

Decision No. 70236**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 THE PACIFIC TELEPHONE AND TELEGRAPH
COMPANY.

Case No. 7409
(Filed July 26, 1962)

SECOND ORDER DIRECTING REFUNDS

On July 13, 1965, The Pacific Telephone and Telegraph Company (Pacific) was ordered^{1/} to refund to subscribers amounts collected during the period from July 20, 1964, to July 19, 1965, which were in excess of new rates ordered^{2/} by this Commission on June 24, 1964.

As directed by the second ordering paragraph of Decision No. 69393, Pacific on November 24, 1965, reported refunded and un-refunded amounts as follows:

Amount Refundable to Customers

Basic exchange charges	\$25,614,425.81
Message unit charges	6,318,574.17
Toll charges	8,157,875.17
Subtotal	<u>\$40,090,875.15</u>
Estimated coin and hotel guest refunds ^{3/}	291,000.00
Subtotal	<u>\$40,381,875.15</u>
Interest	1,462,185.76
Excise tax	3,954,491.38
Total Amount Refundable	<u>\$45,798,552.29</u>

Amount Refunded to Customers

Credit on bills	\$41,304,089.30
Drafts paid	3,724,946.25
Coin and hotel guests	296.59
Total Amount Refunded	<u>\$45,029,332.14</u>

Total Unrefunded Amount

\$769,220.15

This unrefunded amount includes:

Outstanding unpaid drafts	215,936.50
Drafts returned by Post Office	224,750.24
Coin and hotel guest refunds ^{4/}	328,533.41
Total Unrefunded Amount	<u>\$769,220.15</u>

^{1/} Decision No. 69393, July 13, 1965.^{2/} Decision No. 67369, June 24, 1964.^{3/} Based on Pacific study of May 1965 expanded to cover period from July 20, 1964, through June 9, 1965.^{4/} Includes Interest and Excise Tax

Pacific proposes that the unrefunded amounts be distributed by means of a uniform credit of 15 cents on each live and current final account, excluding coin and special accounts. This credit would be reflected on bills dated thirty days following receipt of authorization and completed at the end of the ensuing billing cycle, approximately thirty days thereafter. Since respondent presently has approximately 4,750,000 active accounts, this proposal would refund about \$712,500, or \$57,000 less than the total unrefunded amount. Pacific proposes to use the \$57,000 as a reserve for payment of the outstanding unpaid drafts, \$215,936.50. Pacific alleges that approximately 25 percent of the outstanding amount will be presented ultimately for payment.

Pacific further proposes that the credits of 15 cents appear on the "Other Charges and Credits" line of customers' bills and be described in an insert accompanying the bills in the following manner:

"AN ADDITIONAL REFUND AMOUNT IS CREDITED TO YOUR TELEPHONE BILL.

We are crediting your telephone bill with 15¢. This is included on the 'Other Charges and Credits' line of the bill. It represents your share of the balance remaining after the initial refund we made in August 1965 and is the final amount. These refunds result from lower rates ordered by the California Public Utilities Commission to become effective on June 24, 1964, which were held up pending a review of the order by the Supreme Court of California.

PACIFIC TELEPHONE"

Pacific requests that:

1. The order authorizing the disposition of unrefunded amounts also authorize respondent to transfer the balance in Account 180, Earned Surplus Reserved by Account 181, Unappropriated Earned Surplus by appropriate entries; and
2. Upon the completion of the application of credits as proposed it be authorized to apply the provisions of Part 42, Preservation of Records of Communication Common Carriers, Rules and Regulations of the Federal Communications Commission, to the records pertaining

to refunds which it has maintained.

The Commission's staff has reviewed Pacific's proposal and has advised the Commission that the staff considers Pacific's proposal reasonable. A comprehensive audit by the staff of the accounting for the refunds finds the accounting to be in order. The following summarizes the staff determination of the total amount refundable to customers and the amount refunded as of December 15, 1965:

Amount Refundable to Customers

Basic exchange charges	\$25,624,580.39
Message unit charges	6,322,512.29
Toll charges	8,161,985.88
Subtotal	<u>\$40,109,078.56</u>
Estimated coin and hotel guest refunds	291,000.00
Subtotal	<u>\$40,400,078.56</u>
Interest	1,462,889.57
Excise tax	3,956,303.49
Total Amount Refundable	<u><u>\$45,819,271.62</u></u>

Amount Refunded as of December 15, 1965

Credits on bills	\$41,288,432.27
Drafts paid	3,768,733.63
Coin and hotel guest refunds	387.69
Total Amount Refunded	<u><u>\$45,057,553.59</u></u>

Unrefunded Amount at December 15, 1965

Draft returned by Post Office	\$ 248,130.81
Drafts outstanding and unpaid	185,144.91
Unclaimed coin and hotel guest refunds	<u>328,442.31</u>
Total Amount Unrefunded to Customers	<u><u>\$ 761,718.03</u></u>

Pacific's report appears not to have included certain amounts for drafts prepared but not mailed as of the date of the report which were included in the staff audit. Included in the staff auditing procedures were: (a) verifying the balances of the various unrefunded amounts; (b) testing computations of actual amounts refunded to customers; and (c) confirming that the company followed the procedures ordered by this Commission.

The staff audit would result in an estimated unrefunded balance of \$49,218.03 after a uniform credit of 15 cents to each

active account, 26.6 percent of the uncashed drafts of \$185,144.91. The staff determined that it has been Pacific's experience that 23.5 percent of the drafts outstanding for more than six months will eventually be cashed.

Upon consideration, the Commission finds that:

1. Pacific's plan as set forth in its report dated November 24, 1965, to make further refunds is reasonable and in the public interest.

2. Since Pacific has recorded its liability for the amounts refundable as an account payable, it is reasonable that the amount recorded in Account No. 180, Earned Surplus Reserve, should be transferred to Account No. 181, Unappropriated Earned Surplus.

3. It is reasonable that Pacific be permitted to destroy the following records after one year:

Form A7084	Combined Bell and Toll Statements
Form A5705	Mechanized Toll Statements
Form A1360	Operator Mark Sensed Cards

The Commission concludes that an order should be issued directing Pacific to make further refunds as hereinafter provided so that Pacific will refund to customers all amounts collected from customers in excess of the rates which became effective July 20, 1964, and that other requests should be authorized as hereinafter provided.

IT IS ORDERED that:

1. The Pacific Telephone and Telegraph Company shall, beginning thirty days after the effective date of this order, distribute the amount of \$761,718.03, remaining to be refunded to customers for charges collected greater than those permitted by Decision No. 67369 during the period July 20, 1964 to July 19, 1965, by paying outstanding refund drafts and by means of a uniform credit of 15 cents on the bill of each live and current final account, excluding coin and special accounts, such credits to be completed at the end of one billing cycle

of approximately thirty days. Credits and bill inserts describing the credit shall be as prepared by respondent in the report dated November 24, 1965.

2. Respondent is authorized to transfer the balance in Account No. 180, Earned Surplus Reserve, to Account No. 181, Unappropriated Earned Surplus, by appropriate entries.

3. Respondent is authorized to apply the provisions of Part 42, Preservation of Records of Communication Common Carriers, Rules and Regulations of the Federal Communications Commission, to the records pertaining to refunds which respondent has maintained.

4. As soon as convenient after June 30, 1966, respondent shall file a written report with the Commission setting forth the total amount paid to customers as of June 30, 1966, 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.

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

Dated at San Francisco, California, this 11th day of JANUARY, 1966.

Fredrick B. Holbrook
President

Augustine

George H. Traver

William W. Bennett
Commissioners