

L/SK:bjk

Decision 84 09 037

SEP 6 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 due to increased)
depreciation expenses.)
_____)

) Application 82-11-07
) (Filed November 4, 1982)

) Application 83-01-22
) (Filed January 17, 1983)

) OII 83-04-02
) (Filed April 20, 1983)

) Application 83-06-065
) (Filed June 30, 1983)

And Related Matters)

) Case 82-10-09
) (Filed October 28, 1982)

) (I&S) Case 83-11-06
) (Filed November 22, 1983)

) (I&S) Case 83-11-07
) (Filed November 22, 1983)

ORDER MODIFYING DECISION (D.) 84-06-111
AND DENYING REHEARING

Various parties have applied for rehearing and/or petitioned for modification of D.84-06-111, which is an interim opinion and order in the 1984 test year phase of a consolidated proceeding that includes general rate cases for Pacific Bell (PacBell) and AT&T Communications of California, Inc. (AT&T-C). We will deal separately

with PacBell's requests regarding procedural matters and reporting requirements, with AT&T-C's objections to our treatment of its Central Management Organization expenses, and with Toward Utility Rate Normalization's (TURN) request for a finding of financial hardship and for compensation. Also, D.84-07-121 already responds to AT&T-C's requests in part I of its application for rehearing. Finally, we reserve for later consideration TURN's objections to AT&T-C's optional discount calling plans. Except as noted, we here deal with all the substantive issues regarding D.84-06-111 that are raised in the various applications and petitions. We have determined that rehearing is not necessary. We do, however, modify D.84-06-111 in certain respects.

TURN's proposed application for rehearing was submitted one day past the statutory deadline (see Pub. Util. Code § 1731(b)), together with TURN's "Motion to Accept Late-Filed Application for Rehearing." We deny this motion. Although we recognize that TURN, like other parties to this complex proceeding, has experienced intense time pressure, the statutory deadline for application for rehearing is explicit and mandatory. For good cause shown we can waive strict compliance with our own procedural rules. We lack such discretion regarding this statutory provision, however, and we have consistently so held. (See, e.g., D.83-11-021.) Our practice in such instances is to offer to treat the tendered application for rehearing as a petition for modification, and we will follow that practice here.

In addition to TURN's filing, the petitions for modification and applications for rehearing to which we here respond are those of PacBell (insofar as it pertains to Equal Life Group depreciation); Telephone Answering Services of California, Inc. (TASC); Western Burglar & Fire Alarm Association; and the American Broadcasting Companies, Inc. and CBS, Inc. (jointly applying for rehearing). We have also considered responsive pleadings filed by TURN (to the

PacBell application), and by PacBell (to the TASC petition and to the joint application of ABC/CBS).

We have considered all of the allegations of legal error and have concluded that no good cause for rehearing is shown. We are also denying TASC's petition. TASC seeks a modification and stay of those portions of D.84-06-111 which increase to \$61 the charges that PacBell is authorized to collect for installation of secretarial lines. TASC proposes a revised schedule of secretarial line installation charges and monthly rates that, according to TASC, would allow PacBell to meet its revenue requirement while avoiding the injury to the telephone answering services industry that, TASC alleges, would result if the \$61 installation charge were to remain in effect.

TASC's proposed modification would basically allocate a greater proportion of PacBell's revenue requirement to the monthly rate component of the secretarial line rates and charges. TASC alleges that this service industry's ability to attract new customers is greatly impaired if the installation charge for secretarial lines is high. TASC's members could avoid the installation charge through use of automated answering equipment in combination with Direct Inward Dialing (DID) and call forwarding service provided by PacBell. However, according to TASC, many of PacBell's central offices either lack DID facilities altogether or lack space for new DID configurations.

PacBell objects to TASC's proposed modification. PacBell alleges that the impact of the proposal on customers other than TASC's subscribers needs to be explored before adoption, and further, that there are ways to restructure the nonrecurring charges to soften their impact, presumably without adversely affecting other customers. PacBell says it is willing to work out with the interested parties such a restructuring of nonrecurring charges for secretarial lines.

We decline to stay or otherwise modify D.84-06-111 as requested by TASC. Although we are sympathetic to TASC's concerns, we are not prepared on this record to reallocate PacBell's secretarial line revenue requirement between the monthly and nonrecurring rate components. We do encourage the interested parties, in consultation with our staff, to work out with PacBell a restructuring of the nonrecurring charges that will mitigate the impact of the substantial but necessary increases in those charges.

One of TURN's suggested modifications has merit. This modification relates to PacBell's newly authorized late payment charge (LPC). One of the important purposes of the LPC is to reduce PacBell's interest cost for unpaid balances, thus lowering the cost of service for its ratepayers generally. In Exhibit 631, PacBell estimates a \$4.3 million reduction in interest costs. From our review of the record, it appears that we failed to take this reduction into consideration, in computing either PacBell's working cash requirement or the net revenue attributable to the LPC. We will remedy this by an appropriate adjustment to the billing surcharge on PacBell's monthly recurring rates. As noted above, we reserve for consideration in a subsequent decision TURN's objections to AT&T-C's optional discount calling plans.

We reject TURN's other suggested modifications, although one suggestion merits some discussion. TURN has requested that we "clarify" our intent regarding the continuation in D.84-04-104 of the imputation of a 6% cost to \$82 million of Pacific Telephone and Telegraph common equity. (The imputation is now apportioned between PacBell and AT&T-C.) Specifically, TURN states that D.84-06-111 clearly requires the imputation to continue as to AT&T-C until its next general rate case but that our discussion is ambiguous as to PacBell. We do not perceive any such ambiguity. We authorized, for both PacBell and AT&T-C, a specific rate of return, which we then adjusted for the effects of D.84-04-104 to achieve our adopted rate of return. (See PacBell results of operations finding 6; AT&T-C results of operations finding 10.) We think it quite clear that the

adopted rates of return for the respective companies will remain in effect until their next general rate case.

Therefore, IT IS ORDERED that D.84-06-111 is modified as follows:

1. The following is added to the Findings of Fact - PacBell rate design:

"28a. One purpose of the late payment charge is to reduce PacBell's interest cost for unpaid balances, thus lowering the cost of service for its ratepayers generally."

2. The following is added to the conclusions of law:

"11. In implementing PacBell's late payment charge, the estimated reduction in interest cost for unpaid balances should be reflected through a negative adjustment to PacBell's billing surcharge on monthly recurring rates (Tariff Rule 33, Schedule Cal. P.U.C. 36-T)."

3. The following ordering paragraph is added:

"27. PacBell shall file, in conformity with General Order 96-A, within 14 days of the effective date of this order, revised tariff sheets effecting a percentage reduction of the billing surcharge in Tariff Rule 33 (Schedule Cal. P.U.C. 36-T) calculated so as to equal on an annualized basis the annual reduction in interest cost for unpaid balances resulting from implementation of the

late payment charge. The effective date of the reduction to the billing surcharge shall be five days after the advice letter is filed. Such advice letter shall be served on all parties to this proceeding, shall be subject to protest by any interested person for 14 days after the advice letter is filed, and shall set forth with specificity PacBell's assumptions and calculations in determining interest cost savings and the billing surcharge reduction."

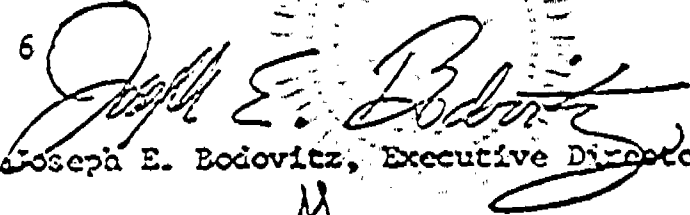
IT IS FURTHER ORDERED that the applications for rehearing of D.84-06-111 by PacBell (as it relates to Equal Life Group depreciation), Western Burglar & Fire Alarm Association, and the American Broadcasting Companies, Inc., and CBS, Inc., are denied, as are TASC's petition for modification and stay, and TURN's motion to accept late-filed application for rehearing. TURN's requests for modification, except as noted above, are denied.

This order is effective today.

Dated SEP 6 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.

6

Joseph E. Bodovitz, Executive Director

with PacBell's requests regarding procedural matters and reporting requirements, with AT&T-C's objections to our treatment of its Central Management Organization expenses, and with Toward Utility Rate Normalization's (TURN) request for a finding of financial hardship and for compensation. Also, D.84-07-121 already responds to AT&T-C's requests in part I of its application for rehearing. Except as noted, we here deal with all the substantive issues regarding D.84-06-111 that are raised in the various applications and petitions. We have determined that rehearing is not necessary. We do, however, modify D.84-06-111 in certain respects.

TURN's proposed application for rehearing was submitted one day past the statutory deadline (see Pub. Util. Code § 1731(b)), together with TURN's "Motion to Accept Late-Filed Application for Rehearing." We deny this motion. Although we recognize that TURN, like other parties to this complex proceeding, has experienced intense time pressure, the statutory deadline for application for rehearing is explicit and mandatory. For good cause shown we can waive strict compliance with our own procedural rules. We lack such discretion regarding this statutory provision, however, and we have consistently so held. (See, e.g., D.83-11-021.) Our practice in such instances is to offer to treat the tendered application for rehearing as a petition for modification, and we will follow that practice here.

In addition to TURN's filing, the petitions for modification and applications for rehearing to which we here respond are those of PacBell (insofar as it pertains to Equal Life Group depreciation); Telephone Answering Services of California, Inc. (TASC); Western Burglar & Fire Alarm Association; and the American Broadcasting Companies, Inc. and CBS, Inc. (jointly applying for rehearing). We have also considered responsive pleadings filed by TURN (to the

We decline to stay or otherwise modify D.84-06-111 as requested by TASC. Although we are sympathetic to TASC's concerns, we are not prepared on this record to reallocate PacBell's secretarial line revenue requirement between the monthly and nonrecurring rate components. We do encourage the interested parties, in consultation with our staff, to work out with PacBell a restructuring of the nonrecurring charges that will mitigate the impact of the substantial but necessary increases in those charges.

One of TURN's suggested modifications has merit. This modification relates to PacBell's newly authorized late payment charge (LPC). One of the important purposes of the LPC is to reduce PacBell's interest cost for unpaid balances, thus lowering the cost of service for its ratepayers generally. In Exhibit 631, PacBell estimates a \$4.3 million reduction in interest costs. From our review of the record, it appears that we failed to take this reduction into consideration, in computing either PacBell's working cash requirement or the net revenue attributable to the LPC. We will remedy this by an appropriate adjustment to the billing surcharge on PacBell's monthly recurring rates.

We reject TURN's other suggested modifications, although one suggestion merits some discussion. TURN has requested that we "clarify" our intent regarding the continuation in D.84-04-104 of the imputation of a 6% cost to \$82 million of Pacific Telephone and Telegraph common equity. (The imputation is now apportioned between PacBell and AT&T-C.) Specifically, TURN states that D.84-06-111 clearly requires the imputation to continue as to AT&T-C until its next general rate case but that our discussion is ambiguous as to PacBell. We do not perceive any such ambiguity. We authorized, for both PacBell and AT&T-C, a specific rate of return, which we then adjusted for the effects of D.84-04-104 to achieve our adopted rate of return. (See PacBell results of operations finding 6; AT&T-C results of operations finding 10.) We think it quite clear that the