

**ORIGINAL**Decision No. 68239

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Investigation on the Commission's  
 own motion into the rates, tolls  
 rules, charges, operations,  
 practices, contracts, service and  
 facilities of THE PACIFIC TELEPHONE  
 AND TELEGRAPH COMPANY,

Case No. 7409

ORDER MODIFYING DECISION NO. 67499  
STAYING OPERATIVE EFFECT OF  
DECISION NO. 67369

By Decision No. 67499, dated July 10, 1964, the Commission stayed the operative effect of Decision No. 67369 in Case No. 7409 subject to the following condition, among others:

"a. Respondent shall set aside in a separate fund each month or fraction thereof starting on the date the stay order herein becomes effective, and continuing during the entire period of the stay, 4.7 per cent of all moneys collected from customers attributable to intrastate service revenues together with interest thereon at the rate of 6 per cent per annum. Monthly reports showing the balance in the fund shall be filed with this Commission until further order."

By attachment to its letter dated August 10, 1964, respondent advised the Commission that it was complying with the above Condition "a" of said Decision No. 67499 as follows:

"1. Condition 'a' of Decision No. 67499

"Commencing July 20, 1964, and continuing monthly thereafter, respondent is setting aside 4.7% of its billed intrastate service revenues together with interest thereon at the rate of 6% per annum.

Respondent is accomplishing this by monthly credit entries to Account 180 Earned Surplus Reserved of an amount equal to 4.7% of such revenues (less a provision for uncollectible revenues), plus accrued interest and less the related Federal income tax effect. Concurrently, that amount is being charged to Account 343 Miscellaneous Reservations of Income.

"The effect of this accounting is to set aside in a liability account the net amount required under Condition 'a', which amount is not available for any purpose other than that contemplated by Decision No. 67499.

"In the eventuality of a refund to customers, respondent will obtain cash funds for making such a refund by borrowing from American Telephone and Telegraph Company. Borrowing from that company to meet day-to-day cash requirements of respondent, such as tax payments, suppliers' bills, and the like, is commonplace in respondent's operations, and the amounts involved are frequently comparable in size to annual refund amounts contemplated by Decision No. 67499. Such financial assistance is available under the License Contract between the American Company and respondent, as evidenced by the practice of the parties. Respondent is thus assured that cash for refunding purposes will be immediately available should refunds eventually be required.

"Respondent will file each month a signed copy of the journal entry recording the entries to Account 343 and Account 180, which entry will also include a notation of the balance in Account 180 at the end of such month.

Such filing will be made with the Commission on or before the close of the month next following the month under report."

In its letter of August 10, 1964 respondent states:

"We believe that the reserve accounting method outlined in the attached statement fully meets the purpose and intent of Condition 'a' of the decision and, further, the availability of the cash funds which may ultimately be required is assured. (Respondent has followed reserve accounting because of the economy inherent therein . . .) Should a further guarantee of performance be desired, a formal statement could be obtained from American Telephone and Telegraph Company that it will undertake to make cash funds available to Pacific Telephone when and as needed for refunding purposes."

The Commission has considered this matter and is favorably impressed by the suggestion made by respondent; the Commission finds that Condition "a" of Decision No. 67499 should be modified to require respondent in the alternative to (1) use its proposed reserve accounting method set forth in the attachment to its letter dated August 10, 1964 as outlined above, provided respondent files with this Commission within twenty days after the effective date of this order a certified copy of a resolution by the Board of Directors of American Telephone and Telegraph Company guaranteeing, on behalf of American Telephone and Telegraph Company, performance by respondent of its obligation to make refunds as required by Condition "a" of

said Decision No. 67499, and guaranteeing to furnish to respondent the necessary cash funds to enable respondent to fully and completely discharge said refunding obligation; or (2) adhere to the cash fund requirement of Condition "a" of Decision No. 67499. (The cash fund requirement is not being complied with by the reserve accounting method presently being used by respondent.)

IT IS ORDERED that Condition "a" of Decision No. 67499 is modified to require respondent in the alternative to (1) use its proposed reserve accounting method set forth in the attachment to its letter dated August 10, 1964 and as quoted above, provided respondent files with this Commission within twenty days after the effective date of this order a certified copy of a resolution by the Board of Directors of American Telephone and Telegraph Company guaranteeing, on behalf of American Telephone and Telegraph Company, performance by respondent of its obligation to make refunds as required by Condition "a" of said Decision No. 67499, and guaranteeing to furnish to respondent the necessary cash funds to enable respondent to fully and completely discharge said refunding obligation; or (2) set aside in a separate cash fund each month or portion thereof commencing July 20, 1964, and continuing during the entire period of the stay, 4.7 per cent of all moneys collected from customers attributable to intrastate service revenues together with interest thereon at the rate of 6 per cent per annum. Monthly

reports showing the balance in the fund shall be filed with this Commission until further order.

In all other respects Decision No. 67499 shall remain in full force and effect.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 17<sup>th</sup> day of NOVEMBER, 1964.

Fredrick B. Hallock  
President  
George T. Grover

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Commissioners

Commissioner Peter E. Mitchell  
present but not voting.

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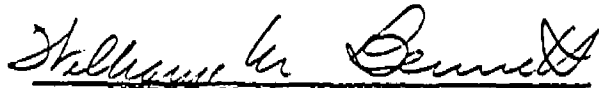
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Case No. 7409

BENNETT, William M., Commissioner, dissenting opinion:

Permitting The Pacific Telephone and Telegraph Company to set up an accounting reserve and excusing it from the requirement of a fund is only a recognition of common sense regulation and conforms to the objections I previously stated as to the fund requirement.

However, I do not consider a corporate resolution either necessary or of any consequence. Legally, our jurisdiction runs to The Pacific Telephone and Telegraph Company and I have no apprehension of either the ability or the willingness of Pacific to meet whatever obligations are imposed upon it following court review. A resolution is not a binding obligation nor does it confer upon us any jurisdiction over the American Telephone and Telegraph Company.

  
WILLIAM M. BENNETT  
Commissioner

Dated at San Francisco, California, this 18th day of November, 1964.