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DEC 19 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)
 service furnished within the State)
 of California.)

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

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

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

And Related Matters.)

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

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

DECISION MODIFYING DECISION 84-06-111

This decision grants the relief requested in two petitions for modification of Decision (D.) 84-06-111, issued June 13, 1984, in this proceeding. D.84-06-111 authorized substantial revisions in the rates and tariffs of Pacific Bell (Pacific) and AT&T Communications California, Inc. (AT&T-C), the two principal heirs to the California operations of the original applicant in this proceeding, The Pacific Telephone and Telegraph Company (PT&T). Among the authorized revisions were (1) the withdrawal of interLATA Telpak Service, which had been provided by AT&T-C, and (2) the restructuring of rates for AT&T-C's interLATA private line services, along with increases in many of the private line rate elements. AT&T-C was given until January 1, 1985, to implement both these revisions.

Telpak Service

On October 25, 1984, a petition for modification of D.84-06-111 was filed on behalf of Zone 14 Motor Carrier Telpak Committee, California Trucking Association, Di Salvo Trucking Company, Kings County Truck Lines, Lodi Truck Service, Smiser Freight Service, Smith Transportation Company, and Wallace Transport, hereinafter referred to collectively as "Telpak Petitioners." Stating that they have been parties to previous Commission orders dealing with Telpak services, Telpak Petitioners object to the Commission adopting a staff proposal to authorize withdrawal of interLATA Telpak without notice of the staff proposal having been given to such interested parties as themselves. They seek to have D.84-06-111 modified by excluding the authorization for withdrawal of interLATA Telpak.

On November 20, 1984, Telpak Petitioners amended their petition, limiting their request for modification of D.84-06-111 to a request for "extension of the application of the TELPAK rates, on InterLATA services, as filed by AT&T Communications, through December 31, 1985." They state their belief that this limited relief is not opposed by AT&T-C and attach a letter from L. A. North, sales manager for AT&T-C, evidencing this fact. No protests or other responses to the petition for modification have been received.

Other recent actions by this Commission regarding Telpak shed light on the situation. By D.83-12-057, issued December 20, 1983, in Application (A.) 82-11-03, we authorized PT&T to restructure Telpak by an advice letter filing effective January 1, 1984, the date of the Bell System divestiture. D.83-12-057 noted that the Federal Communications Commission (FCC) authorized withdrawal of interstate Telpak in May 1981 and that in November 1982 this Commission authorized PT&T to limit intrastate Telpak to existing customers at existing service configuration. Telpak Petitioners sought rehearing of D.83-12-057, which was granted to a limited extent by D.84-04-103, issued April 18, 1984. Rehearing was held on September 17 at which time AT&T-C explained the impending withdrawal of interLATA Telpak

and moved for its dismissal from A.82-11-03. In the absence of objection, AT&T-C's motion was granted. On November 7 the Commission issued D.84-11-010, modifying D.83-12-057 to permit Telpak customers who had converted to private line rates to reconvert to Telpak at their option. D.84-11-010 notes that prior to hearing AT&T-C "had offered a similar proposal to its customers who were Telpak customers of record on December 31, 1983."

The relief sought by Telpak Petitioners is consistent with D.84-11-010 in allowing a limited extension in the availability of Telpak services. Neither AT&T-C, staff, nor any other interested party has opposed the relief requested. We find it reasonable to modify D.84-06-111, in accordance with Telpak Petitioners' request, to defer the withdrawal of interLATA Telpak Service by AT&T-C until January 1, 1986.

Private Line Services

On November 21, 1984, AT&T-C filed a petition for modification of D.84-06-111 to allow an indefinite continuation in the deferment of implementing the private line tariff restructuring which it had originally proposed in November 1983. As noted previously, D.84-06-111 allowed AT&T-C to defer until January 1, 1985, six months after other tariff changes were to take effect, the effectiveness of authorized tariff changes for private line services. In its petition AT&T-C urges a continuation of this deferral, making clear that it seeks deferral of changes in private line rate levels as well as rate structure.

AT&T-C is concerned that developments in the area of access charges have created uncertainty as to whether the approved private line structure and rates are appropriate. AT&T-C urges that:

"...no new private line changes should be made pending conclusions reached on related access charge matters currently pending before the Commission. This would effectively leave private line structure and rates at the same point as they are now and as they were at the time of divestiture on January 1, 1984."

AT&T-C believes that the proposed deferral will serve the best interests of its customers by assuring continued rate stability and avoiding the possibility of multiple rate changes.

AT&T-C explains that when it filed its private line tariff proposals, it expected a relatively stable "access environment." However, events of the past year in the "federal arena" and "provisioning problems" within California now lead AT&T-C to seek continued stability of rates and rate structure. AT&T-C wants to await stabilization of access charge tariff structures before revising its private line tariffs.

AT&T-C points out that D.84-06-111 adopted AT&T-C's own proposal for restructuring its private line rates to correlate with Pacific's special access charges, which apply to exchange access for interLATA private line services. AT&T-C now expects Pacific's special access tariff to change in the near future.

In recent hearings in the further access charges phase of this proceeding, Pacific witness Oliver testified that Pacific has not proposed any changes in its rate structure or rate levels for special access pending issuance of an FCC order addressing proposed interstate special access tariffs. The FCC issued such an order in CC Docket No. 83-1145 on November 9, 1984, finding the special access rate structures and rates proposed by Pacific and other exchange carriers unreasonable and unsupported. The FCC directed the carriers to file revised tariffs conforming to the order by December 3, including provision for special access rate transition plans.

Accordingly, AT&T-C believes Pacific will revise its intrastate special access tariffs, but only after refiling interstate tariffs as prescribed by the FCC. AT&T-C wants its private line rates to recover the associated special access charges it must pay, and so wishes to defer changes in private line rates until this Commission has finally determined the related access charges.

Stating that its primary concern is to avoid customer confusion and rate instability, AT&T-C points to the problems already encountered since divestiture in the provisioning of private line services. AT&T-C states that "the industry" is only now beginning to meet normal commitment dates, and that the provisioning process remains fragile.

AT&T-C seeks authority for "the indefinite continuation of existing private line tariffs pending, at least, the stabilization of Pacific Bell's special access tariff." AT&T-C states that no party to this proceeding will be harmed by the requested continuation. To do otherwise, AT&T-C contends, would subject customers to arbitrary rate treatment.

The concerns AT&T-C expresses about its private line rates and rate structure apply as well to its foreign exchange (FEX) service. Effective July 30, 1984, AT&T-C included its tariff provisions governing FEX service in § B3.2.13 of its private line tariffs. It is reasonable, therefore, to interpret AT&T-C's petition as applying to its FEX service as well as to those services traditionally classified as private line.

No protests or other responses to AT&T-C's petition for modification have been received.

The continued deferment of changes in interLATA private line rates and rate structure which AT&T-C seeks is reasonable in view of the problems AT&T-C has been experiencing in providing private line service and the uncertain outlook for special access charges. The restructuring of interLATA private line rates authorized by D.84-06-111 was justified by the underlying access charge structure then in place. With changes in special access charges likely in the not distant future, it is reasonable to defer implementing a new private line rate structure.

AT&T-C wishes to defer changes in private line rates as well as rate structure. We note that the combination of private line

rate and rate structure changes authorized in D.84-06-111 was calculated to increase AT&T-C's annual revenues by \$5.1 million. In order to assure that, as AT&T-C states, no party will be harmed by the requested continuation, it will be necessary for us to impute the \$5.1 million in additional private line revenue in calculating AT&T-C revenues in our pending review of AT&T-C revenue requirement. To do otherwise would require AT&T-C's switched service customers to bear the burden of the relief which AT&T-C seeks to provide its private line subscribers.

We shall grant the relief AT&T-C requests, authorizing continued deferment of the implementation of private line tariff changes authorized by D.84-06-111, to remain in effect pending our further decision. This relief will be conditioned upon imputing for purposes of revenue requirement calculations the \$5.1 million in additional annual revenue expected to have been generated by the authorized private line tariff changes.

Findings of Fact

1. Telpak Petitioners request deferral until January 1, 1986 of the withdrawal of interLATA Telpak Service authorized by D.84-06-111.
2. There is no opposition to Telpak Petitioners' request.
3. It is reasonable to modify D.84-06-111 to defer the withdrawal of interLATA Telpak Service.
4. AT&T-C requests authority to continue indefinitely the deferral in implementing the changes in interLATA private line rates and rate structure approved by D.84-06-111.
5. Tariff provisions governing AT&T-C's FEX service are included in its private line tariffs.
6. There is no opposition to AT&T-C's request.
7. Continued deferral of changes in AT&T-C private line rates and rate structure will help to avoid customer confusion and rate instability.

8. Continued deferral of changes in AT&T-C private line (including FEX) rates and rate structure is reasonable in view of the problems AT&T-C has been having in providing private line service and the uncertain outlook for special access charges.

9. In order to assure that no party will be harmed by granting the relief AT&T-C requests, it will be necessary to impute the \$5.1 million in additional private line revenue which the authorized but deferred rate changes would have generated.

Conclusions of Law

1. D.84-06-111 should be modified to defer the withdrawal of interLATA Telpak Service.

2. D.84-06-111 should be modified to authorize AT&T-C to defer indefinitely the changes in interLATA private line rates and rate structure approved by that decision.

3. The \$5.1 million in additional annual revenue which D.84-06-111 calculated to result from the approved changes in AT&T-C private line rates and rate structures should be imputed to AT&T-C for purposes of revenue requirement calculations.

O R D E R

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

1. AT&T Communications of California, Inc. (AT&T-C) Rate Design Finding of Fact 5 is modified to read as follows, with additional text underlined:

"5. Because alternatives are available to large volume private line users which offer cost savings to the carrier as well as the customer, it is reasonable to withdraw Telpak Service effective January 1, 1986."

2. AT&T-C Rate Design Findings of Fact 27 and 28 are added as follows:

"27. In view of the uncertain outlook for special access charges, it is reasonable to authorize AT&T-C to defer indefinitely the changes in private line rates and rate structure authorized in this decision.

"28. Whether or not AT&T-C chooses to defer the authorized changes in private line rates and rate structure, it is reasonable to impute to AT&T-C for purposes of calculating revenue requirement the \$5.1 million in additional annual revenues which these authorized changes would generate."

3. Conclusion of Law 12 is added as follows:

"12. Where AT&T-C has requested authority to defer implementation of previously authorized changes in rates and rate structure which would generate additional revenue, the anticipated revenue should be imputed for purposes of revenue requirement calculations."

4. The second sentence of Ordering Paragraph 2 is modified to read as follows, with additional text underlined:

"The effective date of the revised tariff sheets shall be five days after the date of filing, except that AT&T-C is authorized to defer the effective date for revised tariff sheets applying specifically to private line services and foreign exchange services indefinitely, and to Telpak Service until January 1, 1986."

IT IS FURTHER ORDERED that the petitions for modification of Telpak Petitioners and AT&T-C are granted as set forth above; in all other respects, D.84-06-111 remains in full force and effect.

This order is effective today.

Dated DEC 19 1984, at San Francisco, California.

DONALD VIAL
President
VICTOR CALVO
PRISCILLA C. GREW
WILLIAM T. BAGLEY
FREDERICK R. DUDA
Commissioners

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


Joseph E. DeConcini, Executive Director