

Decision 84 10 007 OCT 3 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 expense.)

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

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

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

And Related Matters.)

Application 83-06-65
 (Filed June 30, 1983)

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

In the Matter of the Application of)
 AT&T COMMUNICATIONS OF CALIFORNIA,)
 INC., for emergency relief.)

Application 84-06-057
 (Filed June 19, 1984)

INTERIM ORDER MODIFYING DECISION 84-09-121
AND SETTING FURTHER HEARING

AT&T Communications of California, Inc. (AT&T-C) has filed a petition for modification of Decision (D.) 84-09-121, issued September 19, 1984, with respect to the rate increases which that decision required in Optional Discount Calling Plan A (Plan A), a discount plan for off-peak use of message toll service (MTS). AT&T-C asserts that Plan A "will become a nullity if these increases become effective" and "will no longer be a viable plan," because the increases negate the discount plan's purpose by making it more

expensive than MTS for virtually all customers. AT&T-C requests that the rate increases for Plan A required by D.84-09-121 be withdrawn and that the lower rates originally authorized by D.84-06-111 be permitted to remain in effect. Asserting that delay in resolving this matter will cause irreparable harm to AT&T-C and to customers who have subscribed to Plan A, AT&T-C requests that the Commission consider its petition at its meeting of October 3, 1984.

Plan A is a so-called "block of time" discount plan. The rates established by D.84-06-111 were \$10.00 for the first hour of off-peak usage and \$8.00 for each additional off-peak hour of usage, in addition to a \$10.00 nonrecurring service order charge. These were the rates originally proposed by AT&T-C, but AT&T-C had subsequently proposed higher charges of \$12.00 and \$10.00 for the first and additional hours of usage, respectively. D.84-06-111 approved the lower, originally proposed rates, partly in view of a decreased revenue requirement for AT&T-C and reduced MTS rates adopted in that decision. (Id., mimeo. at 309.)

Following an interim stay of the D.84-06-111 rate design effected by D.84-06-193 at AT&T-C's request, the Commission allowed Plan A to go into effect by D.84-07-121, issued July 18, 1984. However, several interexchange carriers in competition with AT&T-C filed applications for rehearing or petitions for reconsideration objecting to Plan A as "predatory," anticompetitive, and priced below AT&T-C's costs. The Commission responded to these objections by D.84-09-121, which raised the charges for Plan A to the levels last proposed by AT&T-C: \$12.00 and \$10.00 for the first and additional hours of usage, respectively. We found that these charges would provide reasonable assurance of cost coverage.

D.84-09-121 ordered AT&T-C to file revised tariff sheets reflecting the higher charges by October 4, to take effect within 15 days thereafter. However, recognizing that some customers had subscribed to Plan A based on the more favorable terms previously

authorized, we allowed AT&T-C to defer the effectiveness of the higher rates for up to 60 days for customers subscribing no later than September 26.

By its petition for modification filed September 28 and the accompanying declaration of its state pricing manager, K. R. Parker, AT&T-C demonstrates conclusively by straightforward comparison of tariffed charges for service under Plan A and under the MTS rate schedule that Plan A no longer offers a meaningful discount under the increased rates ordered by D.84-09-121. When AT&T-C proposed these rates it was in the context of the higher rates for long-haul MTS calling which preceded D.84-06-111. That decision decreased those long-haul MTS rates and approved rates for Plan A consistent with the lower MTS rates.

According to AT&T-C, the increases in Plan A rates ordered by D.84-09-121 will cause "administrative and marketing chaos," because the plan at the original rates has already attracted more than 8,000 residence customers, spending over \$83,000 in one-time sign-up fees. With the newly announced rate increases, however, Plan A no longer makes economic sense and would be inappropriate to sell. AT&T-C states that if these increases become effective, AT&T-C will have to advise present subscribers to Plan A that it will no longer be a viable service because it will be cheaper for them to stay with MTS. AT&T-C expects an "extremely adverse" customer reaction and substantial expenses for processing disconnect orders.

We are persuaded by AT&T-C that it would be unfair to customers who have, in good faith, subscribed to Plan A at present rates and paid the nonrecurring service order charge, for us to require at this time a rate increase which renders that service uneconomic for those very customers. We believe these customers should be permitted to retain the service on the terms for which they have subscribed long enough to recover the value of their cost and trouble in subscribing to the service. Therefore, we will extend

indefinitely our authorization for AT&T-C to defer changes in Plan A rates for customers subscribing no later than September 26.

We remain concerned, as we noted in D.84-09-121, at the apparent failure of the originally approved rates for Plan A to cover AT&T-C's costs of service. Therefore, we will not permit AT&T-C to continue marketing Plan A at those rates. However, because the higher rates required by D.84-09-121 render the service nonviable, we will not require AT&T-C to modify its tariff to incorporate those rates. Instead, we will instruct AT&T-C to file tariff changes limiting Plan A to those customers who subscribed no later than September 26, 1984.

Although we have striven to avoid reopening evidentiary consideration of rate design issues in this proceeding, it now appears that we must do so with respect to Plan A. It would be unfairly discriminatory to offer the preferential present rates for Plan A only to present subscribers on other than an interim basis. We will reopen the consideration of AT&T-C rate design for the limited purpose of considering whether we should continue to authorize the offering of Plan A and, if so, at what rates.

An emergency exists sufficient to require our action today under Public Utilities Code Section 306(b) without notice on our public agenda as required by the Government Code. Were we not to act today AT&T-C would be required to make the tariff changes which are the subject of its petition to modify D.84-09-121.

Findings of Fact

1. Under the rates required by D.84-09-121, Plan A no longer offers a meaningful discount from MTS rates.
2. Under the rates required by D.84-09-121, Plan A would be inappropriate to sell to customers.
3. It would be unfair to present subscribers to Plan A to require at this time a rate increase which renders the service uneconomic.

4. It is necessary to take corrective action on an emergency basis before the rates required by D.84-09-121 take effect in order to avoid customer hardship and administrative confusion.

Conclusions of Law

1. AT&T-C should be authorized on an interim basis to defer changes in Plan A rates for customers who subscribed no later than September 26.

2. AT&T-C should be required on an interim basis to limit the availability of Plan A to customers who subscribed no later than September 26.

3. The need for corrective action on an emergency basis justifies issuance of this order without previous notice to the public and with an immediate effective date.

IT IS FURTHER ORDERED that:

1. Ordering Paragraph 1 of D.84-09-121 is modified to read as follows:

"1. Within 15 days after the effective date of this order, AT&T shall file with this Commission, in conformity with the provisions of General Order 96-A, revisions to Section 6.3 of its Tariff Schedule Cal. P.U.C. No. A6, implementing the changes set forth above in Optional Discount Calling Plan B. The effective date of the revised tariff sheets shall be 15 days after the date of filing, except that AT&T-C is authorized to defer the effectiveness of such revisions for an additional 30 days with respect to persons who initially subscribed to such Optional Discount Calling Plan no later than seven days after the date of this order. AT&T shall within 90 days file a report on the revenue effects of these changes in Optional Discount Calling Plan B."

2. Within 15 days after the effective date of this order, AT&T Communications of California, Inc. (AT&T-C) shall file with this Commission, in conformity with the provisions of General Order 96-A, revisions to Section 6.3 of its Tariff Schedule Cal. P.U.C. No. A6,

suspending immediately the offering of Optional Discount Calling Plan A except to customers who subscribed to that plan no later than September 26. AT&T-C shall within 75 days file a report on the revenue effects of the suspension of Optional Discount Calling Plan A.

3. Further hearing shall be held with respect to AT&T-C rate design for the limited purpose of considering whether continued offering of Optional Discount Calling Plan A should be authorized and, if so, at what rates. Such hearing shall be held before Administrative Law Judge Martin A. Mattes or such other Administrative Law Judge as may be assigned, at a date to be set.

This order is effective today.

Dated OCT 3 1984, at San Francisco, California.

VICTOR CALVO
PRISCILLA C. GREW
DONALD VIAL
WILLIAM T. BAGLEY
Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS


Joseph E. Bodovitz, Executive Director

4. It is necessary to take corrective action on an emergency basis before the rates required by D.84-09-121 take effect in order to avoid customer hardship and administrative confusion.

Conclusions of Law

1. AT&T-C should be authorized on an interim basis to defer changes in Plan A rates for customers who subscribed no later than September 26.

2. AT&T-C should be required on an interim basis to limit the availability of Plan A to customers who subscribed no later than September 26.

3. The need for corrective action on an emergency basis justifies issuance of this order without previous notice to the public and with an immediate effective date.

IT IS ORDERED that:

1. Further Ordering Paragraph 1 of D.84-09-121 is modified to read as follows:

"1. Within 15 days after the effective date of this order, AT&T shall file with this Commission, in conformity with the provisions of General Order 96-A, revisions to Section 6.3 of its Tariff Schedule Cal. P.U.C. No. A6, implementing the changes set forth above in Optional Discount Calling Plan B. The effective date of the revised tariff sheets shall be 15 days after the date of filing, except that AT&T-C is authorized to defer the effectiveness of such revisions for an additional 30 days with respect to persons who initially subscribed to such Optional Discount Calling Plan no later than seven days after the date of this order. AT&T shall within 90 days file a report on the revenue effects of these changes in Optional Discount Calling Plan B."

2. Within 15 days after the effective date of this order, AT&T Communications of California, Inc. (AT&T-C) shall file with this Commission, in conformity with the provisions of General Order 96-A, revisions to Section 6.3 of its Tariff Schedule Cal. P.U.C. No. A6,