

Decision No. 82-05-044 May 12, 1982

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 THE PACIFIC TELEPHONE AND TELEGRAPH)
 COMPANY, a corporation, for authority)
 to increase certain intrastate rates)
 and charges applicable to telephone)
 services furnished within the State)
 of California, etc.)

Application 59849
 Application 59269
 Application 59858
 Application 59888
 OII 863
 OII 81
 OII 84

Investigation on the Commission's own)
 motion into the rates, tolls, rules)
 charges, operations, costs, separations,)
 inter-company settlements, contracts,)
 services, and facilities of THE PACIFIC)
 TELEPHONE AND TELEGRAPH COMPANY, a)
 California corporation; and of all the)
 telephone corporations listed in)
 Appendix A, attached hereto, etc.)

ORDER MODIFYING DECISIONS 93367 AND 93655

By this order we modify our Decision 93367 and 93655, dated respectively August 4, 1981 and October 20, 1981, in the first phase of Application 59849.

There is presently pending before the California Supreme Court a review of the Commission's August 4, 1981 decision which granted Pacific Telephone a \$610 million rate increase. The Petition for Writ of Review (S.F. No. 24361) was brought by the City and County of San Francisco and the City of San Diego (collectively, the "Cities"). The Supreme Court granted its Writ of Review on March 11, 1982. Oral argument is scheduled for the week of June 1, 1982. The sole issue is the effect on rate base of increasing customer use of "PhoneCenter Stores". The Cities have argued that the effect on rate base of the PhoneCenter stores

Therefore, good cause appearing,

IT IS ORDERED that,

1. Decision 93367 is modified as follows:

a) The last two sentences of the first paragraph on page 25 of the decision are deleted and the following is substituted in its place:

"The Staff testimony is not clear on this issue. Pacific now requests that a rate base reduction on a total Company basis of \$70,000,000, as advocated by the Cities be made. The Cities' argument was premised on figures included in Exhibit 73. We agree will make this adjustment."

b) An additional Finding after Finding 31 on pages 214 is added as follows:

31a. There should be an additional downward rate base adjustment of \$70,000,000 for the effect on Pacific's rate base of increased use of PhoneCenter stores by residential customers.

c) An additional Finding after Finding 51 on page 216 is added as follows:

51a. The effect of the additional downward rate base adjustment found in Finding 31a results in a decreased net revenue requirement from the net revenue requirement found in Finding 51 above. Adjusting the \$70,000,000 rate base change by the interstate/intrastate separations factor of .7478 and multiplying that times the authorized rate of return of 12.91% results in a negative net revenue requirement effect of \$6,758,000. When this is multiplied by the net-to-gross multiplier of 1.896, there is a downward adjustment in gross revenues of \$12.8 million from August 29, 1981 going forward. The final gross revenue requirement is \$597,300,000."

d) The Conclusion of Law on page 225 is revised to substitute the figure "\$597.3 million" for the figure of \$610.1 million."

L/WK/kn

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 THE PACIFIC TELEPHONE AND TELEGRAPH
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 TELEPHONE AND TELEGRAPH COMPANY, a
 California corporation; and of all the
 telephone corporations listed in
 Appendix A, attached hereto, etc.

ORDER MODIFYING DECISION NOS. 93367 AND 93655

By this order we modify our Decision ~~nos.~~ 93367 and
 93655, dated respectively August 4, 1981 and October 20, 1981, in
 the first phase of Application No. ~~59849~~ ⁵⁹⁸⁴⁹.

There is presently pending before the California Supreme
 Court a review of the Commission's August 4, 1981 Decision which
 granted Pacific Telephone a \$610 million rate increase. The
 Petition for Writ of Review (S.F. No. 24361) was brought by the
 City and County of San Francisco and the City of San Diego
 (collectively, the "Cities"). The Supreme Court granted its Writ
 of Review on March 11, 1982. Oral argument is scheduled for the
 week of June 1, 1982. The sole issue is the effect on rate base
 of increasing customer use of "PhoneCenter Stores". The Cities
 have argued that the effect on rate base of the PhoneCenter stores

was not considered in Decision No. 93367. The Cities petitioned the Court to issue an order to the Commission to correct Decision No. 93367 and order appropriate refunds. By a Petition for Modification filed May 10, 1982, Pacific Telephone requested us to order certain rate decreases and refunds in Application No. 59849, to moot the issue before the Court and terminate the proceeding in the Court.

~~We have reviewed the record in this proceeding upon which Decision No. 93367 is based and are of the opinion that the evidence in that record supports the Cities' contention that a downward adjustment to the adopted rate base is appropriate.~~

In Decision No. 82-01-100 dated January 19, 1982, we denied requests for rehearing from Decision No. 93728. Decision No. 93728 was issued in phase one of OII-84, which dealt with the revenue requirements resulting from a change in the accounting for station connection costs. However, in Decision No. 82-01-100, we found that the outcome of S.F. No. 24361 "may affect our conclusions as to the level of specific rate increases here" and therefore made the increases granted in Decision No. 93728 subject to refund. Because of our action today, we are reopening the hearings in OII-84 to consider the limited issue of whether or not our Decision herein has any impact on the proper level of rate increases in connection with phase one of OII-84 and, if so, the amount thereof and how that amount should be spread among Pacific Telephone's customers.

We have been advised by our Counsel that Pacific Telephone and the Cities have acknowledged that the Orders herein will moot the Petition for Review and that they will stipulate to said mootness in writing to the Court.

Therefore, good cause appearing,

IT IS ORDERED that,

1. Decision No. 93367 is modified as follows: ✓
KH

a) The last two sentences of the first paragraph on page 25 of the Decision are deleted and the following is substituted in its place:

*new
1. a
ordering
para*

"The Staff testimony is not clear on this issue. Pacific now requests that a rate base reduction on a total Company basis of \$70,000,000 as advocated by the Cities be made. The Cities' argument was premised on figures included in Exhibit 73. We will make this adjustment."

b) An additional Finding after Finding 31 on page 214 is added as follows:

"31a. There should be an additional downward rate base adjustment of \$70,000,000 for the effect on Pacific's rate base of increased use of PhoneCenter stores by residential customers.

c) An additional Finding after Finding 51 on page 216 is added as follows:

"51a. The effect of the additional downward rate base adjustment found in Finding 31a results in a decreased net revenue requirement from the net revenue requirement found in Finding 51 above. Adjusting the \$70,000,000 rate base change by the interstate/intrastate separations factor of .7478 and multiplying that times the authorized rate of return of 12.91% results in a negative net revenue requirement effect of \$6,758,000. When this is multiplied by the net-to-gross multiplier of 1.896, there is a downward adjustment in gross revenues of \$12.8 million from August 29, 1981 going forward. The final gross revenue requirement is \$597,300,000." ✓
KH

d) The Conclusion of Law on page 225 is revised to substitute the figure "\$597.3 million" for the figure of "\$610.1 million."

2. Pacific is ordered to file, subsequent to the determination of the ratespread which is ordered below, revised tariff schedules with rates incorporating the revenue decreases ordered herein and the appropriate rate refunds covering the period August 29, 1981 through the effective date of the ongoing rate reductions.

3. Hearings shall be held in the present second phase of Application ~~No.~~ 59849 limited to the determination of the ratespread for the decreased revenues and refunds ordered herein. ✓
KW

4. The hearings in phase one of OII-84 are reopened to consider the limited issues of whether or not our Decision herein has any impact on the proper level of rate increases in connection with phase one of OII-84 and, if so, the amount thereof and how that amount should be spread among Pacific Telephone's customers. ✓
KW

5. The Commission's General Counsel is directed to seek to dismiss S.F. No. 24361 as moot.

This Order is to be effective on the date of the California Supreme Court's dismissal of S.F. No. 24361.

Dated MAY 12 1982 , at San Francisco, California.

JOHN E. BRYSON
President
RICHARD D. GRAVELLE
LEONARD M. CRIMES, JR.
VICTOR CALVO
PRISCILLA C. GREW
Commissioners