



2. The last sentence in subsection 5 on page 12 is modified to read:

In addition, as discussed infra in Section XIV, a separate modernization decision will be issued shortly.

3. The partial sentence immediately preceding the eight numbered paragraphs on page 292 is modified to read:

These issues included:

4. The following material is inserted immediately after the eight numbered paragraphs on page 292:

See also D.86-01-026, mimeo. pp. 4a, 97 (reserving certain advice letter issues for consideration in Phase 2); and mimeo. p. 100 (reserving for Phase 2 the overlay adjustment for ZUM expansion and boundary changes as required by ordering paragraph 16a of D.84-06-111).

5. The last sentence on page 292, continuing onto page 293, is modified to read:

All of the revenue requirement adjustments that today's decision implements as of March 5, 1986 (or intervening dates) relate to these defined issues, and are premised on findings of reasonableness associated with these defined issues following our Phase 2 review.

6. The following material replaces the last sentence on page 293:

Moreover, Phase 2 is a limited-issue proceeding, not involving general ratemaking. Accordingly, we will order many of the revenue requirement reductions flowing from our Phase 2 review to be applied as of March 5, 1986 (and, in some cases, intervening dates) as shown in greater detail in the following table.

7. Finding of Fact No. 144 on pages 318-19 is modified to read:

144. D.86-01-026, mimeo. pp. 4a, 5-6, 100, detailed several precise issues to be addressed during Phase 2, thus defining the scope of evidentiary hearings to be conducted during Phase 2, in order to provide assurance that Pacific Bell's rates authorized as a result of the instant application are reasonable.

8. Conclusion of Law No. 45 on page 325 is modified to read:

45. Many of the revenue requirement reductions ordered in this decision apply as of March 5, 1986 (the effective date of D.86-03-049) and, in some cases, intervening dates, pursuant to Ordering Paragraph 1(a) of D.86-03-049. This action does not violate the ban against retroactive ratemaking, because D.86-01-026 and D.86-03-049 made Pacific Bell's rates subject to refund within the specified parameters of our Phase 2 review of very narrowly defined issues, and these reductions flow directly from that defined review. Moreover, Phase 2 is a limited-issue proceeding, not involving general ratemaking.

IT IS FURTHER ORDERED that rehearing of D.87-12-067 as modified herein is denied.

This order is effective today.

Dated MAY 11 1988, at San Francisco, California.

STANLEY W. HULETT

President

DONALD VIAL

G. MITCHELL WILK

Commissioners

Commissioner Frederick R. Duda, being necessarily absent, did not participate.

Commissioner John B. Ohanian, being necessarily absent, did not participate.

IT IS CERTIFIED THAT THIS DECISION WAS APPROVED BY THE ABOVE COMMISSIONERS TODAY

*Handwritten signature and initials*

L/JTP/rys

Decision \_\_\_\_\_

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Pacific Bell, a corporation, for authority to increase certain intrastate rates and charges applicable to telephone services furnished within the State of California.

) Application 85-01-034  
) (Filed January 22, 1985;  
) amended June 17, 1985 and  
) May 19, 1986)

) I.85-03-078  
) (Filed March 20, 1985)

And Related Matters.

) OII 84  
) (Filed December 2, 1980)

) Case 86-11-028  
) (Filed November 17, 1986)

ORDER MODIFYING DECISION 87-12-067  
AND DENYING REHEARINGS

Pacific Bell (PacBell) has filed an application for rehearing of Decision (D.) 87-12-067, in which the Commission reduced PacBell's revenue requirement. We have carefully considered all of the arguments raised in the application for rehearing and are of the opinion that sufficient grounds for granting rehearing have not been shown. We are, however, of the view that the decision should be modified in several respects.

Therefore, good cause appearing,

IT IS ORDERED that D.87-12-067 is modified as follows:

1. The second sentence in the second paragraph on page 2 is modified to read:

When the \$86.435 million reduction is added to the negative \$120,649,000 revenue requirement change determined in Phase 1 (D.86-03-049), the total intrastate revenue requirement reduction for Test Year 1986 is \$208,153,000.

2. The last sentence in subsection 5 on page 12 is modified to read:

In addition, as discussed infra in Section XIV, a separate modernization decision will be issued shortly.

3. The partial sentence immediately preceding the eight numbered paragraphs on page 292 is modified to read:

These issues included:

4. The following material is inserted immediately after the eight numbered paragraphs on page 292:

See also D.86-01-026, mimeo. pp. 4a, 97 (reserving certain advice letter issues for consideration in Phase 2); and mimeo. p. 100 (reserving for Phase 2 the overlay adjustment for ZUM expansion and boundary changes as required by ordering paragraph 16a of D.84-06-111).

5. The last sentence on page 292, continuing onto page 293, is modified to read:

All of the revenue requirement adjustments that today's decision implements as of March 5, 1986 (or intervening dates) relate to these defined issues, and are premised on findings of reasonableness associated with these defined issues following our Phase 2 review.

6. The following material replaces the last sentence on page 293:

Moreover, Phase 2 is a limited-issue proceeding, not involving general ratemaking. Accordingly, we will order many of the revenue requirement reductions flowing from our Phase 2 review to be applied as of March 5, 1986 (and, in some cases, intervening dates) as shown in greater detail in the following table.

7. Finding of Fact No. 144 on pages 318-19 is modified to read:

144. D.86-01-026, mimeo. pp. 4a, 5-6, 100, detailed several precise issues to be addressed during Phase 2, thus defining the scope of evidentiary hearings to be conducted during Phase 2, in order to provide assurance that Pacific Bell's rates authorized as a result of the instant application are reasonable.

8. Conclusion of Law No. 45 on page 325 is modified to read:

45. Many of the revenue requirement reductions ordered in this decision apply as of March 5, 1986 (the effective date of D.86-03-049) and, in some cases, intervening dates, pursuant to Ordering Paragraph 1(a) of D.86-03-049. This action does not violate the ban against retroactive ratemaking, because D.86-01-026 and D.86-03-049 made Pacific Bell's rates subject to refund within the specified parameters of our Phase 2 review of very narrowly defined issues, and these reductions flow directly from that defined review. Moreover, Phase 2 is a limited-issue proceeding, not involving general ratemaking.

IT IS FURTHER ORDERED that rehearing of D.87-12-067 as modified herein is denied.

This order is effective today.

Dated \_\_\_\_\_, at San Francisco, California.