

Decision **89 01 015 JAN 11 1989** (Mailed 11/29/88)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of General Telephone  
Company of California, a California  
corporation (U 1002 C), for authority  
to increase and/or restructure  
certain intrastate rates and charges  
for telephone services.

**ORIGINAL**  
Application 87-01-002  
(Filed January 5, 1987)

Investigation on the Commission's own  
motion into the rates, tolls, rules  
charges, operations, costs separa-  
tions practices, contracts, service  
and facilities of GENERAL TELEPHONE  
COMPANY OF CALIFORNIA, a California  
Corporation; and of all the telephone  
corporations listed in Appendix A,  
attached hereto.

I.87-02-025  
(Filed February 11, 1987)

(See Decisions 87-08-051 and D.87-12-070 for appearances.)

### THIRD INTERIM OPINION

#### I. Synopsis of Decision

Our second interim decision (D.) 88-08-061, dated August 24, 1988 on this matter left for future resolution the following issues: final rate design, flow through of the tax savings related to retirement of high interest bearing bonds, relief sought for women and minority business enterprises by Public Advocates, Inc. (Advocates), issues raised by Consumers Coalition of California (CCC), issues raised at public participation hearings, and requests for finding of eligibility for compensation by Advocates and CCC.

D.88-08-024, dated August 10, 1988, provided that a consolidated rate design proceeding will be conducted for Pacific Bell (Pacific) and GTE California (GTEC, formerly General Telephone

Company of California) after Phase II of Investigation (I.) 87-11-033. The decision further provides that the revenue requirement changes for Pacific and GTEC currently being accumulated in memorandum accounts will be placed in rates through a surcredit or surcharge mechanism.

D.88-04-057 dated April 27, 1988 in our rulemaking investigation (R.) 87-02-026 was an interim order establishing General Order (GO) 156 to implement Assembly Bill (AB) 3678 which became law in September 1986 and added Sections 8281 through 8285 to the Public Utilities (PU) Code. We view R.87-02-026 as the appropriate vehicle for the future resolution of the Women and Minority-Owned Business Enterprises (WMBE)<sup>1</sup> problem for the major utilities in California including GTEC. For the test year 1988 we conclude that GTEC complied with the provisions of D.82-12-101 and D.84-07-108 as they relate to WMBE.

CCC made a number of recommendations relating to GTEC's service and bill adjustment policies. Our review of the record disclosed insufficient support for adoption of any of the recommendations made by CCC.

A number of witnesses at the public participation hearings objected to the physical size of the telephone bills rendered by GTEC. This decision requires GTEC to prepare a study of the basis for the present format resulting in multiple pages for customer bills, programing changes and the cost thereof necessary to effect a billing format using a minimum number of pages, the time required to implement such changes and any difficulties that might render such changes infeasible and submit it to the Commission Advisory and Compliance Division (CACD) for review.

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1 DRA's showing reflected WMBE as Female/Minority Business Enterprise (F/MBE). For purposes of this proceeding the two terms are synonymous.

Another matter raised at the public participation hearings was the quality of service provided by GTEC. Our review of this matter leads us to conclude that the overall quality of service is good but GTEC still has major transmission problems such as static or noise on the line. The decision cancels the requirement for reports required by Ordering Paragraph 3 of D.84-07-108 and establishes a goal for GTEC of a reduction in transmission problems of 30 percent over the next three years. The decision does not adopt Division of Ratepayer Advocates' (DRA) recommendation that the costs associated with the TEL-CEL program be disallowed for ratemaking purposes.

The decision finds that the Advocates is eligible for compensation and that the CCC is not.

## II. Women and Minority-Owned Business Enterprises (WMBEs)

### A. General

Testimony on WMBEs was presented on behalf of GTEC by its president, D. E. Anderson and by its Women and Minority Business Enterprises Senior Purchasing Coordinator, Dean L. Jones and on behalf of DRA by economist Paul A. Grimard.

### B. Position of GTEC

Testimony presented on behalf of GTEC indicates that:

1. GTEC tracks its expenditures connected with WMBEs transactions under the following categories: underground construction and contract labor; office supplies, furniture and machines; general building construction; janitorial and landscaping services; building maintenance; fleet products; equipment rehabilitation and assembly; network facilities; tools and test equipment; central office equipment and ironwork; equipment leasing, computer hardware and software; legal services, and other.

2. All WMBEs are self-certified by their CEOs on GTEC's company profile form.
3. The top 25 dollar volume F/WBES will be reviewed for verification of ownership status by reviewing state business filings and on-site tours during business hours.
4. GTEC has a five-year plan in place that was implemented in January, 1985 calling for specific expenditures for and utilization of WMBEs companywide.
5. GTEC is actively involved with the following ethnic business development associations: Asian Business Association; Los Angeles Black Business Association; National Latin Business Association, Inc.; United Indian Development Association; Joint Conference, Inc.; National Association of Women Business Owners; National Minority Supplier Development Council; Association of Black Women Entrepreneurs; and California Association of Minority American Contractors.
6. GTEC hosts an annual procurement workshop which has been beneficial to over 500 suppliers.
7. GTEC's main emphasis is to continually bring qualified WMBEs into the purchasing loop until they are indistinguishable from other suppliers in the company's total supplier base.
8. For the year 1986 GTEC had the lowest contract percentage for blacks, Hispanics, and all minorities compared to Southern California Gas Company, Southern California Edison Company, Pacific Gas and Electric Company, San Diego Gas and Electric Company, and Pacific Bell.
9. President Anderson has committed himself to increasing contracts awarded blacks from the 0.10 percent awarded in 1986 to 0.85 percent in 1988.

GTEC alleges that its filings in this matter are in compliance with D.82-12-101 and D.84-07-108. In addition, GTEC signed Joint Comments, along with the other major California utilities, in connection with this Commission's generic investigation (R.87-02-026) regarding the implementation of PU Code Sections relating to WMBEs. GTEC continues to audit those WMBEs doing annual business in excess of \$100,000 with GTEC. GTEC further argues that it has complied with Commission directives pertaining to the WMBE program but that does not mean GTEC is satisfied with the results of the effort. GTEC recognizes the shortcoming in its program and is committed to making improvements. In response to Advocates and DRA comments to the effect that GTEC's high paying management jobs are not adequately staffed by women and/or minorities, GTEC notes that 12 of the 66 highest paid company employees are either women or minorities.

GTEC further agrees that the recommendations made by DRA are reasonable and appropriate for moving the program forward but that the requirements recommended by Advocates are unnecessary.

C. Position of DRA

Testimony presented on behalf of DRA indicated that:

1. DRA has the responsibility to review and evaluate the utility's minority business programs and to make recommendations concerning the program achievements, budgetary expenditures and their general effectiveness in increasing the participation of minority and women owned and operated enterprises in utility purchasing.
2. The cost effectiveness of GTEC's WMBEs programs was \$174 of purchases per dollar of program cost, 6.7% above average.
3. DRA's recommendations are as follows:
  - a. The reporting format of Exhibit A attached to DRA's exhibit should be adopted as the standard format for the

annual WMBE report required by the Commission.

- b. The definition of WMBE should be the same for all regulated California utilities.
  - c. The utility should maintain open, competitive bidding as its basic approach to procurement.
  - d. There should be independent verification of WMBE status.
  - e. Suppliers claiming WMBE status should be subject to outside validation of an outside agency approved for the purposes, and
  - f. GTEC's WMBE budget should be increased to provide for outside audit of WMBE suppliers.
- 4. In the four-year period from 1983 to 1986 GTEC increased its WMBE purchases from \$10,487,000 annually to \$42,000,000 annually.
  - 5. In 1983 GTEC purchased 1.45% of its outside services from WMBE contractors, 6.05% in 1986, and for 1988 the percentage is projected at 8.5%.

D. Position of Minority Coalition (Coalition)

In its briefs filed on behalf of the Coalition (American G.I. Forum, League of United Latin American Citizens (LULAC) and Filipino American Political Association) Advocates argued that:

- 1. In 1986 GTEC had the worst record for minority contracts of any major utility.
- 2. GTEC admitted that none of its professional contracts went to blacks, Hispanics, or Asians in 1986 and that virtually no contracts were awarded to white women.
- 3. 1987 was even worse than 1986. Although purchases increased from \$828 to \$844 million, WMBE purchases decreased from \$45

to \$37 million. Furthermore, the percentage of WMBE contracts decreased from 5.4% to 4.4%.

4. GTEC deliberately refused to separately analyze contracts by minority group or by category until the hearings demonstrated the inadequacies of its present practices.
5. Not one of the major ethnic groups received even one percent of GTEC's procurement contracts.
6. Minority populations have established 23,530 black-owned businesses, 38,331 Asian-owned businesses and 29,982 Hispanic-owned businesses as of 1982. GTEC purchased goods or services from only 473 of these 90,000 plus minority owned businesses.
7. "Self-certification" plans similar to the one used by GTEC allow a substantial number of fraudulent WMBEs to go undetected.
8. Through no fault of DRA its exhibit on WMBEs is of questionable value and should be ignored, as it focuses on the very minor issue of dollar amount spent in-house on the WMBE program and its relationship to the dollar amount of outside contracts.
9. No blacks, Hispanics, Asians or Women are among GTEC's executives earning \$100,000 or more.
10. GTEC should establish clear financial incentives for top management to achieve substantial WMBE performance.
11. Coalition's requested relief is as follows:
  - a. The Commission clearly and strongly chastise GTEC for having the worst record among the major utilities.
  - b. GTEC provide a detailed breakdown by percentage and dollar amount, of contracts by sex and ethnic group

(including Filipino-American) for each job category.

- c. GTEC demonstrate "very substantial" and "very significant" programs prior to the next rate case, as measured in its February 8, 1988, twenty percent agreement.
- d. GTEC comply with the recent Edison rate case requirement on joint ventures and financial and insurance assistance.
- e. GTEC adopt Pacific's Minority Business Task recommendations in order to maximize the potential for reaching and exceeding the twenty percent agreement.
- f. GTEC set aside 1/4 of 1% of its 1987 contracts (\$2 million) to help achieve the above objectives.
- g. GTEC report annually the relationship of bonuses awarded to top executives and their WMBE achievements under the February 8, 1988 agreement, and
- h. GTEC submit a "77K" salary report that clearly sets forth the actual salaries with ethnic and gender identification.

E. General Order 156

D.88-04-057 dated April 27, 1988 in R.87-02-026 was an interim order establishing General Order (GO) 156 to implement Assembly Bill (AB) 3678 which became law in September 1986 and added §§ 8281 through 8285 to the PU Code. AB 3678 directs the Commission to require every gas, electric, and telephone utility with gross annual revenues exceeding \$25,000,000 (and its Commission regulated subsidiaries and affiliates) to implement a program developed by the Commission to encourage, recruit, and use women and minority owned business enterprises in the procurement of contracts.



In R.87-02-026 we proposed certain rules and guidelines regarding the implementation of PU Code §§ 8281-8285 and asked parties to provide their comments. Respondents and interested parties filed comments which generally were supportive of our proposed rules and guidelines. Respondent utilities were requested to file proposed rules, utilizing the benefit of the comments and suggestions provided by the parties, to implement PU Code §§ 8284-8285. On July 15, 1987, an informal conference, chaired by the staff counsel, was held to determine the areas of agreement and disagreement among parties with regard to the proposed rules and guidelines. Staff counsel filed a report on the informal conference.

Based on the parties' proposed rules and comments received at the informal conference, the ALJ on October 1, 1987 issued a draft general order and requested the parties' comments. On November 12, 1987 a workshop was held to receive comments and recommendations for improving the proposed rules and guidelines.

Having received extensive comments from parties (as well as their input in a subsequent workshop presided over by the Administrative Law Judge (ALJ) on the draft GO and having addressed all significant issues raised, we adopted GO 156. We expect GO 156 to govern the future resolution of WMBE issues for the major utilities in California including GTEC.

R.87-02-026 remains open to address at least the following:

- "a. What forum should be utilized by persons wishing to voice their concerns and suggestions regarding the utilities' implementation of WMBE programs (i.e., should general rate cases continue to provide the forum, or should a generic annual WMBE proceeding be developed?
- "b. If a generic proceeding is utilized, how will any costs associated with WMBE programs be translated into revenue requirement changes for each utility, a

process that presently occurs in general rate cases?" (D.88-04-057, mimeo. p. 2.)

GO 156 is generally structured as follows:

- Section 1 - General
- Section 1.1 - Intent
- Section 1.2 - Applicability
- Section 1.3 - Definitions

Section 2 - Verification. This section provides rules and guidelines to be used to verify the eligibility of WMBEs for participation in utility WMBE procurement programs.

Section 3 - Central Clearinghouse. This section provides for the joint establishment of a central clearinghouse for the sharing of WMBE identification and verification information and is to be operated by a contractor selected by an Advisory Board.

Section 4 - Implementation. This section provides that each utility's WMBE program shall be designed to ensure a fair proportion of product and service contracts are awarded WMBEs. The section provides for internal utility program development, external outreach, a program for the utilization of WMBE subcontractors, and an internal utility appeals process.

Section 5 - Complaints. This section provides for the filing of complaints to this Commission by WMBEs.

Section 6 - Goals. This section provides for the utility annual establishment of substantial and verifiable short-term (one-year), mid-term (three years) and long-term (five years) goals for the utilization of WMBE contractors. Such goals are to be set annually for each major product and service category which provides opportunities for procurement.

Each utility shall establish initial minimum long-term goals for each category of products and services the utility purchases from outside vendors of not less than 15% for minority owned business enterprises and not less than 5% for women owned business enterprises. The specification of minimum initial long-term goals in this section shall not prevent the utilities from seeking to reach parity with

public agencies, which the Legislature found in Public Utilities Code Section 8281 (b) (1) (B) are awarding 30% or more of their contracts to WMBEs.

Overall program goals shall also be established for both minority owned business enterprises (MBEs) and non-minority women owned business enterprises (WBEs).

Section 7 - Annual Report. This section provides for each utility to file an annual report on their WMBE program. The annual report, due March of each year, shall include a description of internal and external WMBE program activities engaged in during the previous calendar year and is to include, among other items, a summary of WMBE purchases and/or contracts, with breakdowns by ethnicity, product and service categories compared with total utility contract dollars awarded to outside vendors in those categories.

Section 8 - Annual Plan. This section provides that utilities shall file with the Director of Commission Advisory and Compliance Division (CACD), by March 1 of each year, beginning in 1989, a detailed and verifiable plan for increasing women and minority business enterprise procurement in all categories.

Section 9 - Commission Report. This section provides that this Commission shall provide an annual report to the Legislature beginning January 1989, on the progress of activities undertaken by each utility to implement PU Code §§ 8281 through 8285 and the general order, as required by Section 8283(e).

#### F. Discussion

It is clear from the record that GTEC's WMBE program fell far short of achieving any reasonable goal for the use of women and minority owned business enterprises in the procurement of contracts from GTEC. It is equally obvious that GTEC's method of reporting its WMBE programs and achievements as totals rather than by

component parts served to mask the true picture, particularly with respect to minority business enterprises.

However, in view of the establishment of GO 156, a lengthy discussion of GTEC's past shortcomings with respect to WMBE practices and procedures would serve no useful purpose.

Ordering Paragraph 1 of D.82-12-101, dated December 22, 1982, in Case (C.) 10308, our investigation on our own motion into the regulation of employment practices of respondent utilities, including GTEC, stated in part ". . . (respondent utilities) are directed to include the following information in their Notice of Intent (NOI) to file a general rate increase application, or in the application itself for those respondent utilities not subject to the NOI procedure:

- "a. A copy of the current F/MBE program and any related policy statements, directives, pamphlets, brochures, and other materials used in implementing the programs.
- "b. Methods for determining availability of F/MBE vendors for the goods and services required by respondent utility together with reference to specific directories and other source materials used.
- "c. Statistics for the last five years' recorded data showing total amount contracted for goods and services (excepting fuel costs, payments to other utilities, and franchise fees) and amount of contracted for goods and services from minority- and women-owned businesses.
- "d. The utility's objectives for its F/MBE program over the next 24 months.
- "e. The costs associated with the F/MBE programs.
- "f. The benefits derived from the F/MBE programs and attendant impact on rates.
- "g. A detailed description of the reporting and recordkeeping system used by the utility to

monitor and assess the F/MBE program activity.

- "h. A description of the complaint procedure available to F/MBE vendors including methods of making F/MBE vendors aware of the procedure." (mimeo. pp. 33, 34.)

In addition in D.84-07-108, dated July 18, 1984 on GTEC's A.83-07-02, we stated in Ordering Paragraph 23:

"23. Before January 1, 1985, General shall file a report with this Commission stating its Female/Minority Business Enterprise goals for calendar years 1985 and 1986. Commencing in 1985, on March 1 and October 1 of each year, General shall file a report on the progress made by its F/MBE program. The March 1 report shall cover program activity from July 1 through December 31 of the previous year and the October 1 report shall cover activity from January 1 through June 30. The semiannual reports shall present F/MBE data according to the ethnic classifications used by agencies of the State of California and by contract categories in which \$2 million of business or more was done in the prior year. General shall meet and confer with minority group representatives in preparing their goals and reporting procedures." (mimeo. p. 20.)

A review of the filing shows that GTEC fully complied with the above provisions of these decisions.

As previously summarized, DRA proposed six specific recommendations acceptable to GTEC, for GTEC's WMBE program as follows:

- a. The reporting format of Exhibit A attached to DRA's exhibit should be adopted as the standard format for the WMBE report required by the Commission.

Rule 1.3 Definitions defines all the ethnic groups set forth in Exhibit A to DRA's exhibit. Rule 7.1.2. requires the annual report to be filed with this Commission to include: "A summary of WMBE purchases and/or contracts, with breakdowns by

ethnicity, product and service categories compared with total utility contract dollars awarded to outside vendors in those categories."

- b. The definition of WMBE should be the same for all regulated California utilities.

Rule 1.3.4 of GO 156, applicable to all utilities with gross annual revenues exceeding \$25 million, defines WMBE as follows:

"'WMBE' means a women owned or minority owned business enterprises; under these rules, the women and/or minorities owning such an enterprise should be either U.S. citizens or legal aliens with permanent residence status in the United States."

- c. The utility shall maintain open, competitive bidding as its basic approach to procurement.

Rule 4.2.1 pertaining to outreach activities sets forth guidelines for utilities to follow in obtaining bids from WMBE contractors as the primary means of expanding their WMBE programs.

- d. There should be independent verification of WMBE status.

Rule 2.1 provides for WMBE status verification through a central clearinghouse.

- e. Suppliers claiming WMBE status should be subject to outside validation of an outside agency approved for the purposes.

See "d" above.

- f. GTEC's WMBE budget should be increased to provide for outside audit of WMBE suppliers.

It is axiomatic that increased costs incurred by GTEC to comply with Commission directives and/or general orders will be allowable for ratemaking purposes.

It can be seen that in general, DRA's recommendations are now mandated by GO 156.

As noted by Advocates, GTEC's president Anderson has committed himself to increasing the dollar amount and percentage of contracts to blacks by eight-fold from 1986 to 1988. In 1986 GTEC awarded one-tenth of one percent (0.1%) of its contracts to blacks, President Anderson has committed himself to increasing this to 0.85% in 1988. Advocates also note that GTEC has signed an agreement, filed with this Commission on February 8, 1988 that provides for goals of fifteen percent for minorities with five percent for white women-owned businesses within five years. Such action coupled with full compliance with the above discussed GO 156 should place GTEC well on the road of meeting our goals of equal opportunity and anti-discriminatory practices in the contracts and agreements GTEC may enter into with other parties for the provision of goods and services.

G. Eligibility for Compensation

On February 3, 1988 Advocates appearing for American G.I. Forum, LULAC, and Filipino American Political Association, filed a request for a finding of eligibility to receive compensation under Article 18.7 of our Rules of Practice and Procedure (Rules). This filing was made within 45 days after the close of the evidentiary as provided by Rule 76.54.

This request for a finding of eligibility of attorneys fees, expert witness fees, and other reasonable costs is restricted to the issue of female and minority business enterprises and bilingual services. No compensation is sought for any work prior to the proceeding or for any related work outside this proceeding.

Rule 76.54 requires that a Request for Eligibility include four items:

- "(1) A showing by the customer that participation in the hearing or proceeding would pose a significant financial hardship....;
- "(2) A statement of issues that the customer intends to raise in the hearing or proceeding;
- "(3) An estimate of the compensation that will be sought;
- "(4) A budget for the customer's presentation."  
(Rule 76.54(a)(1)-(4), as amended by D.85-06-126 dated 6/21/85, effective 7/21/85.

We now analyze Advocates' showing, in compliance with these four requirements.

1. Significant Financial Hardship

Rule 76.52(f) defines significant financial hardship as meaning both of the following:

- "(1) That, in the judgment of the Commission, the customer has or represents an interest not otherwise adequately represented, representation of which is necessary for a fair determination of the proceeding; and,
- "(2) Either that the customer cannot afford to pay the costs of effective participation, including advocate's fees, expert witness fees, and other reasonable costs of participation and the cost of obtaining judicial review, or that, in the case of a group or organization, the economic interest of the individual members of the group or organization is small in comparison to the costs of effective participation in the proceeding.



The non-profit organization represented by Advocates actively seek to enforce the terms of California PU Code §§ 8281-8285, this Commission's prior WMBE decisions and this Commission's commitment to bilingual services.

We believe that it is in the public interest that the record be fully developed on the issues of WMBE enforcement and bilingual telephone service. Even though DRA has made strong efforts in both these areas, it is our view that participation by several parties helps to ensure full development of the record especially since GTEC has a much greater depth of resources to commit to the hearing process, than do any of the parties representing these public interest concerns, including DRA. We conclude then that adequate representation of these public interest concerns requires participation of additional parties, specifically in this case, the parties represented by Advocates. Therefore, Advocates' clients have met the first provision of the Rule 76.52(f) standard.

The other test for finding significant financial hardship is whether the economic interest of the individual minority and female ratepayers or non-English speaking ratepayers is "small in comparison to the costs of effective participation in the proceeding." It is obviously impractical for the individual ratepayers to do much other than to send us letters or make brief statements at our public hearings, and while we appreciate such input it does not develop evidence of record upon which we can make findings of fact as required by law. Realistically then, there must be organized groups which participate on behalf of specific groups of ratepayers on an ongoing basis with a reserve of experience and resources so that they can follow the continuing chain of ratemaking proceedings and participate effectively. With respect to WMBE and bilingual services Advocates appears to be an appropriate group and therefore meets the second provision of the standard.

Rule 76.54(a)(1) also requires "A summary of the finances of the customer shall distinguish between grant funds committed to specific funds and discretionary funds." The information for the organization represented by Advocates is as follows:

a. American G.I. Forum

Total budget for California is less than \$30,000: most of this is allocated to educational scholarships for low-income Hispanics. There are no salary expenses, as all officers and workers are volunteers and no funds are available for legal representation.

b. Filipino American Political Association

The Filipino American Political Association of California has a budget of less than \$25,000. It presently has no assets and does not expect to have any significant revenue until 1988. None of this revenue will be available for legal fees. All officers are volunteers and no salaries are paid to any persons through the organization.

c. The League of United Latin American Citizens

LULAC of California's total budget is less than \$50,000: one-third is allocated to a reserve foundation and cannot be spent. Most of the remainder is donated each year for educational scholarships for low-income Hispanics. No LULAC officer receives a salary. All work is done by volunteers. There is no excess for legal fees.

The above summary provided by Advocates is totally responsive to the relevant requirements of Rule 76.54.

2. Statement of Issues

The specific WMBE issues covered by Advocates are as follows:

1. Lack of good faith and grossly inadequate WMBE achievements,

2. Potential inaccurate data,
3. Absence of "significant progress,"
4. Lack of separate ethnic data and goals,
5. Failure to develop WMBE plans consistent with either AB 3678 or past Commission decisions,
6. Need to examine WMBE achievements within context of ratemaking rather than the generic WMBE proceeding, and
7. Remedies necessary to ensure compliance with AB 3678 and the Commission's past WMBE orders.

The bilingual issue involved development of a comprehensive bilingual program and the reaching of a stipulation and joint exhibit.

3. Estimate of Compensation  
that will be Sought

Advocates will request approximately \$25,000 for its work on WMBE, \$3,000 on the bilingual portion of this proceeding, and an anticipated \$3,000 for attorney's fee eligibility and compensation, a total of \$31,000.

4. Budget

Advocates submitted the following budget for its presentation:

<u>Attorney Time</u>	
Robert Gnaizda (@ \$165/hour)	\$25,000
<u>Law Students</u>	
Andre Madeira & Martha Raymond (@ 55/hour)	3,000
<u>Paralegal</u>	
Judy Nakaso & Ruth Maurice (@ 35/hour)	2,000
<u>Experts</u>	
Joseph James (@ 1 day \$400) (WMBE)	400
John Gamboa (1 day @ \$400)	400
<u>Costs</u>	
Telephone, Travel, Postage, Copying, etc.	<u>650</u>
	\$31,450

The reasonableness of these figures will be reviewed at the compensation stage.

5. Conclusion

We have determined that Advocates has satisfied the four items required by Rule 76.54 and is therefore, eligible to claim compensation in the proceeding.

III. Service Policy Issues and Billing Problems

A. General

Through testimony, exhibits, and cross-examination of various GTEC witnesses, the Consumers Coalition of California (CCC) raised such issues as GTEC's current customer practices and procedures, new testing methods for measurement of accuracy of billing software design, charging for one-minute calls,

installation of home billing devices, and the need for conducting studies directed at identifying customer needs and services. Testimony and exhibits on the above subject matters were presented into evidence on behalf of CCC by a member of the Retired Seniors Volunteer Program, Mildred I. Pelton; by a former employee of Pacific, Mark Krenicky; by a subscriber member of CCC, Ralph Gambia; by the president of CCC, Virginia Jarrow; and by a management system adviser of TRW in Redondo Beach, Robert Morris. Testimony and exhibits relative to billing and tariff problems were presented on behalf of WBFPA by the Telecommunications Division Manager of the API Alarm Systems Division of API, Inc., Diane Martinez; and on behalf of GTEC by its Service Director, Jack F. Moore.

**B. Current Customer Practices and Procedures**

GTEC's Tariff No. 26 states in part: "General Telephone has the authority to issue credit adjustments for any errors or omission." GTEC interprets this tariff to apply when a call or combination of calls (Toll and ZUM) are less than \$35.00, and the customer indicates no similar billing problems in the past three months; GTEC then issues a one time credit. CCC objects to the interpretation. CCC suggests that up to \$15.00 a month credit should be issued to GTEC customers each month that a problem appears, consistent with Pacific's present practice. GTEC argues that CCC's recommendation would turn the phone company into the equivalent of an automated teller machine which would dispense \$15.00 per month to any customer who asked for it. While we believe GTEC's position grossly exaggerates the situation, we are not persuaded that the record supports our mandating that GTEC replace its adjustment policy with a policy similar to Pacific's.

GTEC's customer representatives are furnished a decision tree manual which is a training tool used as a guide which enables the representatives to get all the necessary information from the

customer. The decision tree manual is used only when problems are repeated and the customers are seeking adjustments.

CCC regards the decision tree manual as an elaborate procedure designed only to satisfy the goals of GTEC's customer service policies and not to resolve the problems of the customer. CCC believes the practice of using the decision tree manual to discourage customer complaints should be replaced by a policy in which GTEC is ordered to inform the public that a rebate policy is in effect and encourage them to report problems. Inasmuch as the decision tree manual is used only for repeated problems, we are not persuaded that its use is a practice designed to discourage customer complaints.

C. New Testing Methods

According to CCC the methods of testing customer equipment for billing errors include 4 Tel, testing of GTEC's call patterns, and testing by the Hekemian device.

4 Tel tests the line from the CO to the customer's phone and from customer's phone to the CO. This testing is done routinely between 10:00 p.m. and 5:30 a.m. but only select lines are tested and only local problems can be detected, yet these tests are being used to deny credits to the consumer.

Testing of call patterns is used only to verify that all systems are operating to the manufacturer's specification. CCC's concern is that other problems which are not tested by the software can cause billing errors and that problems on the lines cannot always be tested at the time of occurrence.

Further, according to CCC the Hekemian device is also incomplete. Because of the alleged deficiencies of the various testing methods as described above, CCC does not agree with the reliance of GTEC on these testing methods to deny credits to the customer and asks that we order a study which will do testing under existing conditions of usage rather than at test sites with hypothetical loads.

According to the record the hypothesis that analog amplification of noise can result in inaccurate network signaling which may yield erroneous billing record indicators has never been proved in actual tests. Spurious transients last less than 35 milliseconds whereas interoffice signaling for answer supervision requires a signal of a minimum duration of two seconds.

Furthermore, when a new system of generic design is placed in service, extensive tests are performed. These tests include stress conditions where simulated traffic loads of 120% of engineered capacity are performed simultaneously with various diagnostic administrative and system performance tests.

Also the Billing Confirmation and Coordination (BCC) group performs testing of COs as software changes occur and new features are introduced. This testing is performed to verify the complete operations potential of the CO equipment and logs are generated to record the results obtained for that testimony. The logs are then compared to the actual billing data created from this testing to ensure that the flow from central office testing to bill preparation is accurate.

The above described testing procedures appear to us to provide adequate ratepayer protection against uncorrectable erroneous billing. Consequently, we will not grant CCC's request to require GTEC to devise new test procedures.

#### D. One-Minute Calls

CCC's initial showing, presented by several witnesses, indicated its belief that GTEC routinely bills customers for incomplete one-minute calls, does not have in place a reasonable system for crediting customers who are billed for incomplete one-minute calls, and is disinterested in investigating the occurrence of the incomplete one-minute calls. For example, CCC's president, Virginia Jarrow testified she was billed 15 one-minute calls in September 1985; 21 in October 1985; 32 in November 1985; 17 in December 1985; 9 in January 1986; 27 in March 1986; 23 in

April 1986; 13 in June 1986; 11 in July 1986; 15 in August 1986; 25 in September 1986; 16 in October 1986; 23 in November 1986; 17 in December 1986; 17 in January 1987; and 4 in February 1987.

After its presentation, CCC requested GTEC to produce a number of witness for cross-examination which GTEC did. CCC indicated it wanted still more technical personnel to be produced. It became evident that this proceeding was an inefficient method for developing factual material relevant to CCC's concern. To expedite the process, GTEC and CCC agreed to conduct an audit outside the evidentiary hearings and produce a joint report to be received as an exhibit during the proceeding. This joint report was introduced as Exhibit 339 and was sponsored by CCC witnesses, Jarrow and Morris.

According to GTEC the main purpose of the audit was to determine if the billing system was generating false one-minute calls. In order to determine the types and quantities of calls coming into the Customer Billing Center (CBC) a tally was taken of customer inquiries made to the Cerritos CBC for one week. The tally showed a total of 27,498 calls for the week of which 364 were inquiries regarding one-minute calls with 13 of these calls being for one-minute incomplete calls similar to the complaint of CCC.

In addition CBC made arrangements to conduct test calling with customers who had one-minute call complaints similar to those of CCC. A total of 648 incomplete intraLATA Toll and ZUM test calls were performed on 10-customer lines with 40% of the testing performed during peak hours. No billings were generated for any of the intraLATA or ZUM incomplete test calls.

Call statistic data from Del Amo, Redondo Beach and Manhattan Beach CO's were analyzed by CCC's Morris. He found that roughly 50% of all call activity is one minute or less and that calls of 30 seconds or less comprised approximately 30% of all activity.



Based on the review of the billing system, as well as the test calling performed, GTEC believes that billing for incomplete intraLATA Toll, ZUM, and local calls is not occurring.

CCC's witness Jarrow disagrees with GTEC's conclusion that customers are not being billed for incomplete one-minute calls. She testified that neither GTEC nor CCC compared a phone bill for any of the lines under investigation with its CO office record to determine if the calls billed had actually been made on this basis. DRA agrees that the question of billing for one-minute calls has not been resolved and that we should require GTEC to explore this issue further. GTEC argues that it and CCC created a record of the calls at the customer's telephone at the time the test calls were placed. They then compared that log of calls with the customer's bill for the period in question and found that in each case not one of the incomplete calls appeared on the bill. Under these circumstances, GTEC sees no need or benefit of comparing the bill with the central office records.

A review of the record supports GTEC's contention that incomplete calls are not billed and that billing incomplete intraLATA, ZUM, and local calls is not occurring. Furthermore, from the record it is apparent that complaints of billing for incomplete or unmade one-minute calls are far less frequent than asserted by CCC. Consequently, we will order no further studies or action on this matter. It is noted that Ms. Jarrow filed an informal complaint with this Commission on the problems related to her alleged incomplete one-minute calls. It is hoped that the review of her complaint will resolve her individual problem in this respect.

#### E. Software Redesign

CCC notes that according to the testimony, software at the CO has the most potential for creating billing errors and that GTEC did not examine the switches and compare the results with customer billing to see if the switches were putting out phantom

calls and whether or not everything on the bill was based on the switch data. CCC believes that GTEC has a responsibility to test the billing data, and would like us to request a study on one-minute call synchronization at all switches to find if the synchronicity may be due to the parameter of the software manufacturer's program and if this pattern exists in interstate as well as toll, ZUM, and interstate calling.

From our review of the record we can find no support for CCC's allegations. Consequently, we will deny CCC's request of a study of one-minute calls.

F. Home Billing Devices

In its Conclusions and Recommendations section of Exhibit 339, CCC states in part:

"CCC would like to have the Commission make an investigation of one-minute calls and look into the possibility of a universal monitoring system like the SNI being placed at the residence. All other utilities are monitored in this fashion and the customer is able to get an actual read-out of charges. CCC recommends that an advanced dual metering device combining the SNI function with an electronic function (similar to the Hekemian device) be installed to register calls originating from the customer's residence or small business phone to provide a read-out of all calls made."

It should be noted that a primary difference between telephone and other utility service is that telephone service is provided by a pair of wires from the CO to the telephone whereas other utility products i.e., gas, electricity, and water are comingled up to the point of delivery. Consequently, the logical point to meter consumption of the product is at the CO for telephone service and at the point of delivery for other utility service. To meter telephone service at the point of delivery would greatly increase the cost of service by requiring relatively expensive equipment as well as meter reading and billing expense. Furthermore, according to the cross-examination of CCC's witness,

the installation of SNI devices on all subscribers' telephones would cost in the vicinity of \$1.5 billion. If such equipment is only to be installed for the customer to verify the accuracy of the telephone bills, those customers desiring such equipment can have it installed on their telephones at their expense. In our opinion, the evidence presented in this proceeding does not justify the expense having the utility install such equipment on all subscribers' telephones.

G. Consumer Studies

CCC requests this Commission to order a study directly reviewing the needs of the telephone user. According to CCC such a study should include customer service contacts, recorded records of the time of the complaint, and other related areas of information such as technical problems, outages, 611 complaints, billing complaints, and other operator contacts for adjustments. It is axiomatic that such a study would be expensive. In addition, the record indicates that present records and information summaries are adequate and further reinforcement unnecessary. Under these circumstances, the requested study is not justified and will not be ordered.

H. Billing Discrepancies

Testimony presented on behalf of WBFAA by witness Martinez indicated that:

1. GTEC's private line billing is inconsistent, inaccurate, and unreliable.
2. There are insufficient details of adjustments made for a customer to reconcile the billing statement with charges made.
3. The order activity reflected on bills submitted by GTEC does not provide any breakdown of the charges making it impossible to verify the accuracy of the bills.

4. The GTEC quote sheet is a manually prepared document that lists the charge elements applied to the order. There appears to be no rhyme or reason as to when GTEC sends this information to the customer.
5. Since GTEC does not reconcile actual services against billing records, and does not provide the customer with sufficient detail to reconcile the bill; errors occasioned by simple typos may go undetected.
6. GTEC does not provide the detailed information to add and remove orders that Pacific provides such as circuit number, order tracking code, customers wire center, customer name and address and breakdown of installation.
7. Pacific can provide every month a complete and detailed account of every charge on their bill that comprises the total monthly service, whereas API has requested the same information from GTEC for years without success.

The above listed issues and billing discrepancies have been raised in C.87-06-022, API, Inc. vs GTEC. We will address these matters in that case rather than herein.

I. Eligibility for Compensation

On April 3, 1987, CCC filed a "Request for Finding of Eligibility for Compensation" pursuant to Rule 76.54 of this Commission's Rules of Practice and Procedure. Rule 76.54 requires that a Request for Eligibility include four items:

- "(1) A showing by the customer that participation in the hearing or proceeding would pose a significant financial hardship;
- "(2) A statement of issues that the customer intends to raise in the hearing or proceeding;
- "(3) An estimate of the compensation that will be sought;

"(4) A budget for the customer's presentation."  
(Rule 76.54(a)(1)-(4), as amended by  
D.85-06-126 dated 6/21/85, effective  
7/21/85.

1. Significant Financial Hardship

Significant financial hardship, as defined by Rule  
76.52(f), means both of the following:

"(1) That in the judgment of the Commission,  
the customer has or represents an interest not  
otherwise adequately represented,  
representation of which is necessary for a fair  
determination of the proceeding; and,

"(2) Either that the customer cannot afford to  
pay the costs of effective participation,  
including advocate's fees, expert witness fees,  
and other reasonable costs of participation and  
the cost of obtaining judicial review, or that,  
in the case of a group or organization, the  
economic interest of the individual members of  
the group or organization is small in  
comparison to the costs of effective  
participation in the proceeding."

During one of the numerous conferences between CCC and  
GTEC representatives, GTEC agreed to pay a consulting fee of \$100  
per hour for both witnesses Jarrow and Morris, with a cap of  
\$35,000 plus expenses. Under these circumstances, CCC does not  
meet requirement 2 above and, therefore, cannot claim significant  
financial hardship.

Included under the significant financial hardship issue  
is a requirement that the party present a summary of finances  
distinguishing between grant funds committed to specific projects  
and discretionary funds. At present the total resources of CCC are  
alleged to be approximately \$2,700, none of which are grant funds  
committed to specific projects. Consequently, all the funds may be  
considered as discretionary funds.

2. Statement of Issues

The issues raised at the hearing apply to service and include billing procedures, customer contact with service representatives, maintenance systems, and monitoring of complaints.

3. Estimate of Compensation

CCC anticipates a request for compensation in the amount of \$17,500.

4. Budget

The estimated budget for CCC's participation is as follows:

Research (200 hours @ \$75/hour)	\$15,000
Legal (20 hours @ \$100/hour)	2,000
Travel, office, and other expenses	<u>500</u>
	\$17,000

5. Conclusion

As CCC does not meet the requirement for significant financial hardship, it is ineligible for compensation.

IV. Public-Participation Hearing Issues

A. General

Public participation hearings were held in Long Beach, Santa Barbara, San Fernando, Santa Monica, San Bernardino, Palm Springs, West Covina, and Los Gatos. At these hearings 75 members of the public made statements covering a wide range of subjects pertinent of this general rate proceeding. The non rate design matters most frequently addressed were the physical size of bills, the quality of service, and the inside wiring insurance charge of \$0.95 a month.

B. Bill Size

Several subscribers made statements objecting to the number of pages, most of which were essentially blank, comprising their monthly GTEC telephone bill. According to these witnesses

such a practice was wasteful with respect to the paper and an unjustifiable expense to burden the ratepayers. In some instances, according to the statements, extra postage was required because of the number of pages included in the bill. We are persuaded that there is definite need for improvement in the bill format to cut down on this apparently wasteful practice. One possible solution would be for GTEC to re-format its bills to eliminate unnecessary pages. Consequently, the order that follows will require GTEC to prepare a study of the basis for the present billing format resulting in multiple pages for customer bills, including an analysis of required programing changes and the cost thereof necessary to effect a billing format using a minimum number of pages, the time required to implement such changes, and any difficulties that might be encountered in such implementation.

C. Quality of Service

At the public participation hearings, 12 subscribers made statements complaining of the inferior quality of service allegedly being provided by GTEC. Ten of these complaints related to static on the telephone (5 of the 10 were located in a single mobile home park), 1 complained of no dial tone and 1 complained that the subscriber could not hear caller. These service complaints were investigated by GTEC and a summary of the results of the investigations were submitted to the presiding ALJ and to various members of the CPUC staff. According to the report, corrective action taken on these subscribers' facilities cleared the trouble and the subscribers expressed satisfaction with the action taken. Copies of the individual subscriber reports were mailed to the complaining subscribers and nothing further was heard from them, indicating that GTEC's claim that the trouble had been cleared was correct.

Testimony on the quality of service was presented on behalf of DRA by Senior Utilities Engineer Daljit Singh. After

careful analysis of GTEC's operations he reached the following conclusions, among others:

1. GTEC's overall quality of telephone service as per GO 133-A service results is adequate and improving.
2. GTEC's overall quality of service to its alarm customers as per GO 152 service results is adequate and improving.
3. GTEC has implemented numerous service improvement programs over the last three years which have been helpful in improving the quality of telephone service to its customers.
4. GTEC has consistently met or exceeded the service reporting requirements of Ordering Paragraph 3 of D.84-07-108, and did not have to pay any surcredit penalty. DRA believes that these reporting requirements are no longer needed and should be eliminated.<sup>2</sup>
5. The General Telephone Consumer Advisory Panel (CAP) has helped GTEC in setting up a format for consumer input for improving communication and interaction between the utility and its customers. Following CAP's advice, GTEC has revised some of its practices and procedures to facilitate the customer contacts. DRA believes that as long as there are substantial changes taking place in the telecommunications regulatory environments, the panel's role

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<sup>2</sup> Because of the poor quality of service being provided from specified COs, GTEC was ordered by D.84-07-108 to collect data on customer trouble reports per 100 lines and dial service indices for those offices. A surcredit of \$3.80 a line was imposed where in two of three consecutive months the customer reports were 10 or more per 100 lines or the service index was less than 97.0%. DRA found that GTEC had improved its service to the point that no surcredits were imposed and, therefore, DRA believes the reporting requirement and the per line surcharge set forth in Ordering Paragraph 3 of D.84-07-108 are no longer needed.



will be helpful to GTEC in maintaining informative communications with its customers.

6. The TEL-CEL percent statistical results for 1984 through 1986 for Direct Distance Dialing, Repair, Toll Operator, Directory Assistance Operator, and Installation do not show any trend in the telephone service quality and also do not match with the service improvement trends of internal service measurement results. DRA believes that the results of TEL-CEL program do not reflect the quality of telephone service provided by GTEC to its customers and therefore, the money spent on this program as it stands now is a waste of ratepayers' money.
7. The results of the CPUC customer opinion survey conducted in mid 1986, show that GTEC has made considerable progress in improving the quality of its telephone service. 94% of GTEC's surveyed customers indicated that during the last 30 days their overall telephone service was adequate, good or excellent. GTEC still has major transmission problems such as static or noise on the line, the customers have to redial because the call did not go through, etc. The DRA believes that more work is needed to upgrade the GTEC's outside plant facilities.
8. The CPUC customer opinion survey also revealed customers' perceptions that some of GTEC's representatives who deal with the customers on a daily basis are rude and discourteous to its customers. DRA recommends that GTEC should provide additional training for its representatives who handle customer contacts on a daily basis to minimize the problem.

Based on the above conclusions DRA makes the following recommendations:

1. GTEC should be allowed to discontinue submitting to the Commission the report

required by Ordering Paragraph 3 of D.84-07-108.

2. The surcredit penalty specified in Ordering Paragraph 3 of D.84-07-108 should be eliminated.

The above recommendations have merit and will be adopted.

3. GTEC should be allowed to retain its Consumer Advisory Panel but its total annual budget should not exceed \$69,000.

GTEC's retention of its Consumer Advisory Panel appears warranted since it benefits both GTEC and its ratepayers. DRA's budget limitation of \$69,000 is not supported on the record and will, therefore, not be adopted.

4. The costs associated with TEL-CEL program (\$521,385 for 1988) should be disallowed unless GTEC develops a customer opinion survey program the results of which would reflect the impacts of its service improvement efforts on the quality of telephone service provided to its customers in percent satisfaction and show trends in the customer satisfaction percentages over a reasonable period.

According to DRA the TEL-CEL percent satisfied results for 1984 through 1986 for Direct Distance Dialing Repair, Toll Operator, Directory Assistance Operator, and Installation Categories show no meaningful trend in customer perception of telephone service quality; the survey results do not match with service improvement trends of internal service measurement standards and do not accurately reflect the quality of telephone service GTEC provides its customers.

GTEC argues that DRA has failed to appreciate the shifts in customer perception that are reflected in the TEL-CEL reports; that TEL-CEL also measures customer opinions regarding GTEC's service that are different from the factors reflected in the GO 133A service measurements; that TEL-CEL has value when it

reports changes in customer perceptions, even if the changes are not so dramatic as the service improvements measured by GO 133A; and that money spent by GTEC on TEL-CEL is not wasted.

GTEC's arguments have merit. Furthermore, this Commission has relied on TEL-CEL reports in the past as a help in evaluating the quality of GTEC's service. Consequently, we will not adopt DRA's recommendation in this respect.

5. GTEC should be ordered to reduce transmission problems such as static or noise on the line, having to redial because the call did not go through, etc., by at least 30 percent over the next three years.

This recommendation has merit. Even GTEC admits that while its service quality overall is very good, it still needs to improve its outside plant to improve transmission quality. A 30 percent reduction over a three-year period appears to us to be a reasonable goal.

We would consider GTEC's failure to make significant advances in the reduction of transmission problems as a serious matter. If it becomes clear that our goal is not being achieved, then DRA should bring this issue before us again in an appropriate forum for review of GTEC's efforts and progress as well as consideration of any further remedies that DRA may wish to propose.

6. GTEC should provide additional training to its representatives who handle customer contacts on a daily basis.
7. GTEC should make a reasonable attempt to resolve the informal complaints in a reasonable time.

Both of the above recommendations have merit. It appears from the record that GTEC has already included their implementation in its continuing efforts to improve its service. However, to emphasize the importance of these items, we will include DRA's recommendations in appropriate ordering paragraph.

D. Inside Wiring

A number of subscribers protested and/or questioned GTEC's optional \$0.95 a month "insurance charge" for the maintenance of inside wiring (IW). We are considering inside wiring matters in I.84, our investigation into the ratemaking effects and economic consequence of customer owned premise wiring rather than this proceeding. I.84 was consolidated with Pacific's A.85-01-034 and related I.85-03-078. D.86-12-099 on these matters provided that I.84 respondents, including GTEC, shall implement a program of detariffed IW maintenance as of January 1987 under which revenues and tariffs associated with the program shall be accorded above-the-line treatment and shall establish memorandum accounts for revenues in which they may record incremental expenses associated with IW maintenance detariffing. The amounts are to accrue interest at the three-month commercial paper rate and are subject to refund. This program will permit us to equitably resolve this facet of customer owned premise wiring in connection with the above matters.

Comments on Proposed Decision

As provided in Section 311 of the Public Utilities Code, ALJ Johnson prepared a Proposed Decision which was filed with the Commission and served on all parties on November 29, 1988. Rules 77.1 through 77.5 of this Commission's Rules of Practice and Procedure permit parties to file comments on such a Proposed Decision within 20 days of its date of mailing or December 19, 1988 and reply comments five days later.

Comments were filed by DRA and Reply Comments by GTEC. Both the comments and reply thereto addressed a single item, the proposed decision's rejection of DRA's recommendation to disallow the 1988 test year TEL-CEL program costs of \$521,385. In rejecting DRA's recommendation, we found GTEC's arguments have merit and noted we had relied on TEL-CEL reports in the past as a help in evaluating the quality of GTEC's service. DRA alleges the above

conclusion is not based on facts or evidence adduced during the proceeding. DRA further alleges the proposed decision has completely relied upon assertions found in GTEC's brief that are not supported by the evidence in this proceeding. GTEC refutes these allegations stating that DRA has misrepresented the state of the record and that each of the questions raised by DRA in its comments was addressed during the cross-examination of DRA's witness on the TEL-CEL matter.

We have carefully examined the record on this matter, particularly the cross-examination of DRA's witness and find that DRA's position is without merit. Consequently, no change to the decision is warranted.

Findings of Fact

1. D.88-08-024 dated August 10, 1988, provides for a consolidated rate design proceeding for Pacific and GTEC.
2. D.88-08-024 provides that the revenue requirement changes for Pacific and GTEC currently being accumulated in memorandum accounts will be placed in rates through a surcredit or surcharge mechanism.
3. For the test year 1988 GTEC complies with the provision of D.82-12-101 and D.84-07-108 as they relate to WMBE activities. In spite of this, however, in the past GTEC's WMBE program fell far short of achieving any reasonable goal for the utilization of women and minority owned business enterprises in the procurement of contracts from GTEC.
4. By D.88-04-057 dated April 27, 1988 we established GO 156 formulating rules governing the development of programs to increase participation of female and minority business enterprises in procurement of contracts from utilities as required by PU Code §§ 8281-8285.
5. For the future GO 156 frames the issues of WMBE program compliance for GTEC and, therefore, obviates the necessity of further consideration of said problem in this proceeding.

6. In general GO 156 includes DRA's proposed six specific recommendations for GTE's WMBE program.

7. GTEC has signed an agreement filed with this Commission on February 8, 1988 that provides for goals of fifteen percent for minorities and the five percent for white-women owned businesses within five years. This agreement coupled with compliance with GO 156, should place GTEC well on the road of meeting our goals of equal opportunity and anti-discriminatory practices in the contracts and agreements GTEC may enter into with other parties for the provision of goods and services.

8. The non-profit organizations represented by Advocates are the primary entities who actively seek to enforce the terms of PU Code §§ 8281-8285, this Commission's prior WMBE decisions, and this Commission's commitment to bilingual services.

9. It is in the public interest that the record be fully developed on the issues of WMBE enforcement and bilingual telephone service.

10. Participation by several parties helps to ensure full development of the record on WMBE enforcement and bilingual telephone service.

11. Advocates is an organized group participating on behalf of specific group of ratepayers on an ongoing basis.

12. Advocates comply with the provisions of Rule 76.54 of Article 18.7 of our Rules of Practice and Procedure regarding eligibility for compensation.

13. The record does not support our mandating that GTEC adopt an adjustment policy for billing disputes similar to Pacific's.

14. GTEC's use of a billing tree (decision tree) is not a practice designed to discourage customer complaints.

15. GTEC's present testing procedures as related to newly installed CO equipment adequately protect the ratepayer against uncollectible erroneous billing.

16. This record supports GTEC's contention that incomplete calls are not billed and that the billing of incomplete intraLATA, ZUM, and local calls is not occurring.

17. The frequency of complaints of billing for incomplete or unmade one-minute calls is substantially less than alleged by CCC.

18. The evidence considered in this proceeding indicates that it is impractical to meter telephone calls at the phone location rather than at the CO because such metering would greatly increase the cost of service without providing a corresponding benefit.

19. CCC is to be compensated at a rate of \$100 per hour with a cap of \$35,000, plus expenses and therefore does not meet Requirement 2 of Rule 76.52(f) "(2) Either that the customer cannot afford to pay the costs of effective participation..."

20. The proper forum for the consideration of the issues and billing discrepancies raised by WBFAA is C.87-06-022, API, Inc. v GTEC rather than this proceeding.

21. GTEC's present billing format results in the use of excessive pages for the customers' bills resulting in waste and unnecessary expense to the subscribers.

22. It is reasonable to require GTEC to prepare a study for Commission staff review of the time required, programing changes necessary, and cost of revising its billing format to effect a billing format using a minimum number of pages.

23. Corrective action taken on the facilities of those subscribers who made statements at the public participation hearings cleared the trouble to the subscribers' satisfaction.

24. GTEC should be allowed to discontinue submitting to the Commission the report required by Ordering Paragraph 3 of D.84-07-108.

25. The surcredit penalty specified in the above ordering paragraph should be eliminated.

26. GTEC's retention of its Consumer Advisory Panel appears warranted, as it is of benefit to both GTEC and its ratepayers.

27. The costs associated with the TEL-CEL program should not be disallowed for ratemaking purposes because of value of the studies to both GTEC and this Commission in evaluating the improvement in service.

28. GTEC should adopt a goal of effecting a 30 percent reduction in transmission problems such as static or noise on the line over a three-year period.

29. The matter of GTEC's optional "insurance charge" of \$0.95 a month for inside wiring maintenance is being considered in I.84.

Conclusions of Law

1. GO 156 and the Commission's implementation forums are the proper vehicle for the future resolution of WMBE problems for the major utilities in California, including GTEC.

2. Advocates represents the interests of WMBE and bilingual ratepayers, who, as individuals, have a small economic interest compared to the costs of effective individual participation, and Advocates has demonstrated significant financial hardship under Rule 76.52(f).

3. Advocates should be found eligible to claim compensation under Article 18.7 of our Rules.

4. CCC has not met the significant financial hardship requirement of Rule 76.52 and is, therefore, ineligible to claim compensation.

5. GTEC should prepare a study for our staff review of the time required, programing changes necessary, and the cost of revising its billing format to effect a billing format using a minimum number of pages.

6. The reporting requirements and the surcredit penalty specified in Ordering Paragraph 3 of D.84-07-108 should be discontinued.

7. GTEC should adopt a goal of effecting a 30 percent reduction in transmission problems over a three-year period.



THIRD INTERIM ORDER

IT IS ORDERED that:

1. Within 120 days of the effective date of the order, GTEC shall submit to the CACD for review a study setting forth the basis for the present billing format resulting in an excessive number of pages for customer bills, including analysis of required programing changes and the cost thereof necessary to effect a billing format using a minimum number of pages, the time required to implement such changes, and any difficulty that might be encountered in such implementation. ✓

2. Public Advocates, Inc. is eligible to claim compensation for its participation in these proceedings.

3. The reporting requirements and the surcredit penalty specified in Ordering Paragraph 3 of D.84-07-108 are hereby discontinued.

4. GTEC shall provide additional training to its representatives who handle customer contacts on a daily basis.

5. GTEC shall make a reasonable attempt to resolve informal complaints in a reasonable time.

. This order becomes effective 30 days from today.

Dated January 11, 1989, at San Francisco, California.

G. MITCHELL WILK  
President  
FREDERICK R. DUDA  
JOHN B. OHANIAN  
Commissioners

Commissioner Stanley W. Hulett,  
being necessarily absent, did  
not participate.

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

*[Signature]*  
Executive Director

Company of California) after Phase II of Investigation (I.) 87-11-033. The decision further provides that the revenue requirement changes for Pacific and GTEC currently being accumulated in memorandum accounts will be placed in rates through a surcredit or surcharge mechanism.

D.88-04-057 dated April 27, 1988 in our rulemaking investigation (R.) 87-02-026 was an interim order establishing General Order (GO) 156 to implement Assembly Bill (AB) 3678 which became law in September 1986 and added Sections 8281 through 8285 to the Public Utilities (PU) Code. We view GO 156 as the appropriate vehicle for the future resolution of the Women and Minority-Owned Business Enterprises (WMBE)<sup>1</sup> problem for the major utilities in California including GTEC. For the test year 1988 we conclude that GTEC complied with the provisions of D.82-12-101 and D.84-07-108 as they relate to WMBE.

CCC made a number of recommendations relating to GTEC's service and bill adjustment policies. Our review of the record disclosed insufficient support for adoption of any of the recommendations made by CCC.

A number of witnesses at the public participation hearings objected to the physical size of the telephone bills rendered by GTEC. This decision requires GTEC to prepare a study of the basis for the present format resulting in multiple pages for customer bills, programing changes and the cost thereof necessary to effect a billing format using a minimum number of pages, the time required to implement such changes and any difficulties that might render such changes infeasible and submit it to the Commission Advisory and Compliance Division (CACD) for review.

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<sup>1</sup> DRA's showing reflected WMBE as Female/Minority Business Enterprise (F/MBE). For purposes of this proceeding the two terms are synonymous.

reports changes in customer perceptions, even if the changes are not so dramatic as the service improvements measured by GO 133A; and that money spent by GTEC on TEL-CEL is not wasted.

GTEC's arguments have merit. Furthermore, this Commission has relied on TEL-CEL reports in the past as a help in evaluating the quality of GTEC's service. Consequently, we will not adopt DRA's recommendation in this respect.

5. GTEC should be ordered to reduce transmission problems such as static or noise on the line, having to redial because the call did not go through, etc., by at least 30 percent over the next three years.

This recommendation has merit. Even GTEC admits that while its service quality overall is very good, it still needs to improve its outside plant to improve transmission quality. A 30 percent reduction over a three-year period appears to us to be a reasonable goal.

We will address the progress GTEC has made in reducing the transmission problems in its next general rate proceeding. GTEC is placed on notice that we will consider GTEC's failure to make significant advances in the reduction of transmission problems sufficient basis to reduce the rate of return we would otherwise authorize to reflect this fact.

6. GTEC should provide additional training to its representatives who handle customer contacts on a daily basis.
7. GTEC should make a reasonable attempt to resolve the informal complaints in a reasonable time.

Both of the above recommendations have merit. It appears from the record that GTEC has already included their implementation in its continuing efforts to improve its service. However, to emphasize the importance of these items, we will include DRA's recommendations in appropriate ordering paragraph.

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6. In general GO 156 includes DRA's proposed six specific recommendations for GTE's WMBE program.

7. GTEC has signed an agreement filed with this Commission on February 8, 1988 that provides for goals of fifteen percent for minorities and the five percent for white-women owned businesses within five years. This agreement coupled with compliance with GO 156, should place GTEC well on the road of meeting our goals of equal opportunity and anti-discriminatory practices in the contracts and agreements GTEC may enter into with other parties for the provision of goods and services.

8. The non-profit organizations represented by Advocates are the primary entities who actively seek to enforce the terms of PU Code §§ 8281-8285, this Commission's prior WMBE decisions, and this Commission's commitment to bilingual services.

9. It is in the public interest that the record be fully developed on the issues of WMBE enforcement and bilingual telephone service.

10. Participation by several parties helps to ensure full development of the record on WMBE enforcement and bilingual telephone service.

11. Advocates is an organized group participating on behalf of specific group of ratepayers on an ongoing basis.

12. Advocates comply with the provisions of Rule 76.54 of Article 18.7 of our Rules of Practice and Procedure regarding eligibility for compensation.

13. The record does not support our mandating that GTEC adopt an adjustment policy for billing disputes similar to Pacific's.

14. GTEC's use of a billing tree (decision tree) is not a practice designed to discourage customer complaints.

15. GTEC's present testing procedures as related to newly installed CO equipment adequately protect the ratepayer against uncollectible erroneous billing.

16. This record supports GTEC's contention that incomplete calls are not billed and that the billing of incomplete intraLATA, ZUM, and local calls is not occurring.

17. The frequency of complaints of billing for incomplete or unmade one-minute calls is substantially less than alleged by CCC.

18. The evidence considered in this proceeding indicates that it is impractical to meter telephone calls at the phone location rather than at the CO because such metering would greatly increase the cost of service without providing a corresponding benefit.

19. CCC is to be compensated at a rate of \$100 per hour with a cap of \$35,000, plus expenses and therefore does not meet Requirement 2 of Rule 76.52(f) "(2) Either that the customer cannot afford to pay the costs of effective participation..."

20. The proper forum for the consideration of the issues and billing discrepancies raised by WBFAA is C.87-06-022, API, Inc. v GTEC rather than this proceeding.

21. GTEC's present billing format results in the use of excessive pages for the customers' bills resulting in waste and unnecessary expense to the subscribers.

22. It is reasonable to require GTEC to prepare a study for Commission staff review of the time required, programing changes necessary, and cost of revising its billing format to effect a billing format using a minimum number of pages.

23. Corrective action taken on the facilities of those subscribers who made statements at the public participation hearings cleared the trouble to the subscribers' satisfaction.

24. GTEC should be allowed to discontinue submitting to the Commission the report required by Ordering Paragraph 3 of D.84-07-108.

25. The surcredit penalty specified in the above ordering paragraph should be eliminated.

26. GTEC's retention of its Consumer Advisory Panel appears warranted, as it is of benefit to both GTEC and its ratepayers.

27. The costs associated with the TEL-CEL program should not be disallowed for ratemaking purposes because of value of the studies to both GTEC and this Commission in evaluating the improvement in service.

28. GTEC should adopt a goal of effecting a 30 percent reduction in transmission problems such as static or noise on the line over a three-year period.

29. The matter of GTEC's optional "insurance charge" of \$0.95 a month for inside wiring maintenance is being considered in I.84.

#### Conclusions of Law

1. GO 156 and the Commission's implementation forums are the proper vehicle for the future resolution of WMBE problems for the major utilities in California, including GTEC.

2. Advocates represents the interests of WMBE and bilingual ratepayers, who, as individuals, have a small economic interest compared to the costs of effective individual participation, and Advocates has demonstrated significant financial hardship under Rule 76.52(f).

3. Advocates should be found eligible to claim compensation under Article 18.7 of our Rules.

4. CCC has not met the significant financial hardship requirement of Rule 76.52 and is, therefore, ineligible to claim compensation.

5. GTEC should prepare a study for our staff review of the time required, programing changes necessary, and the cost of

revising its billing format to effect a billing format using a minimum number of pages.

6. The reporting requirements and the surcredit penalty specified in Ordering Paragraph 3 of D.84-07-108 should be discontinued.

7. GTEC should adopt a goal of effecting a 30 percent reduction in transmission problems over a three-year period.

THIRD INTERIM ORDER

IT IS ORDERED that:

1. Within 120 days of the effective date of the order, GTEC shall submit to the Commission staff for review a study setting forth the basis for the present billing format resulting in an excessive number of pages for customer bills, including analysis of required programing changes and the cost thereof necessary to effect a billing format using a minimum number of pages, the time required to implement such changes, and any difficulty that might be encountered in such implementation.

2. Public Advocates, Inc. is eligible to claim compensation for its participation in these proceedings.

3. The reporting requirements and the surcredit penalty specified in Ordering Paragraph 3 of D.84-07-108 are hereby discontinued.

4. GTEC shall provide additional training to its representatives who handle customer contacts on a daily basis.



5. GTEC shall make a reasonable attempt to resolve informal complaints in a reasonable time.

This order becomes effective 30 days from today.

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

THIRD INTERIM ORDER

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5. GTEC shall make a reasonable attempt to resolve informal complaints in a reasonable time.

This order becomes effective 30 days from today.

Dated JAN 11 1989, at San Francisco, California.

G. MITCHELL WILK  
President  
FREDERICK R. DUDA  
JOHN B. CHANLAN  
Commissioners

Commissioner Stanley W. Hulett  
being necessarily absent, did  
not participate.