

Decision 84 04 043

APR 18 1984

ORIGINAL

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 59849
(Filed August 1, 1980;
amended August 28, 1980
and October 14, 1980

Application 59269
(Filed November 13, 1979;
amended November 15, 1979)

Application 59858
(Filed August 1, 1980)

Application 59888
(Filed August 19, 1980)

OII 63
(Filed December 18, 1979)

OII 81
(Filed August 19, 1980)

And Related Matters.

(For appearances see Decisions 93367, 93728, and 82-08-017.)

DECISION MODIFYING DECISION 83-08-031

By Decision (D.) 83-08-031, we approved an annual increase in revenues for Pacific Bell (Pacific), formerly known as The Pacific Telephone and Telegraph Company, of \$61 million for increased depreciation expense. However, we delayed implementation of the \$61 million increase pending recovery of annual rate reductions totaling some \$16 million ordered by D.82-05-044 (\$12.8 million PhoneCenter store adjustment) and D.82-12-046 (\$3.6 million tax adjustment). We

provided for recovery of these refunds by assuming that the increase for depreciation expense was effective but not to be recovered until the "amount of the refunds noted above have been equaled by the increased revenues from this decision." (D.83-08-031, mimeo. p. 33, August 3, 1983.) The net effect of our action was to provide for recovery of previously accrued refund amounts and to authorize an annual increase in revenues of \$45 million.

We further ordered Pacific to determine the period of time required to recover the accrued refund amounts and to serve its calculation on all parties to this proceeding. It did so on September 30, 1983 showing that revenues should be increased by \$45 million on June 12, 1984.

Subsequent to that filing, Pacific petitioned the Commission to modify D.83-08-031 to allow for an annual increase in revenues of \$61 million, rather than \$45 million, to be effective on May 1, 1984. The basis for Pacific's request was its determination that the above-described \$16 million in refunds had been included in its interim general rate increase amount authorized in D.83-12-025. Pacific stated that because it had inadvertently accounted for these refunds in the results of operation showing in its general rate case, the refunds were incorrectly recognized a second time by the Commission in D.83-12-025.

Rather than attempt to amend the interim general rate increase award of D.83-12-025, Pacific asks that D.83-08-031 be modified to allow for recovery of \$61 million. Pacific has, with its request, provided a new calculation of the effective date of this increase, which it determines to be May 1, 1984. It further asks that this increase be recovered through a surcharge of 1.83% on all intraLATA services pending a final decision in its general rate case (Application (A.) 82-11-07, A.83-01-22, and related matters). No opposition to these requests has been filed by any party.

Pacific's requested correction is proper. Because of the results of operation showing in its general rate increase application and our earlier action in D.83-08-031, Pacific's interim rate award in D.83-12-025 was reduced by \$61 million instead of \$45 million. This resulted in a second reduction of revenues of \$16 million to recover the refunds ordered in D.82-05-044 and D.82-12-046. D.83-08-031 should be modified to provide for an effective increase in revenues of \$61 million, rather than \$45 million. Pacific's calculation showing that it should become effective on May 1, 1984 is correct.

However, Pacific's recommendation for recovery of the increased rates through a 1.83% surcharge, although technically correct, is not reasonable because of the short period of time the surcharge would be in effect. This would probably be about one month because we expect to issue an order in Pacific's current general rate case effective in early June. Therefore, we will make the adjustment in the following way. Pacific's revenue requirement in the general rate case for the initial year will be increased to offset the temporary revenue loss between May 1 and the effective date of the rates in the general rate case by the following formula:

$$\frac{R \times D_1}{D_2}$$

where R = the increased depreciation allowance
(nominally \$61 million)

D₁ = the number of days between April 30, 1984
and the effective date of the rates in
Pacific's current rate case

D₂ = the number of days between the effective
date of the rates in Pacific's current
general rate case and the first day of
Pacific's attrition year in its current
general rate case, plus one.

This adjustment should be terminated with the beginning of Pacific's attrition year.

Findings of Fact

1. In D.83-08-031, increased annual revenues for Pacific of \$61 million were authorized, offset by an annual adjustment of \$16 million to recover refunds ordered in D.82-05-044 and D.82-12-046, providing for an effective revenue increase of \$45 million.

2. In D.83-12-025, the above-described \$16 million refund was reflected a second time in the interim general rate increase authorized for Pacific and made effective January 1, 1984.

3. The previously accrued refund amounts resulting from the \$16 million refund adjustments will be recovered by April 30, 1984 when an annual revenue increase of \$61 million, rather than \$45 million, as provided for in D.83-08-031 is proper.

4. Revenue recovery by Pacific of the increased depreciation allowance should be accomplished as indicated in the body of this decision in the next decision in Pacific's current general rate case.

5. Because the adjustment authorized by this decision should become effective May 1, 1984 this decision should be effective on May 1, 1984.

Conclusion of Law

D.83-08-031 should be modified to allow for increased annual revenue of \$61 million, rather than \$45 million, to prevent the double payment of refund amounts provided for in D.82-05-044 and D.82-12-046.

O R D E R

IT IS ORDERED that:

1. Ordering Paragraphs 1, 2, 3, and 4 of D.83-08-031 are deleted.

2. Pacific Bell is authorized increased revenues of \$61.4 million effective May 1, 1984 and continuing to the effective date of the next decision in A.83-01-22.

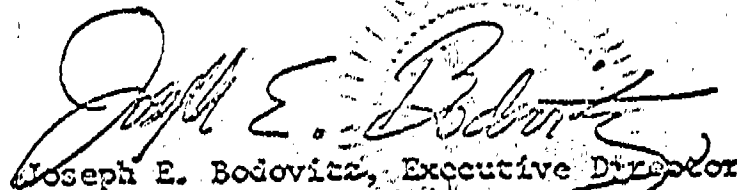
3. Increased rates to recover the revenue increase authorized in Ordering Paragraph 2 shall be authorized in the next decision in A.83-01-22 in accordance with the formula contained in the body of this decision.

This order becomes effective May 1, 1984.

Dated APR 18 1984, at San Francisco, California.

LEONARD M. GRIMES, JR.
President
VICTOR CALVO
PRISCILLA C. GREW
DONALD VIAL
WILLIAM T. BAGLEY
Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.


Joseph E. Bodovitz, Executive Director