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Decision No. 69393

ORIGINAL

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 TEE PACIFIC
TELEPHONE AND TELEGRAPH COMPANY.

Case No. 7409
(Filed July 26, 1962)

ORDER DIRECTING REFUNDS

On July 6, 1965, hearing was held before Commissioner Holoboff and Examiner Coffey on the plan filed by The Pacific Telephone and Telegraph Company (Pacific) to refund to subscribers amounts collected from them in excess of new rates ordered in Decision No. 67369^{1/} by this Commission on June 24, 1964. The operative effect of said decision was stayed by the Commission pending Pacific's application to the California Supreme Court for a writ of review. The California Supreme Court affirmed the Commission's order with respect to the matters involved herein.

The conditions to the granting of a stay of the operative effect of Decision No. 67369 pending judicial review were set forth as follows in Decision No. 67499^{1/}:

"2. The conditions attached to the granting of said stay are as follows:

"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.

^{1/} Decision No. 67499 was modified by Decision No. 68239.

"b. Respondent shall maintain during the period of the stay all necessary records which will permit it to make appropriate refunds individually to customers of amounts collected in excess of the rates prescribed by said Decision No. 67369. The additional costs associated with maintaining such records and making such refunds shall be accumulated separately, reported in writing to the Commission monthly, and shall be borne by respondent and not charged to operating expenses.

"c. Within twenty days after the effective date of this order, respondent shall file with this Commission a refund plan for the eventual disposition of any amounts collected and set aside in the fund described in condition 'a' above or ordered refunded as a result of the judicial review and subsequent orders herein. No refunds, however, shall be made until the Commission approves said refund plan or a modification thereof.

"d. The refund period specified in ordering paragraph 2 of Decision No. 67369 shall be from July 26, 1962 to July 20, 1964, and the refund plan required by said paragraph shall cover said period.

"e. Respondent shall file with this Commission on or before July 20, 1964 a certified copy of a resolution by the Board of Directors of The Pacific Telephone and Telegraph Company accepting the foregoing conditions."

On July 17, 1964, Pacific accepted the foregoing conditions.

The Supreme Court having affirmed the rate reductions ordered to be effective July 20, 1964, this Commission by Decision No. 69069 on May 16, 1965, terminated the stay embodied in Decision No. 67499, deleted paragraph 2d and modified paragraph 2c of said decision to read:

"Respondent shall file with the Commission, on or before July 1, 1965, a proposed plan to refund to subscribers all amounts collected from them during the period from July 20, 1964 to June 10, 1965, representing the difference between the charges established by Decision No. 67369 and those established by respondent's tariff schedules in effect immediately prior to July 20, 1964. Said plan shall include a statement of the total amount of money to be so refunded. The refunding of money to subscribers pursuant to any such plan that may be approved by the Commission will be the subject of a further order in this proceeding."

The refund plan was filed by Pacific on June 25, 1965; it is in evidence as Exhibit 242. Subsequent to filing, conferences between representatives of Pacific and the Commission staff were held for the purpose of agreeing upon modifications suggested by the staff. Appendix A to this order incorporates all such staff suggestions; it also incorporates other modifications which we find reasonable.

Evidence at the hearing shows that Pacific estimates that on June 30, 1965 the amount to be refunded to its own subscribers will be \$41,920,000, consisting of \$40,700,000 of refundable charges and \$1,220,000 of accrued interest. This amount does not include the amounts, and excise taxes thereon, collected in excess of reduced rates from customers using coin telephones or who were guests of hotels and motels. The total actual amount to be refunded, required by Decision No. 69069, is not known at this time due to reduced rates not being reflected in all bills until July 19, 1965. The amount subject to refund to users of coin telephones is preliminarily estimated to be \$290,000 and to guests of hotels and motels to be \$58,000.

A motion was made by the Cities of San Francisco and Los Angeles that the Commission require Pacific to include with the written material on refunds to be distributed to ratepayers a separate statement of the interest component of the individual refunds and a copy

of bill inserts stating amounts of rate reductions heretofore sent to subscribers. It appears that interest refunds will typically be minor amounts and to separately state the amount of interest refunds will substantially delay the start of refunds. Further, it appears that the bill inserts heretofore sent to subscribers are not in sufficient detail to permit the checking of the accuracy of refunds by subscribers. The company indicates that such breakdowns would be furnished subscribers upon request. Accordingly, we will not require that the foregoing material be distributed to subscribers.

Upon consideration, the Commission finds:

1. Pacific's refund plan is reasonable and in the public interest when modified as hereinafter ordered.
2. Pacific's refund plan does not state the total actual amount due customers as the result of collecting from them amounts greater than those permitted by Decision No. 67369 during the period July 20, 1964 to July 19, 1965.
3. Pacific's refund plan does not state the amounts refundable to customers using coin telephones, or who were guests of hotels and motels or the refundable amount of excise taxes collected.
4. Pacific's refund plan does not provide for processing claims for refunds by customers or for former customers who have not received any or all of the refund due.

The Commission concludes that an order should be issued directing refunds as hereinafter provided and that respondent should be required to refund to customers all amounts collected from customers in excess of the rates which became effective July 20, 1964, in their entirety at the earliest practical date.

IT IS ORDERED that:

1. On August 2, 1965 The Pacific Telephone and Telegraph Company shall begin to refund to its individual customers those amounts collected from said customers during the period from July 20, 1964, to July 19, 1965, which were in excess of the charges established by Decision No. 67369 in accordance with the refund plan proposed by respondent as modified herein and attached hereto as Appendix A.

2. At such time as no refunds remain which can be made by respondent, respondent shall file a written report with the Commission setting forth the total amount, estimated if not known, due to customers as the result of respondent collecting from them amounts greater than those permitted by Decision No. 67369 during the period July 20, 1964 to July 19, 1965. Included with the amounts of refunds due to customers (including excise taxes and amounts collected from customers using coin or hotel and motel telephones) shall be the reasons any amounts cannot be refunded, and the proposals of respondent for the equitable and feasible distribution of unrefunded amounts. The disposition of such unrefunded amounts will be the subject of a further order in this proceeding.

3. The request contained in respondent's refund plan that respondent be authorized to dispose of the balance in Account 180, Earned Surplus Reserved, as of June 30, 1965, will be the subject of a further order of the Commission.

4. All records pertaining to these refunds shall be retained until further order of this Commission.

The effective date of this order shall be July 19, 1965.

Dated at San Francisco, California, this 13th day of July, 1965.

Frederick B. Holdhoff
President

George A. Hoover

August Am...

William L. Bennett
Commissioners

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.

Refund Plan

The Pacific Telephone and Telegraph Company

The following is a statement relating to Condition "a" of Decision No. 67499 as modified by Decision No. 68239, to Condition "b" of Decision No. 67499 and to paragraph 2c of Decision No. 67499 as modified by Decision No. 69069, all being decisions of the Public Utilities Commission of the State of California.

I - Condition "a" of Decision No. 67499 as Modified by Decision No. 68239

Under Decision No. 69069 the stay embodied in paragraph 1 of the order in Decision No. 67499 was terminated, effective as of June 10, 1965. Accordingly respondent has set aside 4.7% of its billed intrastate service revenues together with interest thereon at the rate of 6% per annum from July 20, 1964 to and including May 31, 1965, and will likewise set aside a corresponding amount for the period from June 1 to June 9, 1965, inclusive. Respondent has accomplished this, or will with respect to June, 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 has been or will be charged to Account 343 Miscellaneous Reservations of Income. This reserve accounting method was provided for under alternative (1) of Decision No. 68239 which modified Decision No. 67499.

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The effect of this accounting is to establish in a liability account the net amount required to effectuate refunds to customers for the period commencing July 20, 1964 to the time of current application of the rates prescribed by Decision No. 67369 (hereinafter called the new rates). The new rates are being currently applied to customer billing as described hereinafter.

In the month of May respondent has recorded in its books an account payable for the estimated amount refundable to customers, plus accrued interest, to May 31, 1965. This has been accomplished by charging the portion applicable to the period July 20, 1964 to December 31, 1964 to Unappropriated Earned Surplus and by charging the portion applying to 1965 to respondent's revenue accounts and to interest expense. The amount of this account payable is based upon the records of individual refund amounts described under A, B and C of Section II, hereof, and, accordingly, does not include amounts refundable with respect to coin telephones or to guests of hotels or motels. These amounts are not determinable at this time but respondent considers that they will be relatively minor in relation to the total refunds. Respondent will likewise record in its June accounts an estimate of the amount refundable to customers, plus accrued interest, with respect to that month.

The total amount thus established as an account payable at May 31, 1965 is \$40,510,089.68. This amount consists of refundable charges of \$39,491,925.43 and interest thereon of \$1,018,164.25. It is estimated that as at

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June 30, 1965, such amount will be approximately \$41,920,000 consisting of refundable charges of \$40,700,000 and \$1,220,000 of accrued interest.

Respondent represents that it is making adequate current provision in its books of account for the refunds which it will make and requests the authorization of the Commission to dispose of the balance in Account 180 Earned Surplus Reserved as at June 30, 1965. Such disposition is proposed to be made by transferring the balance in Account 180 Earned Surplus Reserved at December 31, 1964 to Account 181 Unappropriated Earned Surplus and by reversing the provision made in 1965 through Account 343 Miscellaneous Reservations of Income.

II - Condition "b" of Decision No. 67499

Respondent has maintained since July 20, 1964 records which contain the following information for each of its customers commencing July 20, 1964 or with the date of establishment of service if subsequent thereto:

- A - Exchange Service. A record has been maintained for each customer, to compute the difference between the charges at the new rates and the rates in effect immediately prior to July 20, 1964 (hereinafter called the old rates).
- B - Message Unit Charges. Total billed message unit charges at the old rate have been accumulated for each customer.
- C - Message Toll Telephone Service. A record has been maintained for each customer of the difference between intrastate toll charges at the new rates and at the old rates.

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The availability of the records described above will permit respondent to make refunds individually to its customers of amounts collected in excess of the new rates.

D - Coin Telephones. Operator mark sense cards, recording intrastate toll calls sent-paid from coin telephones, have been preserved.

E - Hotel Guest Calls. Toll statements of individual intrastate toll calls placed by hotel guests, which show the date of the call, place and number called, class and duration of the call, and amount charged, prepared in the normal course of business for individual hotels, have been maintained.

Records pertaining to refunds will be preserved until further order of the California Commission.

Each month during the stay respondent has filed reports of the additional costs as required by Condition "b" of Decision No. 67499, which reports set forth the nature of the additional cost, the amounts and the accounts required to be charged with such costs under the Uniform System of Accounts prescribed by the Federal Communications Commission. Respondent proposes that it will continue to file such reports until the refunds are completed and no further costs remain to be incurred. Such filing will be made with the California Commission on or before the close of the month next following the month under report, as has been respondent's practice during the stay.

III - Paragraph 2c of Decision No. 67499, as Modified by Decision No. 69069

A - Periods Covered by Refunds

1 - Toll calls placed on and after June 10, 1965 have been charged at the new rates. Refunds will cover

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toll calls placed from July 20, 1964 through June 9, 1965.

- 2 - Message unit messages are being priced at the new rate on bills dated June 10, 1965, and thereafter covering message units for the previous month. The last bills to initially reflect the new message unit rate will be those dated July 9, 1965. The refund period will be from July 20, 1964 through the last day billed at the old rate.
- 3 - Monthly exchange rates are being billed at the new rates beginning with bills dated June 20, 1965. The last bills to initially reflect the new rates will be those dated July 19, 1965. Refunds for exchange rates will cover the period from July 20, 1964 through the last day billed at the old rates.

B - Application of Refunds. Respondent proposes to refund amounts applying to the period commencing July 20, 1964 for which refunds are applicable in the following manner:

I - Currently Active Accounts

- a - Exchange service. The accumulated rate differential will be established for each customer's exchange service and where customers have multiple classes of service, the amount applicable to each class of service will be determined.
- b - Message Units. The total message unit charges, applying to the period commencing July 20, 1964, will be factored in the relationship of the old rate to the new rate to determine the total refund amount.

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- c - Message Toll. The accumulated message toll rate differential will be developed.
- d - Basic Refundable Charges. The amounts under a, b, and c above will be totaled to arrive at the basic refundable charges.
- e - Interest. Interest at the rate of 6% per annum for the number of months for which the customer is receiving a refund will be applied to the basic refundable charges. For this computation it will be assumed that the refundable amounts have accumulated evenly during each month the customer had service up to the introduction of the new rates. Accordingly, the interest factor will be .25% times the number of months up to the introduction of the new rates and .50% monthly thereafter. The number of months will be taken as the number of times the customer was billed on and after July 20, 1964 and prior to the bill on which his refund is applied.
- f - Excise Tax. An amount equal to refundable excise tax will be added to the basic refundable charges for taxable accounts to cover the refund of Federal excise taxes applied to the accounts.
- g - Application of Refund. The total of the refund (the sum of items d through f above) will be applied as a credit to billing of customers beginning with bills dated

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August 2, 1965 and completing with bills dated September 1, 1965. This credit will appear on the "Other Charges and Credits" line of the bill and will be accompanied by a printed notice explaining that the credit represents a refund. A sample of this notice is attached.

- 2 - Former Customers. Refunds will be calculated as outlined above to the date of discontinuance of service with interest, however, calculated at .50% per month on the basic refundable charges for the period following the termination of service. A draft will be mailed to the last known address of the former customer. This procedure will also be applied to customers who have moved within respondent's territory, and such customers may receive more than one refund amount, each applying to a different portion of the refund period. Former customers who have outstanding final unpaid bills will be credited the refund amount. If this results in a credit balance, a draft will be prepared and mailed to the former customer. A sample of this draft is attached. Such refunds will be made commencing not more than 15 days after Commission approval of this proposal is received, but not before August 10, 1965, and be completed within 30 days.
- 3 - Coin Telephones. By appropriate public notice published in newspapers of general circulation

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in the State of California completing not later than 15 days following receipt of Commission approval of this proposal, users of coin telephones will be informed that they may claim a refund of amounts applying to intrastate message toll calls paid for by them during the period commencing July 20, 1964, provided they have maintained a record of such calls and the calls are those for which the rates have been changed. The notice, a copy of which is attached, will advise these users to obtain from respondent's Business Office a form to be completed by the user. A sample of this form is attached.

Users will be instructed to return these claim forms to the Business Office where they will be checked for accuracy and completeness and forwarded to the appropriate revenue accounting office or offices. Where circumstances dictate, the list of calls will be checked against the file of toll tickets to establish the propriety of the claim. Refund amounts will be calculated in accordance with the procedures outlined previously and a draft will be mailed to the user. Such refunds will be made not more than 30 days after the claim is filed, unless the claim is contested.

- 4 - Hotel Guests. The public notice referred to under 3 above will also apply to hotel guests and the procedures described there will be applied in the case of intrastate message toll calls which

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qualify for refund and were paid for by hotel guests. The form to be used by hotel guests is the same as that to be used by coin telephone users. The claim will be verified against the toll statements where circumstances dictate. Such refunds will be made not more than 30 days after the claim is filed, unless the claim is contested.

C - General. Claims for refunds applying to coin telephones or hotel telephones should be presented within 60 days following receipt of Commission approval of this proposal in order for them to be promptly honored and the public notice referred to under 3, above, shall so state.

Claims for adjustment of refunds made either as a credit or cash refund should be presented within 30 days after the date the refund is made in order to be promptly honored.

In the case of a customer who has not received a refund and who inquires regarding a refund within ^{90 days} ~~60~~ days after the date of the Commission's Order approving the refund plan, or in the case where a claim is made for adjustment of a refund within 30 days after the date of refund, the company plans to investigate and make a refund or refund adjustment where appropriate.

Respondent will report to the Commission each month the amount refunded and the interest thereon. Such report will be made on or before the end of the month following the month in which refunds were made.

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At such time as no refunds remain to be made respondent will so advise the Commission and cease such reporting. As soon thereafter as practicable, respondent will advise the Commission of the total amounts subject to refund, including unclaimed and returned drafts, unclaimed coin telephone refunds, unclaimed hotel and motel guest refunds, and will dispose of such amount in such manner as the Commission may direct.

LIST OF ATTACHMENTS

- (1) Bill enclosure.
- (2) Form of draft to be used to make cash refunds to former customers, coin telephone users and hotel guests.
- (3) Newspaper advertisement to appear in daily and weekly California papers.
- (4) Claim form to be used by coin telephone users and by hotel guests.

General Bill Enclosure Rate Refund

Pacific Telephone refunds: how they will be handled

Telephone bills are now being credited for any refund due customers as a result of new lower rates ordered by the California Public Utilities Commission. The refund will be the difference between the new rates and those charged since July 20, 1964. These new rates were ordered by the Public Utilities Commission on June 24, 1964, but were held up because the company sought unsuccessfully to have the California Supreme Court declare the rate reduction unlawful. This refund is pursuant to an order of the California Public Utilities Commission.

The refund also includes interest at the annual rate of 6% and applicable Federal excise tax.

The amount of refund where applicable is reflected on the Other Charges and Credits line of your bill.

The refund applies:

1. To basic monthly charges for service.
2. To message units which were charged at 4.25 cents each.
3. To certain Long Distance calls between points within California.

Those subject to refund include daytime station-to-station calls costing 70 cents or more for the initial period. Night and Sunday station-to-station calls costing 60 cents or more for the initial period and certain person-to-person calls.

Refunds for previous service

If you disconnected Pacific Telephone service or had a change in your telephone number after July 20, 1964, you may also

be entitled to a refund on charges you paid for that service. In such a case, the Company will mail you a refund check.

Refunds for calls paid for at hotel, motel and pay telephones

Refunds on charges for certain Long Distance calls between points within California will be made as described on Page _____.


Please obtain claim forms by contacting your Pacific Telephone Business Office. Your claim must be presented to our Business Office or postmarked not later than (include date 60 days following receipt of order). The claim form requires that you include the following for each call:

1. Telephone number from which you made the call including the Area Code.
2. Telephone number you called including the Area Code.
3. Date and time of day.
4. Whether the call was station-to-station or person-to-person.
5. Amount paid for the call.
6. Name of hotel or motel, if the call was made from one.

Under the terms of our refund plan as approved by the California Public Utilities Commission, claims for adjustment of refund are to be presented within thirty days after receipt of the refund.

If you have any questions, please contact your Pacific Telephone Business Office.

(logo) Pacific Telephone

	TO THE TREASURER OF PACIFIC TELEPHONE PAYABLE THROUGH BANK OF AMERICA N.Y. & S.A. <small>Los Angeles Main Office, Los Angeles, California</small>	16-5 1220			
	PAY THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY ASSISTANT TREASURER - SOUTHERN CALIFORNIA	<table border="1"> <tr> <td style="text-align: center;">Dollars</td> <td style="text-align: center;">Cents</td> </tr> <tr> <td style="height: 20px;"></td> <td style="height: 20px;"></td> </tr> </table>	Dollars	Cents	
Dollars	Cents				
To The Order Of					

PACIFIC TELEPHONE

THIS IS YOUR RECORD -- PLEASE DETACH

Account Number	Amount
PURSUANT TO AN ORDER OF THE CALIFORNIA PUBLIC UTILITIES COMMISSION, THE REFUND IS	

This is your refund of the difference between the new telephone rates ordered by the California Public Utilities Commission and the rates charged since July 20, 1964. The refund includes interest at 6% per year, and the applicable Federal Excise tax.

This refund relates only to charges billed to this phone number or refund claim number. If you had service at other telephone numbers since July 20, 1964, or if you filed a refund claim form (for calls made from coin telephones or from hotels and motels), you'll get separate refunds.

If you have any questions about the amount of your refund, contact your Pacific Telephone Business Office within 30 days.

Newspaper Ad for Refund

Pacific Telephone refunds: how they will be handled

Pacific Telephone will refund to its customers the difference between the new rates ordered by the California Public Utilities Commission and those charged since July 20, 1964. These new rates were ordered by the Public Utilities Commission on June 24, 1964, but were held up because the company sought unsuccessfully to have the California Supreme Court declare the rate reduction unlawful. This refund is pursuant to an order of the California Public Utilities Commission. The refund will include interest at the annual rate of 6% and applicable Federal excise tax.

The refund applies:

1. To basic monthly charges for service.
2. To message units which were charged at 4.25 cents each.
3. To certain Long Distance calls between points within California.

Those subject to refund include daytime station-to-station calls costing 70 cents or more for the initial period, Night and Sunday station-to-station calls costing 60 cents or more for the initial period and certain person-to-person calls.

Refunds for service at your present address

We will apply any refund due for basic monthly charges, message unit or Long Distance service where appropriate as a credit to your telephone bill. Refunds will be reflected on bills starting with those dated August 2, 1965.

Refunds to customers who disconnected service or changed their telephone number

Customers who disconnected service or changed their telephone number after July 20, 1964 may be entitled to a refund. In such cases, the Company will mail a refund check to the last known address. Refunds will be mailed starting (include date).

Refunds for calls paid for at hotel, motel and coin telephones

Refunds on charges for certain Long Distance calls between points within California will be made as described above.

Please obtain claim forms from any Pacific Telephone Business Office. Your claim must be presented to our Business Office or postmarked not later than (include date 60 days following receipt of order). The claim form requires that you include the following for each Long Distance call:

1. Telephone number from which you made the call including the Area Code.
2. Telephone number you called including the Area Code.
3. Date and time of day.
4. Whether the call was station-to-station or person-to-person.
5. Amount paid for the call.
6. Name of hotel or motel, if the call was made from one.

If you have any questions, please contact your Pacific Telephone Business Office.

(logo) Pacific Telephone

