

523, Advertising and Directory, “include all revenues derived from advertising in directories and elsewhere.” It also requires that Account 649, Directory Expense, “include the cost of preparing, printing and distributing directories, including the cost of soliciting advertisements for directories.” Hence, Directory Expenses included not only the expenses of generating classified advertising revenues but also the expenses associated with the production of the Company's white pages directories.

PT&T's annual reports show that Advertising and Directory revenues (account 523) were less than Directory Expenses (account 649) until 1918. The Company's annual reports show that in each and every year after 1917, account 523 revenues exceeded account 649 expenses. Exhibit PEG-4 is a schedule showing the account 523 revenues and account 649 expenses for each year from 1914 through 1983~~63~~ for PT&T, Pacific Northwest Bell, and as reported in annual reports to the Commission that were found.

Regulation

Local Regulation

Although no statewide regulation of telephony was authorized in Washington during the first 28 years of its development, there was some local regulation of the Company's rates. At least three cities imposed price caps regulation under their franchise powers. Seattle adopted Ordinance 3530 September 27, 1894 capping telephone rates in the city at \$5.00 per month for business telephones and \$3.00 per month for residential telephones. There is record of Tacoma Ordinance 21 of March 24, 1884 granting a franchise in Tacoma to the Sunset Telephone-Telegraph Co., and a superseding franchise ordinance 371 was adopted Oct. 11, 1890. It capped business rates at \$6.00 per month and residential rates at \$4.50 per month. In 1905, the City of Spokane adopted an ordinance ~~in 1905~~ that set