messages paid for at a coin box.

APPENDIX B
SHEET 1 OF 3
GENERAL TELEPHONE COMPANY OF CALIFORNIA

Proposed Rates and Charges

Schedule Cal. P.U.C. No. A-1 - Individual Line, Party Line and Private Branch Exchange Trunk Line Service.

The following rates are proposed for all exchanges except for Kenwood, Los Gatos, Morgan Hill and Novato:

	Rate Per Month
Residence Extensions, each	$1.00
Business Extensions, each	$1.00
Key-in-lieu of Extension, each	$1.00

Schedule Cal. P.U.C. No. A-6 - Private Branch Exchange Service and Schedules Cal. P.U.C. No. A-7 and A-26 of former Western California Telephone Company.

All Sections to be modified to include a 10% surcharge to be applicable to all rates and charges shown in such sections with the exception of the rates applicable to PBX stations and extensions for which the following rates are proposed:

	Rate Per Month
Rotary Dial PBX Stations and Extensions, each	$2.00
Touch Calling PBX Stations and Extensions, each	$0.75*

*Plus rate for a Rotary Dial PBX Station.

Schedule Cal. P.U.C. No. A-15 - Supplemental Services

The following rates and revisions are proposed:

	Rate Per Month
Dial-in-handset telephone desk or wall type, nonilluminated	$1.10
Touch Calling Service	
Residence Individual Line Service	
Each line equipped	$0.75
Station, each	0.50

APPENDIX B

GENERAL TELEPHONE COMPANY OF CALIFORNIA

Schedule Cal. P.U.C. No. A-15 - Supplemental Services (continued)

The following revisions are proposed:

Touch Calling Service	Rate Per Month
Business Individual Line Service	
Each line equipped	$1.00
Station, each	0.75
Connection of customer-provided facilities	
Each private branch exchange trunk line or individual business line terminated on a connecting arrangement and and arranged for touch calling service.	$1.00
Individual residence line terminated on a connecting arrangement and arranged for touch calling service, each	0.75

Schedule Cal. P.U.C. No. A-34 - Pushbutton Telephone System Service

The following rates are proposed:

	Rate Per Month
Pushbutton station location equipped to provide all of the system features and access (pickup) to intercommunicating lines	
Each pushbutton station location	$4.50
Each pushbutton station location arranged for touch calling	5.25
Line appearance of a central office line, PBX station line or private line at each pushbutton station location, each appearance	0.20

APPENDIX B

GENERAL TELEPHONE COMPANY OF CALIFORNIA

Schedule Cal. P.U.C. No. A-41 - Service Connection, Move and Change Charges and Schedule Cal. P.U.C. No. A-29 of Former Western California Telephone Company.

The following charges are proposed:

All exchange services (except Centrex and Inward Dialing Services)	Nonrecurring Charge Business	Nonrecurring Charge Residence
SERVICE ORDER ACTIVITY		
Initial Order		
First central office line on order	$16.00	$7.00
Each additional central office line on the same order	7.00	7.00
Extension, each	-	-
All other lines, PBX Stations, Tie Lines, etc.	-	-
Subsequent Order		
Move and changes	3.25	3.25
Additions, other than central office lines	3.25	3.25
CENTRAL OFFICE ACTIVITY		
Each line	5.75	5.75
PREMISES ACTIVITY		
Initial	9.00	9.00
Additional		
Central office line, each	9.00	9.00
Extension, each	9.00	-
Move or change, each instrument	9.00	-
Pushbutton instrument, each	9.00	-
Supplemental services (all)	9.00	-